French Sector in the European Monetary System is far more significant than the traditional French commitment to gold, as expressed by de Gaulle's financial advisor, the late Jacques Rueff. Indeed, Giscard became Finance Minister in 1968—following the May destabilization—to replace Rueff and was the man who negotiated a compromise in favor of gold demonetization with the Wilson and Johnson governments. This role had less to do with Giscard's personal views on gold than the weakness of the French franc in the weeks prior to the September 1968 International Monetary Fund annual meeting, and de Gaulle's need to find a new finance minister to carry the white flag. Giscard, according to press accounts and *EIR*'s own sources in the French government, is now fully committed to gold remonetization, as a means of achieving the objectives he set forth in the cited television talk.

According to Die Welt Dec. 11, the two basic monetary features of the Giscard plan are 1) a parity link between the dollar and the European Monetary System currencies, establishing a regime of quasi-fixed rates, and 2) remonetization of gold as a central bank reserve. It is not known whether Giscard intends to value currencies in terms of ounces of gold, or to use gold at a central bank-regulated price as a means of stabilizing international credit flows, or both. However, the likely course of action, according to senior French government officials, is to employ EMS gold stocks to issue gold-indexed loans in very large volume, absorbing tens of billions of Eurodollars at long maturities and low interest rates.

However, the technical aspects of the gold issue are of second-order importance, as a matter of financial implementation. The driving force is Giscard's consistent recognition of the central importance of the development issue in world politics, from his 1976 sponsorship of the Paris Conference on International Economic Cooperation (the "North-South Dialogue") to the present. In this respect, France has taken a leading role on behalf of Europe in the Arab world, a role lauded by Saudi Arabia's Sheikh Yamani in a Brussels address Dec. 14. Giscard, Yamani said, was the only Western leader to offer the oil exporting countries the opportunity for cooperation with the industrial nations that they sought.

France's political relationship to the Arab world and the developing world generally will, in fact, determine what technical proposals come into force. There are only two ways to handle the surplus revenues of OPEC, estimated at anywhere from $80 to $140 billion, depending on the price of oil. One is to place these revenues through the International Monetary Fund and World Bank, both institutions committed to retarded development, and the continuation of the Third World's raw-materials-economy status. The other is to create a new, European-centered institution to draw on this surplus and other parts of the $500 billion Eurodollar market float, and convert it into financial assets of the type suitable for long-term development financing. Rather than exchange their revenues for Special Drawing Rights, or a basket of hard currencies, as the IMF and most Anglo-American banking spokesmen have proposed, the Arabs would finance their own and contiguous countries' development.

In one version of the Giscard plan, dated Dec. 12, 1978 (see box), Giscard's foreign trade minister proposed to raise $100 billion on the collateral of the EMS reserve pool—most of which, of course, is pooled gold holdings. The proposal demonstrates the general nature and scope of the Giscard approach, although the year-old details may not be projected onto the French President's current efforts.

—*David Goldman*

$100 billion for progress

On Dec. 12, 1978, French Minister for Foreign Trade Jean-Françcois Deniau addressed a meeting of the leadership of the UDF coalition of progovernment political parties. Here are portions of the speech.

"We reject the bureaucratic superstate. Our conception is that of a confederated Europe in which the European Council sets the orientations of the Community with respect for the sovereignty of the States...

"Our program proposes that the nine member governments of the Community launch a development plan for employment by investing together over five years sums which could amount to 500 billion francs."

"Half of these sums would come from national efforts coordinated on the European level, the other half from Community loans, the Community itself borrowing these sums on the basis of the credit (collateral—ed.) provided by the considerable monetary reserves of its members. These loans, denominated in ECUs, would be retroceded to the member countries and would serve to finance a vast program of industrial, regional, and infrastructural investments on the European scale which present a particular interest from the standpoint of employment."

Deniau added that this 500 billion franc program would serve to promote progress and modernization in the developing countries. "It would be a credit policy to ensure a relaunching of orders, a sort of Marshall Plan which would aim to increase the standard of living and the buying power of the countries toward which Europe could export part of its production."