mark axis," the Schachtian agreement between the U.S. and West Germany for austerity in Western Europe.

Said a senior official of the Bank for International Settlements of these negotiations, "The Germans are stupid. Talking to them you can only be sarcastic. They are too afraid of breaking with the status quo. Nobody, not even the so-called experts, understands anything anymore — especially that gold must be brought back into the monetary system!"

Very cautiously, West German officials are discussing a break with the dollar. Senior finance ministry official Karl-Otto Poehl told a Swiss audience this week that West Germany "sympathizes with those central banks who are trying to stabilize the gold price," and that "Western Europe and the Third World have a common interest in a stable gold price." Poehl added that the uncontrolled growth of the Eurodollar market was the cause of inflation — simultaneously praising the "strength of the dollar" for the benefit of any listening Americans. Meanwhile, West German central bank president Karl Klasen denounced "illegal foreign currency dealings," an unmistakeable attack on the illegal and unregulated Eurodollar operation.

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Gold—Option We Must Consider

June 11 (NSIPS) — The following article by columnist C. Gordon Tether appeared in yesterday's Financial Times of London in his regular "Lombard" column.

by C. Gordon Tether

MOSCOW NARODNY, the Soviet Bank in London, may have appeared to be doing no more than indulging in some grinding of the Russian anti-American axe when it wrote of the monetary virtues of gold in its latest quarterly bulletin in much the same eulogistic terms as the late President DeGaulle was wont to employ to explain why he considered it to be vastly superior to the dollar.

But it was in fact giving expression to a view that is also attracting increasing support in Western European countries now that the present dollar—based international monetary system has begun to display ominous signs of cracking under the immense strains that are being imposed on it. And the theme may well be given further encouragement by the main message to emerge from the recent auction of IMF stocks — that a first step towards stabilizing the metal has been taken through the creation of an effective floor of around $125 per ounce.

President DeGaulle, it will be recalled, was accustomed to refer to the immutability, dependability and neutrality of gold as assets of crucial importance possessed by no other monetary medium and never likely to be. The Moscow Narodny's variation on this theme points out that, as a real store of value with a supply that cannot be increased in an inflationary manner by resort to the world's printing presses, gold is not rivalled — not even by "such possible synthetic competitors as the IMF's special drawing rights."

A great shock

It also argues that countries prefer to keep their reserves in a neutral asset which is not dependent on another nation — and no prizes are offered for guessing which country it has in mind — whether it is that country's economic progress or its voting power at the IMF.

I have already referred to one reason why the Russians may well see themselves as having special cause to champion gold. Another is that they happen to be major producers of the stuff themselves. But that does not alter the fact that there is a great deal in what they are saying. And, as I said earlier, it so happens, that they are far from being the only ones who are saying it.

The immensity of the crises that have overtaken three major currencies — the French franc, the Italian lira, and the £ sterling — in rapid succession has come as a great shock to many observers of the international financial scene. And this has now been compounded by the realisation that the last upheaval had begun to pose such a serious threat to the entire monetary structure that the earlier intention to let Britain sweat it out on her own had to be dramatically reversed.

So much so, indeed, that there is a growing feeling that the present system is all but on its last legs. Currency crises, it is suggested, are likely to follow one another in increasingly rapid succession as downward plunges in some currencies leave others dangerously exposed meaning that only more or less continuous feats of brinkmanship of the kind organised around the £ now stand between the world and the ultimate catastrophe.

It is when people start asking themselves whether we can't do better than that — indeed, whether we have not got to do better than that if there is to be any hope of getting global recovery off the launching pad — that their thoughts turn in the direction of gold.

The proof of every pudding is in the eating and no one who takes an impartial look at the world monetary scene to-day can be left with any real doubt that the dollar-oriented system on which it is based is turning out to be a highly unsatisfactory — not to say disastrous — mix. And they would also be forced to conclude that most of its troubles and deficiencies arise from the fact that it tends to incur the very disadvantages that gold — by its very nature — cannot be heir to.

Needless to say, the world monetary situation having been reduced to such a shambles by the weaknesses and excesses of the dollar-based system, it would not be easy to switch over to an entirely new system, with gold as its kingpin, overnight. But the time has clearly come to start seeing this as one of the options open to us that we have got to think about.

And in this connection, the outcome of the first auction of IMF gold should be a big help. For the principal message to emerge from this much-publicised non-event is that the world can begin to feel confident that gold is never going to fall materially below the level of $125—130 per ounce that has prevailed in recent months. It means, in short, that solid progress has been made towards giving gold the greater stability that will make it much easier for it to move into the central monetary role that is now beginning to beckon.

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