Gold by Montresor

A Swiss dictatorship?

The Report of the President's Gold Commission provokes the question once more: whose gold standard?

The President's Gold Commission, almost in spite of itself, has reopened a very acute question with its final report, which was issued on March 31.

The Commission decided on "essentially no change in the present role of gold at this time," i.e., no gold for now. However, the report admits what our readers know: Paul Volcker could succeed in blowing up the existing monetary system. His high interest rates could soon result in mass bankruptcies of U.S. industry, savings banks, etc., forcing a U.S. financial reorganization.

Such a reorganization could include gold, the Commission notes: "We are not prepared to rule out an enlarged role for gold at some future date, if reasonable price stability and confidence in our currency are not restored. . . ."

With these words the Commission begs the question of import: if a financial calamity hits, exactly *who* is going to run a gold-based reorganization of the United States?

The Commission's own answer to its unstated question can be read in the allegiances of its members. Treasury Secretary Donald Regan heads a list of American supporters of the austerity gold scheme of the Bank for International Settlements, including New York financier Lewis Lehrman, monetarist Prof. Paul McCracken, and Federal Reserve Governor Henry Wallich.

The Commission report recommends that Congress and the Fed study "establishing a rule specifying that the growth of the nation's money supply be maintained at a steady rate. . . ." It observes that "one way to reintroduce gold would be to require the Federal Reserve System to maintain a minimum ratio between the U.S. government gold stock and the Federal Reserve's monetary base. . . ." These, of course, are prescriptions for a variety of austerity. mone-

Or, as the *Wall Street Journal* editorialized April 14, the report's message is, "Let us continue with Volcker's current no-gold monetarism, but if it fails and the banking system comes down, we need a back-up contingency plan for gold-style monetarism." Long a bastion of support for Volcker's policy, the *Journal* acknowledges that in a crisis "a gold-oriented policy is the likely alternative."

The BIS plan was formally announced last October by Dutch Central Bank president Jelle Zijlstra, then Chairman of the BIS, in Washington. He proposed an international conference of central banks, who would agree amongst themselves to fix a price of gold for the U.S. dollar, to settle accounts between countries.

As Zijlstra acknowledged, however, there is almost $2 trillion in the offshore speculative markets, and only 264 million ounces of gold in the U.S. Treasury to back those dollars. This works out to a gold price of over $7,000 per ounce if every dollar is to be backed by gold. Zijlstra therefore demanded "transitional" measures to tighten up the supply of dollars—*the slashing of world credit for industry and trade.*

But two can play this game. Lyndon LaRouche, the internationally acknowledged adversary of the monetarists, in September put forward a gold plan, embodied in his "Four-Point Program," which the current debate calls into play anew.

The Commission report asks for the development of "a formula and timetable for valuing U.S. gold stocks in a manner realistically related to gold market value." As LaRouche proposed, upvaluing American gold to a market price or $500 per ounce, "whichever is higher," would immediately give the United States some $132 billion in new foreign reserves, which could be used "exclusively for productive-investment purposes." The LaRouche plan will be re-submitted to the Treasury for the new gold-upvaluation study.

This, of course, is not the intention of the Gold Commission, which demands "legislative constraints that the proceeds of this new valuation not be monetized by the Treasury or in any way used to enhance the government's spending power." LaRouche says the United States needs total "transparency" of any foreign bank that wants to do business here, to keep dope-money and related cash out. He also excludes the offshore $2 trillion from his gold cover, declaring it "not legal tender." As he observes, "this would effectively bankrupt the British, the BIS, and the offshore bankers."