hardened, the Aug. 8 *Financial Times* warned that pressures could force a liquidation of the artificially bloated British gilt market.

The British Strike Back

Behind the pound's survival thus far — and actual appreciation in the last few weeks — lies a massive mobilization of funds within London's political reach. At the head of the alleged "respectable," pro-British networks is Fritz Leutwiler, head of the Bank of Switzerland. On Aug. 7, central banker Leutwiler created several million new swiss francs for the purchase of spot marks, in an attempt to push up the deutschemark-Swiss franc cross-rate.

This immediately triggered a realignment of DM rates, pushing the dollar into a plunge which took the DM-dollar rate from 2.04 on Aug. 7 to 1.9755 on Aug. 10.

Political back-up came from the parliamentary fraction of the neofascist German Christian Socialist Union (CSU) headed by Franz Josef Strauss. The CSU submitted a parliamentary question to the West German government on the legality of the newly launched EMF, stating that its operations should be disbanded. The pretext is that the EMF was created without prior approval of the German Bündesbank and violated its constitution.

At the same time, British policy channels churned out misinformation and outright lies to foster a dollar collapse. The Aug. 9 *Journal of Commerce* headlined its coverage, "New Currency Crisis Feared By Bankers" and proceded to blame the dollar's fall on the alleged "indifference" of President Carter. The *Wall Street Journal* of the same day ran a front-page article retailing the British Petroleum-sponsored line that a sudden surge of U.S. oil imports in the second half of this year will wipe out the world oil glut and undermine the dollar.

According to a source close to Banque Brussels, Lambert, "The Saudis are blistering mad," over Sadat's agreement to meet Begin at Camp David and may decide to go along with an oil price hike at the Special OPEC meeting that the Kuwaitis want to hold in September. But the wire services reported Aug. 9 that OPEC officials (obviously acting under Saudi pressure) had stated that no such special meeting is scheduled to take place.

—Richard Freeman

LaRouche An 'Architect Of Gold-Backed Monetary System'

The emergence of a new world economic order was the topic of an article appearing in the August 10 issue of **To The Point International,** ***sometimes referred to as the "Time Magazine" of South Africa. The analysis, reprinted here in full, defines the momentum towards a gold-backed monetary system as a result of the economic policies of Lyndon H. LaRouche, Jr., outlined in his 1975 International Development Bank proposal.***

Bullion at 240 Dollars an Ounce and A "Gold Backed Monetary System?"

It is an open secret that the world is moving towards a "gold backed monetary system." The price of gold must be brought rapidly to 230 or 240 dollars an ounce. That is how one of the architects of the concepts discussed at one of the recent economic summits in Europe interprets the post-Bonn and Bremen thinking. Can the U.S. gold demonetarists resist the metal's comeback? Managing Editor Stephen Orpen weighs the odds.

"We're agreed that the price of gold must be rapidly brought to the range of 230-240 dollars 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 the valuation of 3 West German marks." Lyndon LaRouche is the first announced candidate for the 1980 presidential elections, and author of the International Development Bank proposals, on which the outline of the recent Bonn and Bremen economic summits were modelled.

After speaking to LaRouche and others involved in the Bonn and Bremen summits, the *Executive Intelligence Review* (EIR) reported that with the introduction of the Schmidt-Giscard European Monetary System, it is now an "open secret among informed financial circles that the world is moving rapidly towards a gold backed monetary system." According to European gold traders, says EIR, central banks have been shaping gold markets for several months and are now important net buyers. EIR says this dovetails with recent statements by the South African Chamber of Mines, which have pointed out that with the changes in the 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 gold markets.

It is also reported that the French, West German and other central bankers have been quietly stocking up on gold, with full cooperation from the main producers, the Soviet Union and South Africa.

How credible is this? One must start by cautioning that LaRouche, who is also chairman of the United States Labor Party, is a long way from current White House and Washington policy formation. He may have influence in certain areas but he's far from the mainstream of official U.S. Treasury strategy, and presumably an anathema to those Treasury men who have been implacably opposed to an important role for gold in the monetary system. He is plainly closer to those grassroots U.S. gold bugs who are inclined to make up in energy what they lack in finesse in their arguments. Yet, his access to the thinking and plans of transatlantic policy makers at the highest level gives his observations, if not his personal views, a certain authority.

Clearly, he is echoing European sentiments in his gold-dollar arguments. His semantics may be off-target but his method runs true. What lies behind it may be summarized as follows.

— There is still an important bloc in Washington that hope to see gold relegated to commodity status. But there are troubles brewing in the U.S. economy which are working against this. The U.S. has little hope of finding a durable solution to its problems without major shifts in style, span and courage of its economic and monetary policy making. Gradually the welfare-wedge (and, if you like, the "problems of prosperity") is eroding Washington's powers to do the things it must if the vicious circle with inflation, declining increments in productivity, the energy squeeze, the balance of payments deficit, the loss of investment confidence, and hobbled economic growth is to be broken. Until this breakthrough comes, the dollar will remain fundamentally weak, even if the price is not as depressed as in recent months.

— World foreign exchange reserves have climbed from 35,600 million dollars in 1970 to 173,100 million dollars last year. In 1970, some 80.9 percent of paper reserves were held in dollars, 9 percent in pound sterling, and 2.1 percent in Deutschemarks. In 1977, 81.2 percent dollars, only 1.5 percent pound sterling, but 6.9 percent deutschemarks, making the DM the world's second most important reserve currency. Members of the European snake have 95 percent of their reserves in dollars, whereas gold comprises 13.5 percent of the world's total official currency reserves — and the proportion in gold could become higher if the central banks based it on market prices for the metal.

— The fallen U.S. dollar has given the U.S. an edge in world trade which remains distasteful in European and Japanese export sectors.

— It is a truism that the dollar's slide has undermined confidence in currencies and in the West's economic health to the benefit of gold. It may be old fashioned to repeat that metal has an intrinsic value which everyone understands, because gold is scarce and costly to produce. For all that, events keep underlining this fact.

— Taking all the above into account, it would not be surprising if the European central banks were keen to have more gold and fewer dollars in their reserves, even if they also wanted a somewhat stronger dollar to help their trading positions and to restore basic confidence in the basis for world growth and monetary order.

— To get more gold now costs more dollars. But these are devalued and over plentiful dollars. Europeans (and others) are not unhappy to part with such greenbacks. If this implies a rising price for gold and a more important role for the metal in monetary arrangements, so be it — within reason.

Of course, there are many other factors at work — gold speculators, industrial demand for gold, overreaction to the rise of the yen, the proposed new European Monetary Union, the supersnake proposals, contradictions in the economic cycles in different countries, the cost of getting the Third World viable, changes in political risks around the world.

But the feeling keeps growing that, in the medium and long term, the gold price will keep rising and the metal will prove extremely difficult to expel from a central role in the monetary system.