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A Golden Weapon Against London?

In the wake of Bremen, moves to remonetize the yellow metal

With the introduction of the Schmidt-Giscard European Monetary System at last week's Bremen European Community meeting, it is now an open secret among informed financial circles that the world is moving rapidly toward a gold-backed monetary system

GOLD

that will once and for all sink the City of London and its worthless pound sterling into oblivion. Although the price of gold increased only marginally as of July 12, the Bremen package prominently includes the metal in the $50 billion European Monetary Fund — thus effectively remonetizing gold as the key international monetary reserve.

The French press has gleefully trumpeted the impending gold remonetization and concomitant demise of London's International Monetary Fund, even though the Bremen communiqué does not specifically cite the role of gold. A prominent front-page article in the July 10 issue of *L'Aurore* minces no words: "One of the most pernicious factors of world inflation was certainly introduced with the shattering abandonment of the gold standard . . . (while) the International Monetary Fund which liquidates its gold and spreads paper . . . is flailing its arms in the wind with authority . . ."

According to European gold traders, central banks have been "shaping" the gold market for several months, and are now "important net buyers." This dovetails with recent statements by the Chairman of the South African Chamber of Mines, who pointed out that with the change in IMF statutes now permitting central banks to trade in gold at free market prices, these institutions will be playing an increasing role in stabilizing and running the gold markets. Insiders report that indeed French, West German, and other central banks have been quietly stocking up on gold, with full cooperation from the main producers, the Soviet Union and South Africa.

Many gold-oriented newsletters are now predicting that the gold price could rise from its current level of about $185 per ounce to $240 by year's end. One top European banking official reports that the Bremen decision "has thoroughly remonetized gold," while a colleague confirmed bankers' expectation of three major developments: that gold will move to the $240 level; that the dollar will increase 50 percent in value, to about three deutschemarks to the dollar; and that the pound sterling will be allowed to collapse to a level commensurate with the decrepit British economy.

The $240 price level is the minimum necessary to bring on line new sources of gold to ensure sufficient reserves for central banks and the European Monetary Fund. Contrary to mythologies pervading U.S. financial circles, the steep price hike would not threaten the dollar. Given the establishment of the European Monetary system and vastly expanded trade and economic development, the remonetization and augmented supply of gold would provide the monetary underpinning for currency stability. What *would* fall is the pound, which, unlike the dollar, is backed solely by Britain's 19th-century industrial capacity and an even more obsolete monarchy.

British Scramble for Gold

Faced with a virtual *fait accomplit* at Bremen and Bonn, the British and their financial appendages are desperately trying to cover themselves by getting in on the gold action. No less than N.M. Rothschilds believes that gold will be moving to $240. Some of the British press is even signaling the gold boom. According to the July 10 London *Daily Telegraph*, the Swiss banking gnomes have recently bought an unusually large amount of gold from South Africa — five million ounces worth, nearly $1 billion. With their customary disdain toward the bewildered U.S. government, the *Telegraph* writes: "Few outside the American Treasury seriously believe that gold no longer plays a role in the international monetary system."

L'Aurore on Rehabilitating Gold

The following are excerpts of an editorial which appeared in the July 9 edition of the French daily L'Aurore:

At Bremen, the French and the Germans were on top, with their already elaborated project which aims at the immediate creation of a "zone of stability" of currencies in the Community, so that the industrialists and traders of the Nine countries have at their disposal viable means of payment. For nothing is worse than the ignorance which a vendor, who consents to giving credit, suffers from if nothing guarantees him the value of the currency with which he will be repayed.

One of the most pernicious factors of world inflation was certainly introduced with the shattering abandonment of the gold standard. . . .

In the Bretton Woods system, which is defunct today because the Americans who were its inventors and

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guarantors destroyed it, an ounce of gold was worth $35 . . . . The dollar which "was worth gold," eclipsed sterling as a universal instrument of reference, reserves and payments.

But the United States did not prudently manage its currency, and the day came when the uncontrollable mass of paper-dollars went off the deep end. A first devaluation to $42 an ounce did not help. On Aug. 15, 1971 Nixon frankly announced to all the peoples of the world that the dollar-gold convertibility had ceased to exist.

From this moment on, the world entered on an era of financial vagabondage (and speculation) which gave birth to the economic crisis in which we are enmired . . . . So far, everything has failed to remedy this. The International Monetary Fund, which liquidates its gold and spreads paper (the "SDRs", so-called international currency of account, which even the oil-producing countries refuse as a settlement for their bills — that says a lot!) is flailing its arms in the wind with authority . . . .

The excellent idea which has guided Giscard and Schmidt is to endow the Europe of the Nine with its own reference currency . . . . .

The French and Germans have proposed the creation of a European Monetary Fund fed by a contribution of 20 percent of the exchange reserves of the Nine. The deep-rooted habit of counting in American currency brings between $15 and $25 billion to this piggy-bank, which will come to the aid of the lame ducks and discourage speculation, especially to the extent that gold is rehabilitated as a reserve instrument!

— Steven Parsons

"The Boot Is On The Other Foot"

From "Mining and Metals," a regular column in the London Daily Telegraph, July 10, 1978:

Consolidated Gold Fields ended last week considerably happier than it began. Arguably . . . the share price relative to the British equity market can from now on do nothing but improve.

Of greater importance, however, is the outlook for gold. Few outside the American Treasury seriously believe that gold no longer plays a role in the international monetary system. Rather the boot is on the other foot with the less-developed nations increasingly taking up their International Monetary Fund gold profits in metal rather than paper currency.

One straw in the wind, a particularly significant one in that it blows in from that home of hot money, Switzerland, is the possibility that South Africa will sell five million ounces of gold to the Swiss banks . . . . (which was originally) swapped with the three gold pool banks at $110 an ounce and repurchased for three month delivery at about $112.

This three months' delivery has been rolled over since that date. Now, it appears, South Africa is entitled to sell the metal at something approaching the free market price of almost $185 . . . . When this transaction will be completed is not yet known. But . . . the political climate for South African loans had improved substantially in Europe with maturities for debts having been extended from two years to about seven years.

LaRouche Explains Why Gold Must Go To $240

And why Europe agrees with him that it must

U.S. Labor Party Chairman Lyndon H. LaRouche, Jr., the first announced candidate in the 1980 presidential elections, told the Executive Intelligence Review *in an interview last week that "The same European forces who built the Bremen Summit last week are in agreement with me on the means to stabilize the world currency system fast." Following are portions of that interview:*

Q: What is called for to solve the international financial crisis?

A: We are agreed that the price of gold must be rapidly brought to the range of $230 to $240 an ounce, and stabilized in that range through central bank operations in the open market, and that the U.S. dollar must be brought up to a valuation of 3 West German marks. The dollar rate must be brought up to the DM 3.00 rate in anticipation of the biggest export boom the U.S. has ever had. We and our allies in Europe and Japan insist that the $230-$240 gold price must be achieved as soon as possible, as the basis for stabilization of all currency parities on a fixed-rate basis. No crawling peg or other half-measures will work, nor will they be tolerated.

The pound sterling rate is now a matter for Britain's own political choice. Should Britain choose to adopt a pro-industrial policy and join the Bremen accords, the pound will be stabilized. If Britain balks, the pound will collapse to undetermined levels.

I want to emphasize to the American government and business community that the European forces and their Japanese allies who are responsible for the success at Bremen are as committed as I am to the immediate introduction of a gold-based monetary system.

Q: What role does the new European Monetary Fund play in this?

A: The rapid stabilization of currencies into fixed-parity arrangements will make possible the transformation of worthless liquidity into the Eurodollar market into long-term, low-interest development credits to the OECD countries' trading partners in the South and East. This will be accomplished through the issuance of gold-denomination, long-term bonds at approximately 2 percent interest rates to present holders of Eurodollar deposits, through such institutions as the European Monetary Fund.