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.

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Q: What effect will the new financial proposals by European countries at the Bremen meet have on the U.S. economy?

A: For the United States, the first effect of currency stabilization around the $230-$240 gold price will be the prospect of the biggest export boom the United States has ever had. To obtain the benefits of this arrangement, the United States must immediately lift all licensing and related restrictions on high-technology exports, particularly those applying to nuclear power-related exports and high-technology goods with Comecon-area destinations, as well as the so-called "boycott" restrictions on trade with the Mideast.

In addition, the Administration must suspend or eliminate those antitrust provisions which prevent American multinational companies from acting like Japanese trading companies.

What we have before us is the capacity to generate additional exports in the range of $100 billion annually. That means we can knock the rate of unemployment down fast, by bringing American industry back to full capacity utilization, and kicking off an investment boom benefiting the capital goods industry.

One of the foremost national priorities in the context of our preparations for the export boom is the immediate settlement of the New York City financial crisis. New York must become once again a great exporting center, with a Metropolitan area buildup of manufacturing industries spun off from port and related activity. New York City's tax base has been eroded through the depletion of manufacturing industries and its replacement by so-called services, which in fact add to economic overhead. New York City's debt must be converted into federally backed, high-grade, long-term, low-interest bonds, and additional credit must be provided through public and private sector channels to gear up for major trade expansion.

Why Some U.S. Corporations Are Afraid Of A Strong Dollar—For Now

A responsible official of one of the leading U.S. commercial banks recently discussed European predictions that the dollar will appreciate to three deutschemarks, and gold to above $240 an ounce.

Q: What effect would you expect from a dollar rise?
A: If the dollar rises to three deutschemarks, then the U.S. trade surplus will worsen.

Q: Would that still be the case if there were an exports program for the U.S. based on developing the Third World?
A: Actually, the Japanese would be willing to redress their trade payments surplus, if they could work out an equitable solution to their oil imports deficit.

Q: Does that mean they could arrange a "trade-off" with Carter: we'll improve our non-oil payments surplus, if you get going on a sensible energy program?
A: Yes, I think the Japanese are thinking in those terms. But still, a three-deutschemark dollar would hurt a lot of people in the U.S.

Q: Why?
A: Because all the companies are holding short positions against the dollar. I know of only one major U.S. corporate customer of ours who is purchasing dollars, but it is a company usually considered out of step with the market by all the others.

Q: What would happen if you told your customers that good news for the dollar was expected out of Bonn?
A: They are already saying that. But in the same breath, our customers pull out their economists' reports, and list off how the U.S. economy is in danger. All the statistics show that the U.S. is headed for a recession, that with substantial growth rates compared to other nations so far, there is no more room for growth. You can't have a stronger dollar, without a pickup in the U.S. economy. I suppose these companies don't have the best economists, but that's the problem right now.

Q: In other words, a lot of U.S. companies would be hurt if the dollar rose, even if that's in the U.S. national interest?

A: Yes, I'm afraid so. They'll have to unwind their positions first, before the dollar can rise.

Where Not to Get Advice: The Morgan Bank Old-Age Home

The *Journal of Commerce* announced July 11 that the International Council of Morgan Guaranty, one of the nation's largest banks, had made two new appointments to its board. The announcement raised the question: has that bank become a retirement home for the faithful retainers of the Black Guelph nobility?

The two new appointees, boasting long pedigrees of service to the City of London but now put out to pasture are: *Johannes Witteveen*, the former chairman of the International Monetary Fund (IMF) (and also a member of the whirling-dervish Sufi Muslim sect), and *Lord Cromer*, a permanent Baring Brothers bank fixture, who becomes chairman of Morgan's International Council, replacing Lord O'Brien of Lothbury.

A number of corporations interviewed last week about the results of the Bremen Summit and the prospects for Bonn responded with variations of: "I know nothing about what happened there. My bank advisory service has left me in the dark."

For those corporate executives that do business with Morgan bank or its affiliates, the reason should be no mystery. The level of its advice deteriorates in direct proportion to the number of British monarchists it has on its board.