Gold by Montresor

Swiss gold plan rears its head

The Swiss seem to be tightly controlling the gold price to impose discipline on the United States.

Gold fell $13 in the week ending May 3 to $311, as speculators again began forcing up the U.S. dollar. The dollar had fallen below 3 DM at the end of March after the collapse of the Ohio Savings & Loans, but rose again without explanation to 3.23 DM. "They're going to cancel the space program and just ride the dollar up," said Fred Stombaugh, First Chicago director of trading.

How true his words may become. The Anglo-Soviet cartel, which controls the gold markets and spent most of 1984 dumping gold, has now as its first priority the utter destruction of President Ronald Reagan's defense budget, in particular his space-defense program (the Strategic Defense Initiative). In order to do so, they seek to impress America and put it under an International Monetary Fund austerity program, as we have said.

It is clear that the Ohio disaster, manufactured in Switzerland by former Swiss Ambassador Marvin L. Warner (see *EIR* Banking for March), and the resultant collapse of the dollar from DM 3.40 to DM 2.90, was sufficient to panic Washington into obeying the IMF's will at the just-concluded IMF meeting.

For the moment, the dollar may be driven no further down.

Why? As my sabbatical may have indicated, the gold market is still as tightly controlled by the Swiss banking interests as it has been for a year, and will for practical purposes stay that way for most of the second quarter. The dollar will likely continue a controlled see-saw of sharp jumps and rapid drops, depending on whither the IMF seeks to manipulate Reagan in a given week.

If Reagan gives the IMF any trouble, the dollar could trend down. Especially as the Congress begins to slash his defense budget, undercutting the President, the dollar could trend back, with jigs and jags, below 3 DM.

Gold, if the Swiss have their way, will stay within the $300-$350 range for another few months at least. There will be recoveries, followed by reversals, all cynically designed by market makers to disillusion the investor.

Why the control? For the moment, the Soviets do not seek to panic President Reagan further on the economy, for fear that he might throw out Paul Volcker, James Baker, and other IMF agents, and rearrange the nation's finances. Were gold to rise above, say, $350, the President might listen to those such as Lyndon LaRouche who advocate return to a U.S.-controlled dollar-gold reserve.

Such a Reagan gold "standard," if fully run from the White House, would be the perfect vehicle, with gold priced at $500-$750 an ounce, for financing the space laser defense buildup.

Instead, the Soviets will have Volcker and other fools point to the "success" of IMF strategy for the U.S., for the moment, in creating a strong dollar. Economic facts are being manipulated in just as unreal a manner. Despite the galloping collapse of U.S. production, the "bad economic news" such as Ohio S&Ls being closed, which hurt the dollar in the first quarter, is now being synthetically replaced by "good economic news" to help the dollar in the second.

Volcker does, in fact, seem to be printing money, which in the fairy tale world of Reuters used to mean that the dollar was debased and went down; now it means that there will be "recovery," so the dollar rises. "He's worried about collapsing S&Ls," said one trader, and indeed, over $7 billion in S&Ls collapsed in the week ending May 3.

Traders also cited the Soviet-engendered political uncertainty in Germany, especially the Russian-run Bitburg scandal, which hurts the mark and makes the dollar a "safe haven" again. "The most optimistic forecasts of West German economic growth remain below ours," said one.

Most interestingly, *the IMF may be toying with its own form of gold discipline,* externally imposed upon the U.S. as a tight austerity policy. The *Wall Street Journal,* which speaks for the Swiss-based Bank for International Settlements, in a May 2 editorial "Money at the Summit," proposed an IMF "discipline" gold standard first presented by then BIS President Jelle Zjilstra in his September 1981 IMF speech.

The editorial calls on Western heads of state to discuss the 10th anniversary of Vietnam because the Vietnam war "abandoned the gold link to the dollar that had anchored the Bretton Woods system." Reagan, they say, should ignore Mitterrand's version of a "soft money" new Bretton Woods conference, and call for a "hard money" new Bretton Woods. "As Western leaders grapple with how to fix what broke, they need to be thinking about gold or at least some anchor for the system's key currency, and whether parties to such a system are prepared to follow economic policies compatible with the system's *discipline.*"