

**The original documents are located in Box B123, folder “Klasen, Karl – Bundesbank President” of the Arthur F. Burns Papers, 1956 - 1990 at the Gerald R. Ford Presidential Library.**

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Arthur Burns donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

January 31, 1974

MEMORANDUM FOR FILES

FROM: Arthur F. Burns

Dr. Karl Klasen telephoned today and reported as follows:

- (1) Germany has reduced its capital controls and this has had a good effect on the dollar, that is to say it has checked the appreciation of the dollar.
- (2) Klasen believes that the decision to keep the snake alive was very wise. Norway, Sweden and Switzerland are tied to the snake.
- (3) The United States and Germany should try to keep a stable rate between the dollar and the mark.

I indicated that I agreed in principle with regard to his third point and that I would welcome any concrete suggestions on his part.

We discussed the recent action of the French in abandoning the snake. According to Klasen, the Germans offered a loan of \$3 billion to the French in the course of the Rome meetings; Giscard d'Estaing liked the idea but apparently was turned down the next day by Pompidou.



I inquired of Klasen how he would feel about inviting one or more central bankers from the oil producing countries to a Basle meeting in the near future.

Klasen thought it would be a very useful idea. I indicated that I will talk this over with Shultz. If he also sees merit in the idea, I will get in touch with Zijlstra and make the suggestion to him. We talked about a possible meeting in March.

Conversations

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

961114  
Jy

W. D. | Arte Baden-Wäler

Klassen  
March 6,  
1973

Rück Bad

- 07632  
1701

proposals  
minutes & etc

Do I think  
U.S. would be  
satisfied & before &  
how looking?



I think we should  
talk about the

confusion; my between  
by the...



Dan's list weekly.

Then will be no results -

Will try & convince  
Schwartz & Chancellor -

Schwartz will go &  
weekly. Will see him  
high - he must be very  
careful.

Know my distressed  
feeling -



.04

.04

---

0016

*Mrs. Mallardi*  
Copy sent to  
the Chairman  
8/18

Aug 18 72

Chairman Burns

You should be aware of this cable.

Attachment: August 15 cable from Bonn,  
No. 11118, re "Klasen on  
U.S. Attitude on German  
Capital Controls."

RCBryant:dch





# Department of State

RB  
TELEGRAM

LIMITED OFFICIAL USE

097

PAGE 01 BONN 11118 151353Z

46

ACTION TRSE-00

INFO OCT-01 EUR-20 AID-20 CIAE-00 COM-08 E-11 FRB-02  
INR-06 NSAE-00 RSC-01 XMB-07 OPIC-12 CIEP-02 LAB-06  
SIL-01 SAL-02 OMB-01 NSC-10 SS-14 STR-08 AGR-20 CEA-02

L-03 H-02 ABF-01 P-03 PRS-01 USIA-12 RSR-01 /177 W  
031588

P R 151156Z AUG 72  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC PRIORITY 418  
INFO AMEMBASSY BERN  
AMEMBASSY BRUSSELS  
AMEMBASSY THE HAGUE  
AMEMBASSY LONDON  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
AMEMBASSY ROME  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS

PLEASE RETURN TO  
INTERNATIONAL INFORMATION CENTER

LIMITED OFFICIAL USE BONN 11118

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

SUBJECT: KLASEN ON US ATTITUDE ON GERMAN CAPITAL CONTROLS

1. SUMMARY: BUNDESBANK PRESIDENT KLASSEN, ACCORDING TO THE FEDERAL PRESS OFFICE, HAS TOLD CHANCELLOR BRANDT THAT THE GERMAN CAPITAL CONTROLS ARE LEADING TO A QUIETING OF THE INTERNATIONAL MONETARY SCENE AND FACILITATED THE US DECISION TO INTERVENE IN THE FOREIGN EXCHANGE MARKETS. THE FEDERAL GOVERNMENT IS ATTEMPTING TO CONVEY TO THE PUBLIC THE IMPRESSION THAT THE GERMAN MEASURES WERE TAKEN IN CLOSE CONSULTATION WITH THE US. END SUMMARY.

2. AT YESTERDAY'S PRESS CONFERENCE DEPUTY FEDERAL PRESS SPOKESMAN VON WECHMAR REPORTED THAT BUNDESBANK PRESIDENT

LIMITED OFFICIAL USE

28



# Department of State

# TELEGRAM

LIMITED OFFICIAL USE

PAGE 02 BONN 11118 1513537

KLASEN HAD BRIEFED FEDERAL CHANCELLOR BRANDT ON THE INTERNATIONAL MONETARY SITUATION. ACCORDING TO VON WECHMAR, KLASEN REPORTED THAT IT WAS NOW BEGINNING TO BECOME APPARENT THAT THE DECISIONS OF THE GERMAN CABINET (OF JUNE 29 TO STRENGTHEN THE CASE DEPOSIT REQUIREMENT AND INTRODUCE LIMITED CAPITAL CONTROLS --SEE BONN 9104) HAD LEAD TO A CALMING OF THE INTERNATIONAL MONETARY SITUATION. ACCORDING TO VON WECHMAR, KLASEN ALSO TOLD THE CHANCELLOR THAT THESE GERMAN DECISIONS HAD MADE IT EASIER FOR THE US GOVERNMENT TO TAKE ITS DECISION (TO INTERVENE IN THE FOREIGN EXCHANGE MARKETS).

3. A CORRESPONDENT ASKED VON WECHMAR WHETHER IT WAS NOT THE OTHER WAY AROUND, I.E., THAT THE AMERICAN DECISION MADE IT LESS LIKELY THAT THE GERMAN CAPITAL CONTROLS WOULD PROVE INADEQUATE TO WITHSTAND SPECULATIVE PRESSURES. VON WECHMAR REPLIED THAT THE GERMAN GOVERNMENT HAD NEVER MADE A SECRET OF THE FACT THAT ON THIS QUESTION IT HAD BEEN IN CLOSE TOUCH WITH THE AMERICAN PARTNER AND THAT THESE CLOSE CONTACTS ARE CONTINUING. VON WECHMAR CONTAINED THAT KLASEN HAD TOLD HIM THAT HE, KLASEN, HAD BEEN IN CLOSE TOUCH WITH CHAIRMAN BURNS AND OTHERS BOTH BEFORE AND IMMEDIATELY AFTER THE GERMAN DECISIONS MADE DURING THE 3 DAY CABINET MEETING (WHICH LED TO THE FALL OF SCHILLER).

4. EMBASSY COMMENT: VON WECHMAR WENT OUT OF HIS WAY THROUGHOUT THE PRESS CONFERENCE TO CONVEY THE IMPRESSION THAT THE GERMAN DECISION ON CAPITAL CONTROLS WERE TAKEN IN CLOSE CONSULTATION WITH THE US AUTHORITIES AND WERE WELCOMED BY THEM. KLASEN HIMSELF, TOO, IN VARIOUS INTERVIEWS AND PUBLIC STATEMENTS IS STRESSING THAT THE US WELCOMED THE GERMAN MEASURES (QUOTING, FOR EXAMPLE, A JULY 5 STATEMENT BY CHAIRMAN BURNS TO THAT EFFECT) AND THAT THE US WOULD HAVE RESENTED A RENEWED DM OR EUROPEAN FLOAT (SEEN, FOR EXAMPLE, BONN 9900). SCHILLER AND HIS SUPPORTERS, ON THE OTHER HAND, MAINTAIN THAT THE US REGRETS THE IMPOSITION OF GERMAN FOREIGN EXCHANGE CONTROLS (SEEN BONN 9915) AND AT LEAST IMPLY THAT A RENEWED FLOAT -- IF SPECULATIVE PRESSURES SHOULD BECOME SUCH AS TO MAKE IT INEVITABLE -- WOULD NOT HAVE BEEN, AND CONTINUES NOT TO BE, CONTRARY TO US INTERESTS. AS THE ELECTION CAMPAIGN HEATS UP, BOTH SIDES CAN BE EXPECTED TO CONTINUE TO SEEK CONFIRMATION FROM AMERICAN OFFICIALS FOR THEIR RESPECTIVE

LIMITED OFFICIAL USE





# Department of State

TELEGRAM

LIMITED OFFICIAL USE

PAGE 03 BONN 1118 151353Z

INTERPRETATION OF US VIEWS. OBVIOUSLY WE CAN GAIN NOTHING FROM BEING PUBLICLY DRAWN INTO THIS CONTROVERSY. IT MIGHT NOT ALWAYS BE EASY TO AVOID THIS, HOWEVER, IN THE FACE OF STRONG ASSERTIONS FROM BOTH SIDES AS TO WHAT THE US ATTITUDE HAS BEEN AND ATTEMPTS BY VARIOUS GERMANS REPORTING ON DISCUSSIONS WITH US OFFICIALS, OR TRANSLATING US STATEMENTS, TO SHIFT THE NUANCES BETWEEN POLITE US "UNDERSTANDING", AND "APPRECIATION" OR HEARTY "WELCOME" FOR THE GERMAN CAPITAL CONTROLS.

GDS HILLENBRAND

LIMITED OFFICIAL USE BONN 1118

DEPARTMENT OF TREASURY AND FEDERAL RESERVE

SUBJECT: KLASSEN ON US ATTITUDE ON CAPITAL CONTROLS

1. SUMMARY: HUNDESBANK PRESIDENT KLASSEN, ACCORDING TO THE FEDERAL PRESS OFFICE, HAS TOLD CHANCELLOR BRANDT THAT THE GERMAN CAPITAL CONTROLS ARE LEADING TO A CRITICISM OF THE INTERNATIONAL MONETARY FUND AND FACILITATED THE US GOVERNMENT TO INTERVENE IN THE FOREIGN EXCHANGE MARKETS. THE US GOVERNMENT IS ATTEMPTING TO CONVEY TO THE PUBLIC THE INFORMATION THAT THE GERMAN MEASURES WERE TAKEN IN CLOSE CONSULTATION WITH THE US AND SUMMARY.

2. AT YESTERDAY'S PRESS CONFERENCE, THE FEDERAL PRESS SPOKESMAN VON WECHMAR REPORTED THAT THE PRESIDENT

LIMITED OFFICIAL USE

28



Happy about results  
of first market for  
donors.

Next Monday -  
Sgt & Basil & Rm  
(meeting of common market)

Will be strong  
going a change in price  
of steel

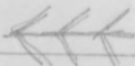
Will visit any  
agreements between US  
& common market.

Should in next  
time go to WE  
should talk this  
over

Are they - in  
would like to have  
them.

Will arrive at  
Sunday morning -

Meeting with one from  
Germany with  
has in need for

Wanted like to know  
our opinions 

Klassy's call

Sgt. 6







GENEVE  
119 - Le Quai du Mont Blanc et la Ville

20.7.72 IRIS  
MEXICHROME



Dear Arthur, we are in Geneva. When I  
had spoken with you and received  
so good news she said, I had to  
offer her for dinner a bottle of  
champagne. I did so. The first glass  
we have drunk on your behalf.

Kind regards to Helen & you  
Yours The and Paul Klason (Anti-flooded)

Reproduction interdite



Klassen

7/19/72



rejoice now  
by  
accounts of  
activities  
of SWs

leader of  
~~the~~ opposition

activity with

Open

Common front

Klassen has this understanding  
with him

Klassen Council



June 23, 1976

1) we have 2 different  
Suits, citizens - Schiller &

Klassen.

2) On Thursday morning, will  
start again

British: discussion will be the  
high work. Which country take  
unions - O'Brien.

French are blaming British.

1) lira will be under  
attack -

2) Think but others will  
hold out.

Flirt together: cannot  
do without US

One country can



Dollar is not in  
danger now. Why not  
go? T

X X X

878 From whom? ←

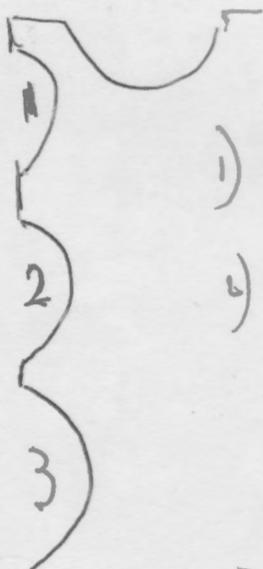
~~Bank of~~

~~Federal Reserve~~ Think they

Fear of another crisis -

All around.





1) Feeling of my Bu

2) Thinking for some  
time you are a  
bringer of light

3) Conflicts with people  
around.

(Charles Meyer's view & his experts)



Klassen - July 8, 1972

only without discussion  
L. J. & L.  
foreign German  
bank -

Schiller opposed -

Exchange market L. & L. & L.

flotly come

3 meetings of cabinet -

Then all members /  
got out cabinet

Schiller in Klassen -

They

- ~~the~~ ~~meeting~~ No meeting /  
cabinet voted for Schiller -

German Bundesbank will accept all dollars  
will buy medium or long-term market.

Sc. & D. & D.

Mr. Schmidt has to become new minister  
Came to Frankfurt last night

A very good friend of U.S.

Coming to Washington next week