

# Why Did the U.S. Mint Gold Discs For Oil Trade With Saudi Arabia?

By Harry X. Boosel; *World Coin News*, January 15, 1980

The mystery of the coinage of the Saudi Arabian gold discs, minted by the U.S. Mint in Philadelphia in 1945 and 1947, has always intrigued me. The first time I saw one, it was displayed by F.K. Saab at a meeting of the Chicago Coin Club in the early 1950s.

Although Saab was unwilling to part with his pair of discs, he indicated that he had several more in a safe deposit box in Cairo, Egypt. He could not retrieve them at that time because of the turmoil following the dethroning of Kong Farouk. Saab promised me a pair as soon as they would become available and through persistence I was eventually rewarded with a pair.

After first viewing the unorthodox gold coins with the eagle and designation of the United States on them, I started researching their manufacture and issue. The research soon became quite frustrating and, finally, an inch-thick file was summarized as Part I in 1959.

It took over five years to uncover the "why" of their manufacture. This was due, no doubt, to the reluctance of officials involved in minting these gold discs. This amounted to an international numismatic intrigue of sorts.

There is absolutely no doubt that these Saudi Arabian gold discs were manufactured at the mint in Philadelphia in 1945 and 1947 in what can be considered "clandestine" procedures. No official authorization has been uncovered and one will tell *why* -- the Mint will not, the Arabian Oil Company (ARAMCO) will not, and those involved representing the Saudi Arabian Government are no longer around.

At the time I wrote Part I, I stated: "Because of the difficult time I had getting information, it is unlikely anyone will correct me!" May I say that nobody has.

Since that time, only two short articles have appeared concerning the Arabian gold discs. The first was contained in Seaby's Bulletin of July 1963 (pages 220-21) and written by A.L.I. Baba. It gave no additional information but it did quote my article quite extensively. The article did, however, question the coinage figures of the larger gold discs as stated in Part 1.

Going back to the original article, I derived the statistics on the coinage figures from official Mint sources - *The Reports of the Director of the Mint* and letters from the Mint Bureau. The coinage figures quoted in Part I are, as far as I'm concerned, official.

Here again are the official coinage statistics: 91,210 large, 4-sovereignsize gold discs made in 1945; 121,364 small 1-sovereign size gold discs. All were manufactured at the Philadelphia Mint for the Saudi Arabian Government at the request of ARAMCO.

The second short article was contained in *World Coins* magazine, September 1973 (page 1360). It did not give any additional information except to quote a Mint Bureau flyer which tried to alleviate some of the questions which arose. This article quoted incorrect mintage figures of 123,364 for the small discs as opposed to 121,364.

Near the beginning of Part 1, I stated: "And so the stage is set for those Saudi Arabian gold discs," by referring to the Philadelphia mint coining gold pahlevis (16,053) and half-pahlevis (89,108) for Iran in 1943, as shown by *The Report of the Director of the Mint* for 1943. This report referred to this coin in a footnote and stated: "These coins are objects of value, rather than a circulating medium." Note the word *coin* as it is used here.

There is no doubt in my mind that they were, and still are' gold coins of and for Iran. They were made at the Philadelphia mint. It is noted that these Iranian gold coins are not listed in the publication which lists foreign coins minted in the U.S. However, the Saudi discs are.

The only year which the U.S. minted gold coins for Iran was 1943. Iran's gold coins of 1944 and later were not made by the U.S. Mint and have a more coppery tinge.

Again we come to the questions, *Why?* Why did the U.S., after 10 years of not minting gold coins since 1933, coin gold coins or *objects of value* for Iran in 1943? After considerable further research, the answer was found in Elgin Grosclose's *Money and Man* (1967).

Iran is in the headlines today. As Persia (the country's name prior to March 22, 1935) it does have an interesting numismatic history. In 1294 A.D., Kai Khatu, the Mongol ruler of Persia, introduced paper money into his realm under the advice of his vizier and in imitation of Kublai Kahn, his brother monarch. This action aroused such resentment among the merchants that a riot ensued. The vizier was seized by the mob, torn to pieces and thrown to the dogs.

This paper money was withdrawn and wasn't reintroduced until 1931 when Rezeh Shah Pahlevi introduced paper to take the place of silver, which was gradually withdrawn and melted down. On Sept. 16, 1941, the elder Pahlevi abdicated in favor of his son, Mohammed Riza Pahlevi, the shah who was recently ousted.

Who was the original Pahlevi? Persia tried to remain neutral in World War I. It was soon overrun by Russians fighting Turks, and the British fighting Qashqai tribesmen led by German agents. Even then, Iran was considered important because of its oil reserves.

Riza Kahn Pahlevi, head of the Persian Cossak forces, expelled all Russian officers in 1921 and was made commander of the Persian Army. He reorganized this armed body in 1921-24, became prime minister in 1923 and then maneuvered the rightful shah out of the country in the same year. He was chosen shah by the Persian National Assembly and was crowned in 1926 as Riza Shah Pahlevi.

The famous Peacock Throne was stolen from India by Nadir Shah of Persia in the 18th century. Nadir Shah (1688-1747) was the last of the great Persian conquerors. The Kajar dynasty, last of the royal rulers of Persia, started in 1794. It ended when Ahmed Shah refused to return to Persia from Paris in 1925.

Iran tried to remain neutral again in World War II, but British and Russian troops invaded with little opposition in 1941 and forced the abdication of Riza Shah Pahlevi. His son, Mohamed Riza Pahlevi, signed a treaty with Russia and Great Britain on Jan. 29, 1942. According to Grosclose, the introduction of paper money was not the immediate cause of the shah's downfall, but it did contribute to it.

After the elder Pahlevi was deposed, Russian and British forces occupied Iran. They pledged not to interfere in internal affairs of the country, so could not levy taxes to finance their occupation of the country. Hence, these two occupying forces tried other means: First printing press money with credits to be established outside the country; and, no hard money for the credits to be into Iran.

Naturally, with no money it did not take longer for chaos to ensue. Goods disappeared from the markets, Farmers refused to exchange their good produce for the use less paper money they did not trust. Famine threatened the land.

In 1921, when Britain sent an expeditionary force into Persia, the commander carried British gold sovereigns and with these he had no difficulty buying supplies, recruiting workers and even organizing guerrilla forces.

Grosset was in residence in Persia about that time, serving as a teacher in northern Persia and a relief worker in Soviet Caucasus. He had observed the relative economic stability in the areas where hard money was available, and the relative chaos where the fiat paper money served.

Not surprisingly, Grosset was appointed treasurer-general by the Iranian Parliament and he arrived in Tehran in January 1943. Grosset gives an interesting account (pages 286-87):

"The author had some familiarity with the country from residence 20 years earlier, when he served as a teacher in northern Iran (Persia) and relief worker in the Soviet Caucasus. He had observed the relative economic stability of the Iranian villages despite the breakdown of political authority and an almost nonexistent administration, and for contrast the chaos and prostration of the cities of the Caucasus, ruthlessly governed by an all-powerful communist dictatorship. In one region, trade and livelihood persisted with the aid of a plentiful supply of good silver coinage; in the other, such anemic trade as one could see was done by means of a depreciated paper currency, so worthless that it often went by weight - a bundle of notes in one scale and a loaf of bread in the other.

"Persuaded that only with the precious metals freely available as a medium of payment and store of value would the hoards of grain and copper be released and prices stabilized, he proposed that the minting of rials be resumed. As the dies had been broken, and the mint fallen into disrepair, this idea had to be abandoned.

"He thereupon recommended that instead of keeping the gold locked up, it would be put to work to discharge its historic functions. He proposed that the occupying powers finance their costs with gold instead of sterling and dollar exchange. And that gold be sold directly in the market to relieve the strain on the printing presses. Not only would the process stop the expansion of the note issue, but would reduce the costs of occupation, since the bazaar price of gold was equivalent to \$70-\$80 an ounce as against the \$35 an ounce at which dollars and pounds were being sold to the Iranian National Bank for the occupational rials. Importantly, hoarders would have a more effective means of storing wealth than wheat or copper, and these commodities would return to the market.

"The recommendation was adopted and the United States Treasury offered to provide the gold. As it was prohibited by law from exporting (gold) coin, it shipped instead, quantities of gold bars, and these were put on sale along with gold of various coinages held by the Iranian National Bank. The success of the operation was

limited by the fact that the market for gold bars, since they were expensive, was restricted; nevertheless, it proved sufficiently effective that it was extended throughout the Middle East War Theater."

So, the U. S. Treasury shipped gold bars to Iran to relieve the economy. What about the "gold of various coinages" held by the Iranian National Bank? Who is fooling whom?

*The Report of the Director of the Mint* for 1943 admits "coining gold coins" of the pahlevi and half-pahlevi denominations. Then, on the same page, temporizes with the statement: "These coins are objects of value rather than a circulating medium." How naive do they think we are?

Iran has always fought modernization. Part of the blame for the recent shah's downfall can be attributed to the fact that he was trying to modernize Iran. He educated the masses but failed to provide employment for them. Instead, he imported foreign technicians and was encouraged in his repressive actions by the U.S. president in 1972. The masses became very dissatisfied with his autocratic rule and revolted. And who was behind all this? The Khomeini now wants a pure Moslem state with all foreigners out.

Nasr-ed-Din, shah of Persia from 1848 -1896, had a prime minister (vizier), Mirza Hussein Kahn, who was trying to modernize Persia in 1873. He arranged a grand tour of Europe for the shah. This was the first ' time any Mohammedan ruler had ever visited any infidel country. When the shah returned home, he was met with a Grand Petition to depose his prime minister, who had accompanied him on the trip. This greatly displeased the shah, but he bowed to pressure and made the prime minister a governor in a remote province away from the capitol. Incidentally, the shah made two more trips abroad, in 1878 and 1889.

Now, back to the weakened Iranian Government of 1943. The U.S. was vitally interested in Iranian oil, so the Iranian gold coins of 1943 came about. Groscclose said his policy was also applied in the Middle East. In 1945 and 1947, the U.S. was still vitally interested in Saudi Arabian oil, and gold again became the means of insuring its availability to the U.S. Navy,

It is interesting to note historically, that when oil was first discovered in Saudi Arabia in 1933, the Arabs insisted on being paid in gold. The oil deal was almost aborted by President Roosevelt's embargo on gold (April 20, 1933). But arrangements were made to get British gold sovereigns from London. So, the British gold sovereign was introduced in quantity to Saudi Arabia in 1933.

In 1973, the Arabs cutoff their supply of oil to the U.S. from that area and that is when the price of gold started on its present historic rise.

The Arabs had become too sophisticated by then to depend on us. With the higher prices they started to charge for oil, it brought them as much gold as they could want. Now, with the Iranian oil cutoff, and the Oil Producing Export Countries (OPEC) threatening to again raise the price of oil, gold has reached zenith highs almost daily.

So, the Saudi Arabian gold discs were minted by the U.S. Government for the Saudi Arabian Government. This was done through the intercession of ARAMCO with the understanding that the Saudis would continue to supply the U.S. with oil.

The Saudi gold discs have a relatively simple design. The Mint Bureau, now states that the Saudis originally asked for small gold bars, but it was impractical to pour them. So, they "coined" gold pieces (discs?) and used the same eagle on the gold coin that they used on gold bars.

Small gold bars from the Mint are unobtainable. However, here is a photo of a small Philadelphia mint silver bar made in 1946. , Compare its eagle with that on the Saudi gold discs.

This may make some sense, but why all the secrecy? The Mint letter was put out years later, without any date. Why did they wait so, long? And what about the smaller sized gold disc?

All the Saudi discs have the exact same fineness as the British sovereign. And if Saudi Arabia wanted small gold bars, why did they have to be exactly .91666 fine? Ripley had a word for it!

With the simple design, it did not take too much to counterfeit the larger gold disc. This started in the late '50s when the disc commanded a greater premium than its gold content. But the Mint built in a protection against casting a counterfeit from an original large gold disc.

A close-up of the lettering on the eagle side shows very fine lines around and between and within the open letters, such as D and P. These fine lines would never show up in a casting. Note the 'fine, lines between MIN.

We have identified three different and distinct dies with the fine line between and in the letters that the American Numismatic Association Certification Service (ANACS) will certify as genuine. Prior to the U.S. Government allowing its citizens to own gold, the discs were considered bulk gold and illegal to hold.

There is another identified large gold disc that does not have the fine lines. It has pebbly dots instead and a comparatively large indentation at the middle, downward point of the M in MINT.

This one I identified as a counterfeit in Part I. Although not everyone is in agreement with me about this, ANACS will not certify this one as genuine nor will they say that it is a counterfeit. Merely, "No Opinion." I will stick to my opinion.

The dot theory does not apply to the smaller sovereign-size gold disc of 1947. The smaller discs were not counterfeited as extensively as the larger ones, presumably because there was a much greater profit factor in duplicating the larger ones.

I believe that the smaller discs with the wire edge is the counterfeit. Also, if your smaller disc has pebbling or dots within the closed letters D or P, then chances are that it is genuine. There are no fine lines on the genuine smaller gold disc. There was a recent publication of a new smaller counterfeit disc in the International Bureau for the Suppression of Counterfeit Coins (IBSCC) publication in November 1976.

There is some thought that since the gold discs show "US MINT-PHILADELPHIA USA" they should be considered to be a U. S. gold coin. After all, how could they be Saudi Arabian when there is absolutely, no indication of Saudi Arabia on them?

Friedberg's book on gold coins fists the gold discs under the U.S., after commemorative gold coins. Perhaps they could be considered to be private gold coins made by the U.S. Mint. Then, they would be grouped with Territorial gold coins. Besides, we made them! Why should we be ashamed of them? Why should we have so much secrecy about them? You be the judge.

