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## WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
la. letter	<u>l. letter case, Burns to Klasen, 11/20/73</u>  Karl Klasen, Deutsche Bundesbank, to Burns, re Article IV, Section 2 of the Articles of Agreement of the IMF (1 p.)	11/14/73	A

## FILE LOCATION

Arthur Burns Papers  
 Name File, Box B21  
Klasen, Karl (2)

SRM  
 1/10/85

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DR. KARL KLASSEN

PRÄSIDENT DER DEUTSCHEN BUNDESBANK

6 FRANKFURT AM MAIN

WILHELM-EPSTEIN-STRASSE 14

TELEFON 1581

Airmail

September 2, 1974

Mr. Arthur F. Burns  
Chairman of the  
Board of Governors  
of the Federal Reserve System  
Washington, D.C. 20551  
U.S.A.

Dear Arthur:

Many thanks for your letter of August 8. Unfortunately I have not been able to reply to it before as I have been away on vacation.

Already at the last meeting in Basle Governor Wallich drew my attention to the interest of U.S. banks in not being treated as creditors who had been giving the Herstatt Bank credit. We have given careful consideration to this matter in the Bundesbank and have come to the conclusion that, to our regret, we are unable to help.

First you raise the objection that the timing of the closing of the Herstatt Bank was arbitrary and incorrectly chosen. I am unable to share this view. Under German law the Federal Banking Supervisory Office was obliged to close the bank immediately it became evident that the assistance envisaged by the major shareholder was not realistic. Thus, once the major shareholder and the banks which were prepared to render assistance agreed at a given moment that supporting action was impossible, the President of the Federal Supervisory Office had no choice but to order the closure immediately.

Of course, this order applied only to Germany. This makes me wonder why the U.S. banks did not credit the dollar amounts to the accounts of the Herstatt customers who had already paid in the Deutsche Mark amounts here. Why this did not happen is impossible to tell from this end. The fact remains, however, that



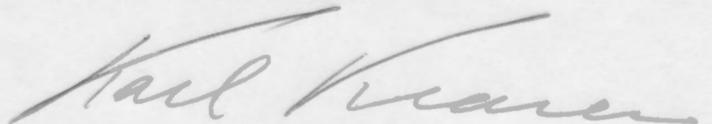
the Herstatt Bank had a considerable foreign exchange balance with The Chase Manhattan, via which a large part of the spot foreign exchange transactions could have been settled. U.S. dollar amounts which were to be transferred by other banks to Herstatt's account with The Chase Manhattan by way of reinforcement were also, according to our information, held up.

I should like to assure you that I fully appreciate your interest in an early settlement of the interrupted spot foreign exchange transactions. But this is impossible and admittedly unjustifiable. I am sure that the U.S. banks did not intend to give a credit neither of long term nor of short term, but in the short space of time of the transactions they did in fact do so. Incidentally, the same applies to those depositors who had paid money in to the Herstatt Bank with express instructions to use it for the immediate payment of debt. These depositors, too, find that their money is held.

I confidently hope for understanding of the fact that all those concerned must act in accordance with the law as it stands. I cannot imagine that in your country an order to close a bank that has become insolvent is manipulatable in respect, say, of the office hours during which the business is transacted.

You know what great efforts we make to assist our American friends. At the moment, however, I can unfortunately see no possibility of helping. Should any opportunity arise, you may rest assured that we shall take it.

With kindest regards,  
sincerely yours,



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

1974 AUG 20 PM 3:08

RECEIVED  
OFFICE OF THE CHAIRMAN

DEUTSCHE BUNDESBANK

Personal Assistant  
to the President

FRANKFURT AM MAIN, August 16th, 1974

Dr. Arthur F. Burns  
Chairman of the Board of Governors  
Federal Reserve System

Washington, D.C. 20551/USA

Dear Mr. Governor,

I have the honour to confirm receipt of your letter of August 8th, to President Klasen. I shall submit your letter to the President, who is staying abroad until the beginning of September, immediately after his return.

Yours sincerely



(Dr. Schlüter)



August 8, 1974

Dear Karl:

I am aware of the fact that the Herstatt Bank matter is now in the hands of the liquidator and the courts. Nevertheless, I write to urge you to take whatever steps you can to facilitate an early settlement of those spot foreign exchange transactions that were interrupted by the closure of the Herstatt Bank.

Our banks seem to me to have a strong case. They were caught by the Herstatt closure in the middle of a cash transaction. They did not consider themselves to be giving credit, even though some caution in dealing with a firm of Herstatt's reputation might have been appropriate. The precise timing of the closing of the Herstatt Bank was arbitrary, given the documented complexity of the negotiations that had been underway in an effort to save Herstatt, and was highly prejudicial to the American banks.

More broadly, the effect of leaving Herstatt's spot foreign exchange transactions unsettled has been to create widespread uncertainties in foreign exchange markets, to the particular detriment of smaller banks, some of which are at the same time having difficulties in the Euro-currency markets. I believe the prompt settlement of the interrupted Herstatt transactions would have a useful reassuring effect not only in the foreign exchange market but also on a wider scale.

Finally, I should point out to you the possibility that this matter, if left unsettled, may be drawn into the political arena at a high level, a development that I am sure would be of as deep concern to you as it would be to me.



We must all give thought to how best to instill confidence in the financial markets so that transactions will proceed smoothly. As you know, your Chancellor and our Secretary of the Treasury have discussed the importance of reassuring and stabilizing the Euro-currency market. The actions taken by the Bundesbank on July 18 to meet seasonal strains and temporary liquidity difficulties within the German banking system will not doubt be helpful, as will your efforts to monitor more closely the foreign exchange positions of German banks. For our part, we have, as you know, made every effort to insure that difficulties of a few U.S. banks not be allowed to cause more widespread damage. Significant further reassurance to financial markets would be provided by the prompt settlement of the spot foreign exchange transactions that were interrupted by the closure of the Herstatt Bank.

With kindest regards,

Sincerely yours,

(Signed) Arthur F. Burns

Arthur F. Burns

Dr. Karl Klasen  
President  
Deutsche Bundesbank  
Frankfurt AM, Main, Germany



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date July 29, 1974

To Chairman Burns

Subject: Draft letter to

From John E. Reynolds *JER*

President Klasen

The attached draft letter supplies the customary acknowledgment of a cable received from Dr. Klasen, and takes advantage of the opportunity to include a word about the Herstatt affair.

In view of the decisions already announced by the German authorities that their laws do not permit full and prompt settlement for the interrupted spot foreign exchange transactions, it seems that there is little hope for American banks to get full settlement, let alone prompt, except via the courts.

Attachment

*Not enclosed*



DRAFT: J. E. Reynolds  
July 29, 1974

Draft Letter from Chairman Burns to President Klasen:

Dear Karl:

Thank you for your telegram of July 18, describing the measures taken by the Bundesbank to meet seasonal strains and temporary liquidity difficulties within the German banking system, and to support the Federal Government's efforts to make additional credits available to smaller and medium-sized enterprises.

We have also read with interest of your efforts to monitor more closely the foreign exchange positions of German banks and prevent excessive exposure. As you may know, the U.S. Treasury and the Federal Reserve will soon be collecting detailed monthly information on the foreign exchange positions of large U.S. banks. All these actions should tend to make future banking difficulties less likely.

Unfortunately, it still seems to be the case that the legacy of the Herstatt failure is causing some uncertainty in foreign exchange markets and also, more broadly, in the Euro-currency markets. We were naturally disappointed to learn that you and the other German authorities have not found it possible to settle quickly the half-completed spot foreign exchange transactions that were interrupted by the Herstatt failure.

We must all give thought to how best to instill confidence in the financial markets so that transactions will proceed smoothly.

With kindest regards,

Sincerely yours,



Copy of Telefax to Chairman Burns  
from President Klasen

At its meeting on July 18, 1974 the Central Bank Council of the Deutsche Bundesbank in the presence of Herr <sup>de</sup>Peehl, State Secretary at the Federal Ministry of Finance, took following decisions: (1) The period during which Lombard credit is granted ~~X~~ At the present Lombard rate of 9 0/0, with no limit as to the amount, will be extended beyond July 31, 1974 up to and including August 31, 1974. (2) The Deutsche Bundesbank will raise the upper limit set for the total of prime acceptances which it is prepared to purchase in market regulating operations by DM 200 million, with the proviso that this additional facility shall be solely to the benefit of private banks and smaller regional banks. (3) The Deutsche Bundesbank was acceded to the application by the Federal Association of German Banks ~~for~~ for assuring refinance assistance for the liquidity syndicate which has been formed. The members of this syndicate will, as a rule, receive such assistance, where necessary through a corresponding increase in their rediscount quotas. (4) By an increase in the special rediscount facilities at the Bundesbank the Reconstruction Loan Corporation (~~W~~editanstalt Fuer Wiederaufbau) will be enabled to obtain funds to finance credits up to DM 500 million which it makes available to smaller and medium-sized enterprises. With these measures the Deutsche Bundesbank is making allowance firstly for the sustained seasonal shortage of bank liquidity, and secondly for the temporary difficulties in balancing liquidity within the banking system. By increasing the rediscount line of the reconstruction loan corporation, The Deutsche Bundesbank is supporting



parallel endeavours by the Federal Government to improve the possibilities for smaller and medium-sized enterprises to obtain finance, ~~dr.~~

Dr. Klasen



February 4, 1974

Dear Dr. Klasen:

Dr. Burns has asked me to thank you for your letter of January 22nd regarding the visit of Mr. Otto Graf Lambsdorff to Washington during the period March 1-5. Since Dr. Burns will be out of the country during that period, he regrets that he will be unable to visit with Mr. Lambsdorff. I have suggested to the German Embassy that Mr. Lambsdorff might want to visit with one of the members of the Board and I am waiting to see if that is agreeable with him.

Sincerely yours,

Catherine C. Mallardi  
Administrative Assistant  
to the Chairman

Dr. Karl Klasen  
President  
Deutsche Bundesbank  
6 Frankfurt AM Main  
Germany



#116-A

DR. KARL KLASSEN

PRÄSIDENT DER DEUTSCHEN BUNDESBANK

6 FRANKFURT AM MAIN

WILHELM-EPSTEIN-STRASSE 14

TELEFON 1581

22-1-1974

Prof. Dr. Arthur F. Burns

Chairman

Board of Governors of the  
Federal Reserve System

Washington, D.C. 20551/USA

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
1974 JAN 28 PM 1:06  
RECEIVED  
OFFICE OF THE CHAIRMAN

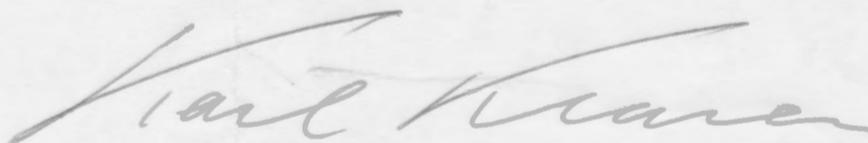
Dear Arthur,

I would like to let you know that Mr. Otto Graf Lambsdorff, member of the German Parliament, would very much appreciate to see you on the occasion of his visit to the United States which he shall carry out at the beginning of March next.

Mr. Lambsdorff, who acts as one of the spokesmen of the ruling Liberal Party, disposes of exhaustive information on economic and monetary affairs. In German political life Mr. Lambsdorff is recognized as a highly reputed politician.

I should be pleased to learn whether you could arrange for an appointment with Mr. Lambsdorff between 1st and 5th of March. In order to fix the details, Mr. Lambsdorff would address himself to you either immediately or by means of the services of the German Embassy.

Sincerely yours,



**December 21, 1973**

**Dear Karl:**

**It was very kind of you to send me the beautiful pewter mug. It shall have a place of honor in our home.**

**Helen joins me in sending you and Ilse our best wishes for the New Year.**

**Sincerely yours,**

**(signed) Arthur F.**

**Arthur F. Burns**

**Mr. Karl Klassen  
President  
Deutsche Bundesbank  
Frankfurt AM, Main, Germany**

**CCM/AFB:slc**



DEUTSCHE BUNDESBANK

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

1973 DEC 18 PM 12:13

RECEIVED  
OFFICE OF THE CHAIRMAN

DER PRÄSIDENT

FRANKFURT AM MAIN, December 1973

Dear Arthur,

As a small Christmas gift from the Bundesbank I take pleasure in sending you a pewter mug made for the Bank by the Menna tin-foundry in Nuremberg.

The mug is decorated with a copy of the obverse of a Hamburg half-"portugaleser" issued in 1723, i.e. two hundred and fifty years ago. The relief shows the city of Hamburg viewed from the south with the River Elbe in the foreground. Near the left-hand margin can be seen the steeple of the Michaeliskirche, which is still the symbol of Hamburg today. The inscription reads "Ich blühe durch Mühe" ("No gain without pain").

Portugalesers were ten-ducat pieces minted in northern Germany, and especially in Hamburg, originally on the pattern of Portuguese coins.

With the best wishes for Christmas and the New Year

Yours sincerely,



ZCZC YWB415 RMZ3053 GIX633 DP4031TG200

URPN CO DPFF 064

FRANKFURT AM MAIN/TLX 64 29 1757 VIA RCA

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

1973 NOV 30 PM 1:26

RECEIVED  
OFFICE OF THE CHAIRMAN

NOV 29 1973

FEDRESERVE

WASHINGTON/DC/USA

CHAIRMAN DR. BURNS AT ITS MEETING ON NOVEMBER 29 THE CENTRAL  
BANK

COUNCIL OF THE DEUTSCHE BUNDESBANK DECIDED TO RAISE THE  
LINES  
GRANTED TO BANKS FOR THE UTILISATION OF REDISCOUNT QUOTAS  
BY

15 0/0 OF THEIR PRESENT LEVEL . THIS INCREASE IS INTENDED  
TO HELP

OFFSET THE LOSS OF LIQUIDITY INCURRED BY THE BANKS AS A  
RESULT

OF EXCHANGE OUTFLOWS

DR. KLASSEN

COL 29 15 0/0



November 20, 1973

Personal

Dear Karl:

Many thanks for your letter, which I deeply appreciate. I am sharing it with George Shultz and with no one else.

As you know, I made the announcement on gold soon after arriving in Washington and getting Shultz's consent. I have already sent you a copy of the transcript of the press conference at which I made this announcement, but I am enclosing another on the chance that you may not have received it.

I am also enclosing a copy of a letter that I sent Senator Proxmire on November 6. It deals with some basic issues of monetary policy and I think you may be interested in perusing it.

It was a joy to see you in Basle and to talk over so intimately several questions of deep concern to us personally and also to our countries.

I shall look forward to our meeting in January. Helen joins me in best regards to you, Ilse, and your children.

Sincerely yours,

Arthur F. Burns

Dr. Karl Klasen  
President  
Deutsche Bundesbank  
Frankfurt AM, Main, Germany

FB:ccm



DR. KARL KLASSEN

PRÄSIDENT DER DEUTSCHEN BUNDESBANK

6 FRANKFURT AM MAIN

WILHELM-EPSTEIN-STRASSE 14

TELEFON 1581

November 14, 1973

Dear Arthur,

Enclosed please find the letter we agreed upon in Basle and to which I got the full consent of Mr. Schmidt, as I already told you. Looking back to the Basle days I once more wish to say, how glad I am that the spirit of mutual understanding, of cooperation and friendship between us again has proved to be real and true, to the benefit of both our nations.

Thanking you for that atmosphere of mutual confidence, and with my very best regards, also to Helen and also from Ilse, I am

Yours sincerely



Encl.



GERALD R. FORD LIBRARY

This form marks the file location of item number 1a  
as listed on the pink form (GSA Form 7122, Withdrawal Sheet)  
at the front of the folder.

KLASEN

#1563

July 19, 1973

Dear Karl:

Thank you for your letter of July 12. I, too, am pleased that it has been possible to resume intervention on the exchange markets to restore more orderly conditions.

For your information, I am enclosing copies of three of our recent press releases.

I share your sympathy for gold sales in the free market, and I hope that something can be arranged fairly soon. I doubt, however, that it will be possible for us to proceed before the Committee of Twenty meeting in Washington on July 30 and 31.

It will be difficult for the United States to take action on gold sales until the Par Value Modification Act is passed in our Congress. There is considerable pressure in the Congress to legalize ownership of gold by U.S. citizens as of some early date (for example, January 1, 1974), and amendments to the Par Value Modification Act have been proposed which would require this change in our regulations. The Administration has expressed sympathy with the objective of allowing U.S. citizens to buy and hold gold at some appropriate time in the future, but has argued against Congress setting any fixed date. If the United States sold gold in the market before the Par Value Modification Act is passed, the chances of an unfavorable resolution of this issue would be significantly increased. The Par Value Modification Act is now stalled in Senate-House conference (though not on the issue of legalizing gold ownership); I am told it may be several weeks before compromises are reached and the bill is passed.



**The Honorable Karl Klasen**

**Page two**

**July 19, 1973**

**The Committee of Twenty meeting here in Washington will afford a further opportunity to discuss the question of gold sales. I look forward to seeing you then.**

**Please give my warm regards to Ilse. I hope you are having a pleasant holiday.**

**Sincerely yours,**

**(signed) Arthur**

**Arthur F. Burns**

**The Honorable Karl Klasen  
President  
Deutsche Bundesbank  
Wilhelm-Epstein-Strasse 14  
Frankfurt (Main), Germany**

**Enclosures**

**RCB/AFB:srs**





For immediate release

July 18, 1973

The Chairman of the Federal Reserve Board and the Secretary of the Treasury have jointly issued the following statement:

"At the March 16, 1973 meeting of finance ministers and central bank governors in Paris, it was agreed that official intervention in foreign exchange markets may be useful at appropriate times to facilitate the maintenance of orderly market conditions. In view of the inherent strength of the dollar, and following consultations by the Federal Reserve, the Treasury, and representatives of other countries, intervention by the Federal Reserve in the New York exchange market began on July 10. Active intervention will take place in the future at whatever times and in whatever amounts are appropriate for maintaining orderly market conditions."

- 0 -





# FEDERAL RESERVE

press release

For immediate release

July 11, 1973

The Federal Reserve System said today 13 foreign central banks and the Bank for International Settlements were involved in the \$6.25 billion swap network increase announced yesterday.

The largest increases, of \$1 billion each, involved the Bank of Canada, Bank of France, German Federal Bank and the Bank of Japan.

A swap arrangement is a short-term facility under which the Federal Reserve and another central bank mutually agree to exchange dollars for the currency of the other country up to a maximum amount over a limited period of time.

The increases and the new totals of the swap lines are as follows (in millions of dollars):

<u>Foreign Bank</u>	<u>Increase</u>	<u>Total</u>
Austrian National Bank	50	250
National Bank of Belgium	400	1,000
Bank of Canada	1,000	2,000
National Bank of Denmark	50	250
Bank of England	--	2,000
Bank of France	1,000	2,000
German Federal Bank	1,000	2,000
Bank of Italy	750	2,000
Bank of Japan	1,000	2,000
Bank of Mexico	50	180
Netherlands Bank	200	500
Bank of Norway	50	250
Bank of Sweden	50	300
Swiss National Bank	400	1,400
Bank for International Settlements		
Swiss francs/dollars	--	600
Other European currencies/dollars	250	1,250
<b>TOTALS</b>	<b>6,250</b>	<b>17,980</b>

(Note: The foregoing announcement is also being released by the Federal Reserve Bank of New York)





For immediate release

July 10, 1973

The Federal Reserve announced today an increase of \$6.25 billion in the reciprocal currency ("swap") arrangements that it maintains with 14 foreign central banks and the Bank for International Settlements. The increase raises the total of the System's swap network to \$17.98 billion.

As in the past, the present expansion of the swap network was worked out in full consultation with the Treasury.

A swap arrangement is a short-term facility under which the Federal Reserve and another central bank mutually agree to exchange dollars for the currency of the other country up to a maximum amount over a limited period of time.

This announcement reflects arrangements that are being carried out in conformity with the policy that was agreed to at the March 16th Paris meeting of Finance Ministers and central bank governors.



DR. KARL KLASSEN

PRÄSIDENT DER DEUTSCHEN BUNDESBANK

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

1973 JUL 16 AM 10:16

RECEIVED  
OFFICE OF THE CHAIRMAN

FRANKFURT AM MAIN

WILHELM-EPSTEIN-STRASSE 14

TELEFON 1581

July 12, 1973

#1563  
H+B

Dear Arthur,

Let me just say how glad I am that we both decided to intervene on the money markets to restore orderly conditions. On this point I take pleasure in sending you a commentary which I made in a press conference here today.

In the light of the Basle conversations last weekend we are now free to sell gold. Personally, I think that it would be an excellent thing if we were to begin with some selling very soon, preferably before the Ministers' meeting of the Group of Twenty in Washington on July 30 and 31. We here would be prepared to do so.

I am leaving Frankfurt today for a holiday. If there should be any need for special coordination on the subject, would you be so kind as to arrange for a contact with Dr. Emminger, who fully shares our views.

With my very best regards, also to Helen, in which Ilse joins me, I am,

Yours very sincerely



Enclosure



the swap arrangements should now be redrafted or at least given tangible form, so that everybody can tell what conditions apply. This has been done; the amounts have been raised. We have doubled our amount to DM 2 billion; moreover, the general conditions governing the arrangement were agreed upon. In the meantime interventions have already taken place. However, as I pointed out, we were not concerned with setting up something special; we merely wanted orderly market conditions. We believe that the market stands in need of some guidance so that it can see that we consider this price to be so wrong that we are prepared at that price to buy dollars. If it is a case of selling great quantities of dollars quite cheaply in the future we shall not take any counteraction but just let the price tumble down. People who are anxious to get rid of their dollars at cheap prices are welcome to do so - we can always raise the price again later on. In a nutshell, we shall be quite flexible.

Question: The Americans have not yet intervened. It was only the European central banks that have bought dollars.

Klasen: No, no, the Americans have also done so. Please trust my words. People are always trying to make out that the Americans are hesitant and that we are the only ones to put on the brakes. The Americans give full backing to the agreement of 16th March. They are in perfect agreement with all European partners; there is no illfeeling on the European side and none on the American side. It is not a case of one pulling the other; it is a case of entire harmony in agreement. In Basle there was a unanimous feeling among all of us that something needs to be done now. Nobody wishes to back out of this. The fact that one or another may give expression to this in a rather



stronger or rather weaker form is of no consequence; we are all of us filled with an equal sense of responsibility to keep the international money market functioning in an orderly manner.



Excerpt

Bundesbank press conference on occasion of central bank council session on July 12, 1973

Question: I have a question bearing on the recent statement regarding an intensification of swap arrangements. Have they really been intensified or are they basically the same that we have had since March? Is there really any greater obligation on the part of the United States, or is this not the case?

Klasen: Let me point out for your information that on 16 March we received a communiqué drawn up by the Ministers at the Paris conference. It says there that we have European block floating by arrangement with the Americans, who have noted this with approval. It was also arranged at the time that this block floating was not to go uncontrolled, but that the parties mutually undertook to intervene to the extent felt to be necessary in order to maintain orderly market conditions. All parties have abided by this agreement. We were quite clear in our minds that once the appropriate time had arrived the swap arrangements which were no longer so meaningful would have to be redrafted. Whenever there were meetings among ministers or central bank governors of the countries concerned we discussed with our friends from the United States whether we felt that this moment had arrived; up to the present we had agreed in believing that this was not yet the case. Now, following the events last week, especially on Friday, when heavy dollar fluctuations occurred in a downward sense, all parties concerned in Basle took the view that the time had now come. The Americans, too, entirely shared the view that the moment had arrived when we should implement this part of the agreement of 16th March. We came to an understanding that





CHAIRMAN OF THE BOARD OF GOVERNORS  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

May 1, 1973

The Honorable Dr. Karl Klasen  
President  
Deutsche Bundesbank  
4-6 Taunusanlage  
6 Frankfurt am Main 1  
Germany

Dear Karl:

Norman S. Fieleke, Vice President and Economist in charge of international research at the Federal Reserve Bank of Boston, is scheduled to attend the Konstanz Seminar at the end of June. While in Europe, he would like to visit several central banks to meet with experts in his areas of interest. Mr. Fieleke has a special interest in international capital movements and in the recent performance of foreign-exchange controls and foreign-exchange markets.

Mr. Fieleke expects to be in Frankfurt on June 21 and 22. I would be grateful for any assistance that could be provided to him that will make his visit to the Deutsche Bundesbank productive. I have suggested to Mr. Fieleke that he send a letter to your office giving further details of his planned visit.

Sincerely yours,

(signed) Arthur Burns  
Arthur F. Burns



**February 7, 1973**

**Dr. Karl Klasen  
Deutsche Bundesbank  
D-6 Frankfurt, Germany**

**My colleagues and I on the Board of Governors send you our very best wishes for a speedy and complete recovery.**

**With warmest personal regards,**

**Arthur F. Burns**

**NB:cmn**



**January 17, 1973**

**Dear Karl:**

**The pewter beaker is just beautiful and I want you to know how much I appreciate your thoughtfulness.**

**I do hope that you are feeling well. I had hoped to call you before this, but because of the Federal Open Market Committee meeting my schedule has been extremely hectic.**

**With many thanks and best wishes,**

**Sincerely yours,**

**Arthur F. Burns**

**Dr. Karl Klasen  
President  
Deutsche Bundesbank  
Frankfurt AM Main**

**CM:cmn**



DEUTSCHE BUNDESBANK

DER PRÄSIDENT

FRANKFURT AM MAIN, December 1972

Dear Mr. Burns,

I have great pleasure in sending you a small Christmas gift of the Deutsche Bundesbank in the shape of a pewter beaker specially cast for the Bank by Menna's, pewterers in Nuremberg.

The vessel is ornamented with a cast reproduction of the obverse of a Frankfurt Taler issued in 1772, exactly two hundred years ago. This shows in relief a contemporary prospect of the town and the river Main, giving expression to the burghers' pride in their city. The right to strike its own coins was held by the Free City of Frankfurt from 1346 to 1866.

With best wishes for Christmas and the New Year,  
I am,

Yours sincerely,

*Karl Kauer*



January 12, 1973

AIR MAIL

The Honorable Karl Klasen  
President  
Deutsche Bundesbank  
4-6 Taubusanlage  
6 Frankfurt am Main 1  
Germany

Dear Karl:

One of the first things I want to do on my return to Washington is to send you a note of warm appreciation for arranging the plane trip to Hamburg and for your hospitality when we were there.

It was a great pleasure visiting with you and with your wife and family. You have a beautiful home. I have told my wife all about the visit, and she joins me in sending you very best wishes -- in particular, for a speedy recovery.

As always, I found our discussion most instructive and helpful. I hope we shall have a chance to get together again before too long -- in Washington in March, if not sooner.

Sincerely yours,

Arthur F. Burns

P.S. I am enclosing with this letter a copy of a recent speech I gave in Toronto, which I think I mentioned to you when we talked.

cc: Mrs. Mallardi (2)

RCBryant:dch



DR. KARL KLASSEN

PRÄSIDENT DER DEUTSCHEN BUNDESBANK

6 FRANKFURT AM MAIN  
TAUNUSANLAGE 4-8  
TELEFON 2881

November 9, 1972

# 1431

Prof. Dr. Arthur F. Burns  
Chairman of the Board of Governors  
of the Federal Reserve System  
Washington, D.C. 20551

Dear Arthur,

Let me congratulate you most warmly on President Nixon's impressive victory in his reelection campaign. It is my sincere belief that you have contributed most effectively to his success by tendering good advice to the President in all-important questions of economic and monetary policy, and by his following your counsel.

It seems to me the right moment to express to you our gratitude for the fact that you have been such a determined champion of stability in America and at all times so strong an advocate of close cooperation within the entire free world.

Looking back on the three years of my tenure of office I face the fact that they have confronted me with quite a few unexpectedly difficult situations, and indeed also some disappointments. Yet one of the most significant and gratifying experiences for me has been that so pleasant and friendly cooperation with you. I feel true satisfaction by having been able to contribute to the joint efforts of our two banks, and thereby of our two countries. Be it only for that reason, I feel that it has been worth taking charge of this post. In future, too, I shall make sure to avoid every-thing which might disturb our collaboration based on mutual confidence. I am a devoted partisan of European unity, but at the same time I am equally convinced that each country must



RECEIVED  
OFFICE OF THE CHAIRMAN  
1972 NOV 14 AM 10:01  
BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

never lead to a front against the United States. Our economic future and our safety depend upon close friendship with America. Thus I shall always continue to be an indefatigable opponent against a European floating of exchange rates, as long as this would be planned without the explicit consent of the United States. Such floating - and here I concur emphatically in your views - would split the liberal world, at least economically, in two parts; that is something we simply cannot afford if it is our desire to maintain our liberal society.

With all my best wishes for you personally, for good health and well-being, and for further successful cooperation, I am,

Very sincerely yours,

*Karl Pearson*

P.S. Ilse has asked me to convey to you, and also to Helen, her very best regards, She quite particularly enjoyed the home-made cake I brought from Washington. Many thanks again for the gift!

*K.P.*



*No reply  
N.B.*

NOV 3 1972

AIR MAIL

The Honorable Karl Klasen  
President  
Deutsche Bundesbank  
Taunusanlage 4-5  
Frankfurt (Main)  
Germany

Dear Karl:

Peter Clark, an economist in our Division of International Finance, will be in Europe next week, to attend a meeting at Basle. Early in the following week (the week beginning November 13), we would like his to visit the Bundesbank before he returns to the United States, if that would be convenient for your people.

May I suggest that when Mr. Clark is in Basle he might arrange with the Bundesbank economists who will be attending the same meeting a time at which he might visit the Bundesbank?

Sincerely yours,

Arthur F. Burns

bc: Mr. Bryant  
Mr. Clark  
→ Mrs. Mallardi (2)

ABH:dch

11-3-72



NOV 3 1972

AIR MAIL

The Honorable Karl Klassen  
President  
Deutsche Bundesbank  
Taunusanlage 4-6  
Frankfurt (Main)  
Germany

Dear Karl:

Peter Clark, an economist in our Division of International Finance, will be in Europe next week, to attend a meeting at Basle. Early in the following week (the week beginning November 13), we would like him to visit the Bundesbank before he returns to the United States, if that would be convenient for your people.

May I suggest that when Mr. Clark is in Basle he might arrange with the Bundesbank economists who will be attending the same meeting a time at which he might visit the Bundesbank?

Sincerely yours,

Arthur F. Burns

cc: Mr. Bryant  
Mr. Clark  
Mrs. Mallardi (2)

ABH:dch

11-3-72



Telefax

# WESTERN UNION

To fax



ICS IPXIIHA I155  
 ZCZC I155 VIA ITT 02 1222  
 PMS WASHINGTON DC  
 AWE673 IA ITT XYI2206 DP405 JTG284  
 UIWA CO DPFF 121  
 FRANKFURT AM MAIN/TLX 1212 1723 PAGE1/50

BOARD OF GOVERNORS  
 OF THE  
 FEDERAL RESERVE SYSTEM

1972 NOV -2 PM 4:53

RECEIVED  
 OFFICE OF THE CHAIRMAN

*[Handwritten signature]*  
 #1363



FEDRESERVE  
 WASHINGTON/D.C.  
 BT

MR. DR. BURNS , CHAIRMAN IN ITS MEETING TODAY THE CENTRAL BANK  
 COUNCIL OF THE DEUTSCHE BUNDESBANK DECIDED TO RAISE , WITH

Telex

# WESTERN UNION

Telex



EFFECT FROM 3 NOVEMBER , THE DISCOUNT RATE FROM 3 1/2 TO 4 0/0  
AND THE LOMBARD RATE FROM 5 TO 6 0/0 . THE BUNDESBAK

COL 3 1/2 4 0/0 3 5 6 0/0

SELLING RATES FOR MONEY MARKET PAPER WERE LIKEWISE INCREASED .  
BY THIS MEASURE THE DEUTSCHE BUNDESBAK IS AGAIN EXPLOITING  
THE EXTRA ROOM FRO MANOEUVRE IN MONETARY POLICY  
AFFORDED BY EXTERNAL DEVELOPMENTS IN RECENT WEEKS . AT



*Telex*

# WESTERN UNION

*Telex*



THE SAME TIME THE INCREASE IN INTEREST RATES IS DESIGNED  
TO CURB THE EXPANSION

COL NIL

DF403 1TG284 FEDRESERVE PAGE3/23

OF THE DOMESTIC DEMAND FOR CREDIT , THUS IMPEDING THE  
CONTINUATION OF PRICE RISES IN THE FEDERAL REPUBLIC OF GERMANY  
KLASEN



TELEGRAM  
LEASED WIRE SERVICE  
RECEIVED AT WASHINGTON

1972 NOV 2 PM 4 44

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BANK  
OF NEW YORK  
CABLE DIVISION

INFORMATION COPY FOR \_\_\_\_\_

1B  
INCOMING MESSAGE-SERIAL NO. 14610DATE AND TIME RECEIVED JULY 13, 1972 12:52PMFEDERAL RESERVE BANK OF NEW YORK  
NEW YORK

FRANKFURT/MAIN 7/13/72 1619

MR DR BURNS CHAIRMAN

WASHINGTON D.C.

IN ORDER TO COMPENSATE FOR THE FRESH LIQUIDITY INFLOWS FROM ABROAD DURING THE PAST TWO WEEKS THE CENTRAL BANK COUNCIL OF THE DEUTSCHE BUNDESBANK AT ITS MEETING ON JULY 13 1972 DECIDED AS FROM AUGUST 1 1972 TO RAISE THE MINIMUM RESERVE RATES ON DOMESTIC LIABILITIES BY 10% OF THEIR PRESENT LEVEL. THE FREE LIQUIDITY RESERVES OF CREDIT INSTITUTIONS STOPPED UP BY THE RECENT LIQUIDITY INFLOWS WILL THEREBY BE REDUCED BY QUITE 3 BILLION DM

KLASEN  
DEUTSCHE BUNDESBANKITT TELEX 75  
ENGLISH BI

NOTE: THIS MESSAGE NOT NUMBERED OR TESTED.

DR. BURNS OFFICE AT THE BOARD NOTIFIED.  
BY TELEPHONE AND A COPY OF THIS MESSAGE  
FORWARDED TO HIM.

Unless otherwise indicated above, TEST for this message is CORRECT. Any underlined portion of this message was received mutilated and has been "Serviced" unless received via Telex in which case it cannot be "Serviced".

JUN 14 1972

The Honorable Dr. Karl Klassen  
President  
Deutsche Bundesbank  
4-6 Tammusanlage  
6 Frankfurt am Main 1  
Germany

Dear Karl:

We have received your telegram of June 1 informing us of the action taken by the Bundesbank Council to raise minimum reserve requirements and to reduce the rediscount quotas of the banks in order to offset the liquidity effects of the release of the anticyclical surtax funds. I note particularly that the measure does not mark any change in the underlying tendency of the credit policy followed by your institution.

We appreciate being promptly informed of this measure.

Sincerely yours,

Arthur F. Burns

cc: Mrs. Mallardi (2) ✓

RLS:rck  
6/5/72

#681

P.S. It gave Helen and me great pleasure to see and spend some time with you dear Corinna. We fell in love with her!

/s/

Arthur



DR. KARL KLASSEN

PRÄSIDENT DER DEUTSCHEN BUNDESBANK

6 FRANKFURT AM MAIN

TAUNUSANLAGE 4-6

TELEFON 2881

May 24th, 1972

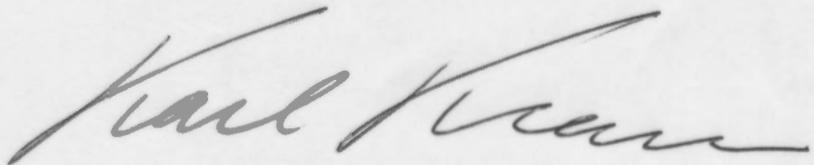
Mr. Arthur F. Burns  
Chairman of the  
Board of Governors  
Federal Reserve System  
Washington, DC 20551

Dear Arthur,

Thank you very much for your kind letter of May 16th indicating the purpose of the visit by the Governors Mitchell and Daane on May 25th and 26th. They are welcome, of course, to discuss problems involving the activities of multinational banks, problems in which we are also highly interested.

Thanking you for announcing the visit, I am,  
dear Arthur,

Yours sincerely,



DR. KARL KLASSEN

PRÄSIDENT DER DEUTSCHEN BUNDESBANK

6 FRANKFURT AM MAIN  
TAUNUSANLAGE 4-6  
TELEFON 2681

24th February 1972

Mr. Arthur F. Burns,  
Chairman of the  
Board of Governors,  
Federal Reserve System,

Washington, D.C.20551/USA

Dear Arthur,

Ilse and myself are just returning from some nice days on the Gran Canaria Island, a week earlier than we originally thought to do, due to recent monetary developments. I am very glad, therefore, to understand from your letter that you could make it possible to be in Basle for the March-meeting at the BIS, and the only thing Ilse and I are regretting is that Helen will not be with you this time. So we are looking for another opportunity to seeing her.

Could you please drop me a short notice on the date and time you will arrive in Basle so that I shall be able to adjust my plans accordingly?

With all good wishes and kind regards, also to Helen, and also from Ilse, I am

sincerely yours,

*Karl Klassen*



*Cable sent  
3/1/72  
cm*

FEB 3 1972

The Honorable Dr. Karl Klasen  
President  
Deutsche Bundesbank  
4-6 Taunusanlage  
6 Frankfurt am Main 1  
Germany

Dear Dr. Klasen:

As you know, the Board of Governors has the responsibility for supervising the international activities of member banks. In this connection, it has requested the staff to prepare a study on the basis of which guidelines could be developed to orient Board policy in this field over, say, the next decade.

One part of this study deals with the general environment which is likely to surround such activities, particularly in the major industrialized countries. This would include such factors as prospective changes in (a) the financial infrastructure (especially the role of commercial banks); (b) official controls over banking, with special reference to foreign banks; and (c) international activities of domestic banks, and of domestic offices of foreign banks (e.g., Euro-currency markets).

Mrs. Helen B. Junz, a Senior Economist in our Division of International Finance, will be in Europe in the near future, and would greatly appreciate the opportunity to discuss these matters with knowledgeable members of your staff, particularly those charged with bank supervisory and regulatory matters and those involved in forward planning, and possibly if time permits and you think it would be helpful, with someone in the national commercial banking fraternity.

Please let us know whether this meets with your approval. Convenient dates for Mrs. Junz would be February 24-25; if this would be impracticable, and you would like to suggest another day between February 23 and March 4, perhaps you would be kind enough to let us know as soon as possible, preferably by cable. Mrs. Junz can be



Dr. Klaseen

-2-

reached from February 20-22 c/o Mr. T. E. Summers, U.S. Mission to the OECD, 2 Rue André-Pascal, Paris XVI. She may find it convenient to telephone your office at that time in order to confirm her itinerary.

Thank you for cooperating in this matter, the outcome of which, I am sure, will be mutually beneficial.

Sincerely yours,

Arthur F. Burns

cc: Mrs. Mallardi (2)

HBJ:gae  
2/1/72



**MR. KARL KLASSEN  
PRESIDENT, DEUTSCHEN BUNDESBANK  
6 FRANKFURT AM MAIN, GERMANY**

**ARRIVING IN BASLE SATURDAY, MARCH 11**

**ON SWISSAIR #821 at 11:50 AM. STAYING AT**

**SCHWEIZERHOF X REGARDS,**

**ARTHUR F. BURNS**



Dear Karl:

Thanks for your letter of January 24. As it turns out I have had to change my plans about attending the February Basle meeting. I now plan to go in March and shall look forward to seeing you at that time. There is much to talk about.

Since I shall probably be coming to Europe only for the weekend at the BIS, it appears unlikely that Helen will accompany me. I hope that the four of us will have another opportunity soon to get together.

With all good wishes,

Sincerely yours,

Arthur F. Burns

The Honorable Karl Klassen  
President  
Deutsche Bundesbank  
Taschenanlage 4-6  
Frankfurt (Main), Germany

RS:nss  
1/28/72

cc: Mrs. Mallardi (2)



BS-7

DEUTSCHE BUNDESBANK

DER PRÄSIDENT

FRANKFURT AM MAIN, January 24, 1972

Dear Arthur,

I still have to thank you for your kind letter of December 21, and reiterating all your good wishes for 1972 I sincerely trust that the coming year will bring both of us a good deal less of disturbances than the last one.

I understand that you are intending to come to Basle for the February sessions of the BIS, which will take place on the weekend of February 13. In order to avoid any disillusion I should like to let you know well in advance that I shall not be in Basel for the February meeting, because Ilse and myself will spend our winter vacation during that time. The first Basle meeting I am planning to attend again are the March sessions on the weekend of March 12.

In case it would be possible for you to switch your Basle visit to the March meeting I would be extremely glad to see you than. If Helen could accompany you Ilse would also come to Basle, and we could spend a nice time together.

With kind greetings and best regards,

Yours very sincerely

*Karl Klauer*



December 21, 1971

Dear Karl:

Helen and I enjoyed being with you last week, and we want to thank you for the lovely "angel" and the porcelain jar. I am using the latter on my desk for pens and pencils.

With every good wish for 1972,

Sincerely yours,

Arthur F. Burns

Mr. Karl Klasen  
President  
Deutsche Bundesbank  
Frankfurt Am Main  
Germany

CM:cmn



*md*

DEUTSCHE BUNDESBANK

DER PRÄSIDENT

FRANKFURT AM MAIN, December 1971

Dear Mr. Burns,

I take pleasure in sending you, as a small Christmas gift from the Bundesbank, this piece of porcelain, which is intended as a receptacle for pens and pencils.

It has been specially produced by the Fürstenberg Porcelain Manufactory to the order of the Bundesbank; the decoration shows a gold-etched Deutsche Reich twenty mark piece of the year 1871 on a cobalt-blue ground. This twenty mark piece, issued just 100 years ago, was the first Reich coin in mark currency.

With best wishes for Christmas and the New Year,

Yours sincerely,

*Paul Haren*

Dr. Arthur F. Burns  
Chairman of the Board of Governors  
of the Federal Reserve System  
Federal Reserve Board

Washington, D.C. 20551



DEUTSCHE BUNDESBANK

DER PRÄSIDENT

FRANKFURT AM MAIN, December 20, 1971

Dr. Arthur F. Burns  
Chairman  
Board of Governors of the  
Federal Reserve System  
Washington, D.C. 20551

Dear Arthur,

After having returned to Frankfurt this morning I should like to thank you for all you have done for me and for the members of the Bundesbank during our stay in Washington. Your help and your cooperation was extremely valuable for me - as it was ever. I hope to see you in Frankfurt pretty soon again in order to be able to retaliate your grand hospitality.

Yours very sincerely



RCA

Global Telegram

AAZCZC YW128 GTY732 DP4034TG098  
URWA CO DPFF 048  
FRANKFURTHAIN/TLX 48 15 1228 VIA RCA

FEDRESERVE  
WASHINGTONDC

*[Handwritten signature]*  
DEC 15 7 27 AM '71

FOR PRESIDENT BURNS DEAR MR BURNS , THANK YOU EVER SO MUCH  
FOR YOU KIND TELEX INVITING ME TO HAVE  
LUNCHEON WITH YOU ON DECEMBER 16 AT  
1. P.M. STOP I GLADLY AGREE STOP I WILL CONTACT YOU  
BY PHONE WHEN IN WASHINGTON  
KIND REGARDS KLASEN



Reply via RCA: call 558-4321

Reply via F

OCT 20 1971

The Honorable Dr. Karl Klasen  
President  
Deutsche Bundesbank  
4-6 Taunusanlage  
6 Frankfurt am Main 1  
Germany

Dear Dr. Klasen:

Thank you for your cable of October 13, 1971, informing us of the measures taken by the Central Bank Council of the Deutsche Bundesbank on that day.

We much appreciate your advising us so promptly as well as your explaining the reasons for the decisions taken.

Sincerely yours,

Arthur F. Burns

HBJ:gae  
10/18/71

cc: Mrs. Mallardi (2)



Telefax

# WESTERN UNION

Telefax



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1971 SEP 8 PM 3 13

FEDRESERVE FOR CHAIRMAN BURNS WASHINGTON/DC/USA  
DEAR MR BURNS THANK YOU EVER SO MUCH FOR YOUR KIND CABLE  
INVITING ME TO A LUNCHEON ON OCTOBER 1 AT THE FEDERAL  
RESERVE BUILDING STOP I GLADLY AGREE TO JOIN YOU AT THAT TIME  
KIND REGARDS

WASEC



1270 (1-51)

*Hansen, Karl*

*Wm*

*f*

**September 3, 1971**

**Dear Dr. Klasen:**

**Thank you for your thoughtful letter of August 31st and the enclosed photographs which have been received in Dr. Burns' absence from the office. I shall bring them to his attention upon his return. I know he will be delighted to have the photographs.**

**Sincerely yours,**

**Concetta M. Nobilio  
Secretary**

**Dr. Karl Klasen  
President  
Deutsche Bundesbank  
Frankfurt AM, Main,  
Germany**



DR. KARL KLASEN

PRÄSIDENT DER DEUTSCHEN BUNDESBANK

6 FRANKFURT AM MAIN

TAUNUSANLAGE 4-6

TELEFON 2681

31 August 1971

Dr. Arthur F. Burns  
Chairman  
Board of Governors of the  
Federal Reserve System  
Washington, D.C. 20551

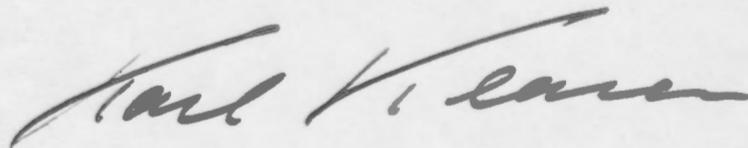
Dear Mr. Burns,

I still remember with great pleasure the nice day we spent on our tour to the Bavarian landscape during the Munich International Banking Conference at the end of May. Just now I am receiving some pictures we shot during our walk on the boards of the Tegernsee, and I am glad to send you two photos which seem to me to be especially nice.

Meanwhile I learnt that you have been so kind to extend to Mrs. Klasen and myself an invitation for lunch on September 26 in your home. Thanking you warmly in advance for your kindness I take pleasure in repeating, that we gladly agree. We are really happy to have the opportunity to see Mrs. Burns and you on that day.

Looking forward to these days in Washinton, I beg to remain,  
with warm regards,

yours very sincerely,



Encl.



MAAZCZC YW178 GTX767 DP4034TG267

URWA CO DPFF 142

FRANKFURT AM MAIN/TLX 142 2 1546 VIA RCA PAGE 1/50

*June 2 12 25 PM '71*  
*Klasen*

FEDRESERVE

WASHINGTON/DC

MR. DR. BURNS , CHAIRMAN , AT ITS MEETING TODAY THE  
CENTRAL BANK COUNCIL OF THE DEUTSCHE BUNDESBANK DECIDED .  
WITH EFFECT FROM JUNE 1971 , TO ( A ) RAISE THE  
MINIMUM RESERVE RATES FOR DOMESTIC LIABILITIES THROUGHOUT  
BY 15 0/0 , AND TO ( B ) RAISE THE

P2

RESERVE RATES FOR FOREIGN LIABILITIES TO DOUBLE THE  
AMOUNT OF THE NEW DOMESTIC RATES . THE RESERVE RATES FOR  
ACCRUALS TO FOREIGN LIABILITIES REMAIN IN EFFECT UNCHANGED .  
IN ADDITION , THE SUPPLEMENTARY QUOTAS FOR " THIRD - COUN-  
TRY BILLS " ARE CANCELLED WITH EFFECT FROM 1 OCTOBER  
1971 . THE



P3

INCREASE IN MINIMUM RESERVE REQUIREMENTS IMMOBILIZES  
APPROXIMATELY DM 5 BILLION , THEREBY NEUTRALIZING PART  
OF THE EXCESS LIQUIDITY OF THE BANKING SYSTEM , WHICH  
HAD DEVELOPED BY THE INFLOW OF FOREIGN EXCHANGE PRIOR TO  
THE FLOATING OF THE DM EXCHANGE RATE

KLASEN

APR 29 1971

AIR MAIL

The Honorable Dr. Karl Klasen  
President  
Deutsche Bundesbank  
4-6 Taunusanlage  
6 Frankfurt am Main 1  
Germany

Dear Dr. Klasen:

We are saddened at the news of the sudden death of former President Blessing.

He was well known throughout the Federal Reserve System because of his many years of outstanding service as a central banker and his cooperation with other central banks in international monetary affairs.

Let me express, on behalf of the Board of Governors, my deep regret at this loss.

Sincerely yours,

131

Arthur F. Burns

ISH:gae  
cc: Mrs. Mallardi (2)



APR 7 1971

AIR MAIL

The Honorable Dr. Karl Klasen  
President  
Deutsche Bundesbank  
4-6 Taunusanlage  
6 Frankfurt am Main 1  
Germany

Dear Dr. Klasen:

Thank you very much for your cable of March 31, which advises the Board of Governors of the Bundesbank's latest changes in the discount rate and other monetary measures.

We appreciate very much being informed so promptly of your policy decisions.

I look forward to seeing you at the BIS meeting in April.

Sincerely yours,

Arthur F. Burns

cc: Mrs. Mallardi (2)

ISH:gae  
4/2/71



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DATE 2/23

TO Chairman Burns

FROM ROBERT SOLOMON

Klasen's reactions to his visit  
to the Board.

Attachment.





Department of State

RS  
**TELEGRAM**

UNCLASSIFIED 330

*Klasen*

PLEASE RETURN TO  
INTERNATIONAL INFORMATION CENTER.

PAGE 01 BONN 02033 201117Z

18/45  
ACTION EUR-25

INFO OCT-01 AID-28 CIAE-00 COM-08 E-15 FRB-02 INR-08  
NSAE-00 RSC-01 TRSY-11 XMB-06 NSC-10 SS-20 STR-08 L-04  
H-02 P-03 PRS-01 USIA-12 O-03 OB-01 OMB-01 GEA-02  
IO-13 RSR-01 /186 W

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UNCLAS BONN 2033

C O R R E C T I D C O P Y F O R M R N I ( 2 0 3 3 V I C E I 1 9 1 8 ) X

SUBJECT: COMMENTS OF BUNDESBANK PRESIDENT KLASEN ON HIS U.S. TRIP

1. AFTER THE FEBRUARY 19 MEETING OF THE CENTRAL BANK COUNCIL, BUNDESBANK PRESIDENT KLASEN, ACCORDING TO THE PRESS SECTION OF THE BUNDESBANK, WAS QUESTIONED ABOUT THE OUTCOME OF HIS RECENT U.S. VISIT. HE WAS PARTICULARLY ASKED WHETHER U.S. BANKERS HAD EXPRESSED CONCERN WHETHER THE BUNDESBANK COULD MAINTAIN ITS CURRENT RESTRICTIVE POLICY IN THE LONG RUN. KLASEN REPLIED THAT PRIMARILY HE HAD MET WITH REPRESENTATIVES OF THE FEDERAL RESERVE BOARD BUT NOT WITH PRIVATE BANKERS. IN THESE DISCUSSIONS THE FEDERAL RESERVE REPRESENTATIVES HAD SHOWN UNDERSTANDING FOR THE CURRENT BUNDESBANK POLICY, BUT NOT EXPRESSED CONCERN. KLASEN ADDED THAT THE PRIMARY OBJECTIVE OF ECONOMIC AND MONETARY POLICY IN THE U.S. IS TO OVERCOME THE CURRENT RECESSION AND THE HIGH RATE OF UNEMPLOYMENT AND THAT THE EASS U.S. MONETARY POLICY WAS UNDERSTANDABLE IN HIS CONTEXT. KLASEN AGREED THAT THE CURRENT MONETARY POLICIES IN THE U.S. AND GERMANY ARE GOING IN CONTRARY DIRECTIONS AND SOME COMPROMISE WOULD BE NECESSARY. HE STATED THAT HE HAD WELCOMED THE U.S. MEASURE TO ABSORB EURO-DOLLARS BY SELLING EXIM BANK PAPER TO FOREIGN SUBSIDIARIES OF U.S.

BANKS. HE CONTINUED THAT THE FRB REPRESENTATIVES HAD TOLD HIM THAT THEY WOULD CONSIDER FURTHER ACTION OF THIS KIND.

UNCLASSIFIED





Department of State

TELEGRAM

UNCLASSIFIED

PAGE 02 BONNI 02033 201172

1. KLASEN INDICATED THAT PRIORITY NOA WAS BEING GIVEN IN THE U.S. TO INCOME POLICY AND THAT HE FELT THAT PRESIDENT NIXON WAS ABANDONING HIS PAST OPPOSITION TO SUCH POLICIES.

3. IN REPLY TO A QUESTION WHETHER HE BELIEVES THAT THE INTEREST RATE REDUCTION IN THE U.S. WOULD CONTINUE, KLASEN ANSWERED IN THE AFFIRMATIVE, BUT ADDED THAT HE FELT THE MAIN EMPHASIS WOULD NOW BE TO REDUCE LONG-TERM INTEREST RATES.

4. THE PRESS SECTION OF THE BUNDESBANK PROMISED TO LET THE EMBASSY HAVE THE FULL TEXT OF KLASEN'S PRESS CONFERENCE REMARKS NEXT WEEK.  
RUSH

UNCLASSIFIED



UNCLASSIFIED

cm

DEC 21 1970

Dear Dr. Klasen:

I should like to thank you warmly for the beautiful book on bank notes in various countries, which the Bundesbank has published. This volume is a fine addition to the series that the Bundesbank has already presented.

I would like to take this opportunity to express to you all my good wishes for the holiday season and for the year ahead.

Sincerely yours,

Arthur F. Burns

The Honorable Karl Klasen  
President  
Deutsche Bundesbank  
Taunusanlage 4-6  
Frankfurt (Main), Germany



*Karl Klassen*

DEUTSCHE BUNDESBANK

DER PRASIDENT

FRANKFURT AM MAIN, December 18, 1970

Mr. Dr. Arthur F. Burns  
Chairman  
Board of Governors of the  
Federal Reserve System

Washington, D.C. 20551  
U.S.A.

Dear Mr. Burns:

During a journey to the United States early next year I shall also be visiting Washington. I should greatly appreciate it if you could find the time for us to have an exchange of views on that occasion. I plan to be in Washington on January 26, and if necessary also on January 27, 1971.

I should be very pleased if it were possible to hold a discussion on one of these days.

With the very best wishes for Christmas and the New Year,

Sincerely yours,

*Karl Klassen*

*changed  
to  
Jan. 25-26*



DEC 4 1970

AIR MAIL

The Honorable Dr. Karl Klasen  
President  
Deutsche Bundesbank  
4-6 Teunusanlage  
6 Frankfurt am Main 1  
Germany

Dear Dr. Klasen:

Thank you for informing us by cable of the Bundesbank's latest discount rate measure. We appreciate very much being notified so promptly of your policy decisions.

Sincerely yours,

bs/

Arthur F. Burns

cc: Mrs. Mallardi (2)

IH:gae  
12/3/70



*Mrs. Mallardi*

NOV 23 1970

The Honorable Dr. Karl Klasen  
President  
Deutsche Bundesbank  
4-6 Zeughausanlage  
6 Frankfurt am Main 1  
Germany

Dear Dr. Klasen:

Thank you very much for your cable of November 17, in which you advised the Board of Governors of the recent change in the discount rate and other related monetary measures.

We greatly appreciate your informing us so promptly of this decision.

Sincerely yours,

(Signed) Arthur F. Burns

Arthur F. Burns

cc: Mrs. Mallardi (2)

ISH:gae  
11/20/70



AUG 13 1970

Dear President Klasen:

Mr. Philip E. Coldwell, President of the Federal Reserve Bank of Dallas, will be visiting Frankfurt on September 3-4. He would like to take the opportunity to call at your Bank and to meet with you and your associates. As President of a Reserve Bank and a member of the Federal Open Market Committee, Mr. Coldwell is concerned with economic and financial developments both in the United States and in the rest of the world.

Mr. Coldwell would be grateful if it were possible to arrange to meet with some of the leading commercial bankers in Frankfurt.

Since this will be Mr. Coldwell's first visit to Frankfurt, I have urged him not to spend all of his time on business but to be sure also to see the sights of your city.

Sincerely yours,

Arthur F. Burns

The Honorable Karl Klasen,  
President,  
Deutsche Bundesbank,  
Taunusanlage 4-6,  
Frankfurt (Main), Germany.

RS:nss

cc: Mr. Coldwell



Mrs. Mallardi

JUN 23 1970

AIR MAIL

The Honorable Karl Klasen  
President  
Deutsche Bundesbank  
Tasmanialage 4-6  
Frankfurt, Germany

Dear Karl:

Thank you very much for your letter of July 14. I would like to say again how much of a pleasure it was for Mrs. Burns and myself to meet both you and Mrs. Klasen during your recent visit to the United States. We also enjoyed seeing your daughter and her husband not too long ago.

We have been following recent economic events in the Federal Republic with great interest. The new fiscal measures of restraint are very interesting in their selectivity and flexibility, and I look forward to hearing your assessment of how effective these measures are as short-run counter-cyclical policy instruments. I am also heartened to hear that the Bundesbank Council felt these fiscal measures substantial enough to warrant lowering the Bundesbank's discount and Lombard rates.

Your invitation to visit Frankfurt is very much appreciated. I will be traveling to Europe in September for the Bank Fund meetings in Copenhagen, but I do not think it will be possible for me to stop in Frankfurt. Perhaps I will be able to do so on a future trip. I hope, nonetheless, to see and talk with you in Copenhagen.

Looking forward to seeing you soon, I remain,

Sincerely yours,

(Signed) A. F. Burns

Arthur F. Burns

cc: Mrs. Mallardi (2), Mr. Rudman, J. Hull

BJR/jmh/7/21/70



14  
DEUTSCHE BUNDESBANK

DER PRÄSIDENT

FRANKFURT AM MAIN, July 14, 1970

Dr. Arthur F. Burns  
Chairman  
Board of Governors of the  
Federal Reserve System  
Washington, D.C. 20551  
U.S.A.



Dear Mr. Burns,

Quite some time has passed since my wife and I were privileged to meet Mrs. Burns and yourself in Washington. I trust, dear Mr. Burns, that you will have understanding for the fact that the burden of business waiting for me over here has prevented me from thanking you earlier for all the courtesies you and your wife lavished upon us in Washington.

We keep recalling the days in Washington and the time we spent with you. We would indeed be very happy if you were to look us up here in Frankfurt in the near future. In the meantime my daughter has written to say that you were good enough to see her and her husband in Washington. The young couple were greatly impressed by their visit and very proud at having been allowed to come. I am most grateful to you for your kindness.

You may be interested to hear that our Federal Government complied with the request expressed by the Bundesbank to resolve a 10 percent increase in income tax as from August 1st, 1970. The funds accruing must not be used by the fiscal

authorities but will be immobilised with the Central Bank in an estimated total of 2 billion Dollars. Later on, when the boom tapers off, they are to be repaid, the deadline for final payment being March 31st, 1973.

Here in the Central Bank we are very happy over this step. My personal feeling is that this action may provide a new element of control in influencing economic activity, an element which really cannot do any harm but still not only assists the Central Bank but allows the Government later on in releasing the accumulated funds to apply a regulative policy without recourse to the ominous deficit spending. I very much hope that at the latest in September we shall have an opportunity of discussing this point.

With the renewed expression of our thanks and best regards to yourself and Mrs. Burns, in which my wife wishes to join, I am,

yours very sincerely,

*Karl Krome*



JUL 22 1970

AIR MAIL

The Honorable Karl Klasen  
President  
Deutsche Bundesbank  
Taunuslage 4-6  
Frankfurt, Germany

Dear Karl:

Thank you for your cable notifying us of the Central Bank Council's decision to lower the discount and Lombard rates, effective July 16. We are following developments in Germany with great interest and we appreciate your keeping us so closely informed.

Sincerely yours,

(Signed) Arthur F. Burns

Arthur F. Burns

cc: Mrs. Mallardi (2)  
Mr. B. J. Rudman  
J. Hull (Return to International Finance, European Section  
showing date of mailing.)

BJR/jmh/ 7/21/70



DEUTSCHE BUNDESBANK

DER PRÄSIDENT

FRANKFURT AM MAIN, 11 May 1970

Dr. Arthur F. Burns  
Chairman  
Board of Governors of the  
Federal Reserve System  
Washington, D. C. 20551  
U. S. A.

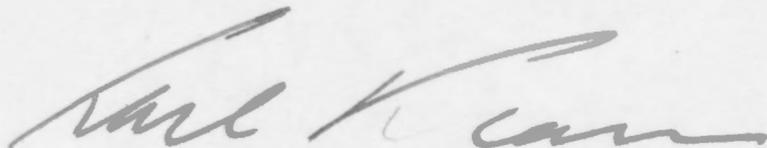
Dear Mr. Burns,

Let me thank you very much for your letter of May 7.  
I accept with great pleasure the invitation to the  
luncheon at 1 p.m. on Friday, May 22.

On behalf of my wife I wish to thank Mrs. Burns for  
the invitation for tea at 4 p.m. on the same day at  
the Madison Hotel. My wife will be glad to attend.

With best personal regards,

sincerely yours,



May 7, 1970

Dear Dr. Klasen:

Thank you for your kind letter of April 22nd, which arrived while I was in Latin America. I would indeed like the opportunity to visit with you. May I suggest luncheon here on Friday, May 22nd at 2:00 p.m. I am hopeful that some of my fellow Governors will be able to join us.

Mrs. Burns has asked me to extend an invitation to Mrs. Klasen to join her for tea at the Madison Hotel on May 22nd at 4:00 p.m. Mrs. Burns would have liked to have Mrs. Klasen for lunch on the 22nd, but she had already accepted a luncheon invitation from Mrs. Nixon.

With warm regards,

Sincerely yours,

Arthur F. Burns

The Honorable Karl Klasen  
President  
Deutsche Bundesbank  
Taunusanlage 4-6  
Frankfurt (Main) Germany

AFB:ck



DEUTSCHE BUNDESBANK

DER PRÄSIDENT

FRANKFURT AM MAIN, April 22, 1970

Dr. Arthur F. Burns  
Chairman  
Board of Governors of the  
Federal Reserve System  
Washington, D.C. 20551  
U.S.A.

*Mr. Burns  
Lunch  
yes*

Dear Mr. Burns,

As I already told you at our last meeting I am proposing to take part in the Conference of the American Bankers Association in Hot Springs. I am planning to arrive in Washington in the company of my wife on Thursday, May 21, 1970, and I should be most grateful for an opportunity to call on you on May 22.

At the same time I should like to thank you warmly for sending me the Memorandum on the treatment of the European American Banking Corporation. I feel that the parties concerned can now await legislative developments in your country with assurance. I should also like to express my best thanks for the understanding attitude displayed by the Federal Reserve System in the face of the special features of the European American Banking Corporation, as reflected in the Memorandum. I have passed copies of the Memorandum on to our colleagues in the Netherlands, Britain and Belgium who take a parallel interest in this matter.

With kind regards,

Yours sincerely,

*Karl Krause*

*Lunch  
May 22  
1 pm*



MAR 13 1970

Dear Dr. Klasen:

Thank you for your cable notifying us of the recent policy measures decided upon by the Central Bank Council and the factors that entered into its decision.

We are, of course, following economic developments in Germany with great interest and appreciate your keeping us closely informed.

Sincerely yours,

(Signed) Arthur F. Burns

Arthur F. Burns.

The Honorable Karl Klasen,  
President,  
Deutsche Bundesbank,  
Taunusanlage 4-6,  
Frankfurt, Germany.

BJR/jah  
3/10/70



FEB 20 1970

The Honorable Karl Klasen,  
President,  
Deutsche Bundesbank,  
Taunusanlage 4-6,  
Frankfurt (Main) Germany.

Dear Dr. Klasen:

I am writing to let you know that Arthur Hersey, Adviser in our Division of International Finance, who will be in Europe during the first half of March, would like to visit your Bank on March 12 and the following day.

As on other visits in the past, Mr. Hersey will be interested in learning about recent monetary policy developments and economic trends in your country and in discussing the economic outlook with members of your staff.

With kind regards,

Sincerely yours,

(Signed) Arthur F. Burns

Arthur F. Burns

ABH:kh  
2/19/70

