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ditions of trade and production contraction.

Moreover, the New York banks and their associates fear expanding political resistance to their moves. In the Scandinavian countries, says the *Wall Street Journal*, "workers have come to take their lofty living standards very much for granted." What the *Wall Street Journal* does not say but that senior economists at Citibank know very well is that a double-digit devaluation imposed on Sweden would trigger a process of unemployment and wage collapse, and therefore give the final blow to the "Swedish model" of social control through relatively high wages and self-induced social obedience. In turn, this would immediately weaken the agents of the dollar system in the West European social democracies, and accelerate the move toward a new monetary system.

As for countries like Spain, Portugal or Turkey, international bankers are terrified by the potential resistance against their austerity policies. The government of Turkey is refusing the conditions of austerity and deindustrialization that the International Monetary Fund and World Bank are trying to impose upon its economy, while the newly elected Spanish government is multiplying diplomatic initiatives toward the East Bloc and the Arab countries to such an extent that the June 21 *Financial Times* already sees in Spain a "nonaligned" country. The fears of the international bankers have been properly expressed by an economist quoted by the *Wall Street Journal*: "there isn't much margin for squeezing people without getting a revolution."

Paralyzed by their conflicting fears of the U.S.-based international bankers and their terror to see their economies looted and have to face social upsurges, the OECD governments have tried to compromise and find such expedients as the $750 million loan to Portugal — accepted after much discussion by the Western European governments and bankers under the leadership of their U.S. counterparts. Such an amount of money represents, at best, a breathing space of some months; at least $1.5 billion was needed only to maintain the industrial infrastructure and the rural equipment of Portugal for one year. Such impotent hesitations are extremely dangerous at this point. They leave room to the New York banks for a desperate counteroffensive by all means and at any costs.

How To Buy Gold In Today's Markets

GOLD

The following statement was released on June 20 by Lyndon H. LaRouche, Jr., U.S. Labor Party chairman and Presidential candidate.

Some significant gold purchasers are presently assessing the problem of how to buy large amounts of gold bullion without contributing to a speculator's market. There is no fundamental difficulty to be feared. Some will be astonished that I explain the solution publicly (rather than in sealed, confidential memo by special messenger). The opposition could not gain against an intelligent application of the method I now openly explain.

Principles of Gold Price

Under a world monetary system based on a gold reserve principle, the price of gold is based on the following considerations. First, one must estimate the amount of gold reserves required. Second, one must determine the average price of purchase of gold from producers in terms of world production levels based on those volumes.

For example, the case of gold from the Republic of South Africa. This will require improved (higher-cost) mine maintenance and development than is presently prevailing, and will also have to absorb a significantly higher average wage for mine workers. Otherwise this nation is not a stable source of gold production according to its potential. In general, under those stipulations, southern African gold would tend to set the world-price level, and would determine or tend to determine the extent at which other mining comes into production.

Under a new monetary system, gold will move between the current trend-price and the South African price-level to be stabilized approximately five years hence. Thereafter, that gold-price five years hence will tend to become the permanent price of gold, for obvious and principled reasons.

Large buyers of gold bullion should therefore concentrate on looking up producer sources of bullion stocks, and falling back to secondary markets as a secondary, supplementary tactic. In the case of South Africa, this dealing with producers must be tied to a political solution of the southern Africa issues. In general, the objective should be to stabilize a present and forward price-level for gold bullion based on purchase agreements with large-volume gold-producers, with operations in secondary markets to balance this primary tactic.

The Speculators

With a sufficiently firm and astute policy, large-volume gold purchasers deploying hard reserves for this purpose can amuse themselves by bankrupting any monetarist who attempts to foul the market for gold with various speculative antics.

I illustrate a few sample cases. These do not cover all variations, but the examples given are sufficient to indicate the range of measures to be followed.

The basic principle to remember, once the principle of long-term price is understood, is that gold hoards are useful only to large-volume purchasers who intend to employ bullion stocks for hard-commodity reserves in a new, gold-based world monetary system. Anyone who attempts to hoard gold for any other purpose under any other policy is intrinsically vulnerable, and can be given a financial bath by any powerful combination of the pro-

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monetary-gold opposition.

So, if gold is dumped in the effort to drive down the price, *buy*. If it goes above the price-trend through purchase by speculators, let them hold it *for as long as they are able*. In general, "average" the purchase-price for all secular movements caused by gold purchases for monetary use, and stay away from price rises caused by purchases for speculation or counter-measures. In sum, if price rises up toward a stable price of production of gold for world monetary needs are caused by purchasers for monetary purposes, the upward price movement tends to be sound. If the monetarist speculators move up the price, bring down the market. The tactic works as long as the approach is based on purchases of gold production as the primary approach.

Have fun. It's all for the good of the world economy, anyway. Doing the right thing for humanity can also be a source of pleasure.

Steel: The 'Over-Capacity' Delusion

STEEL

The U.S. steel industry's loud cries for government action against foreign steel imports stem from motives exactly opposite to those which prompted Federalist Alexander Hamilton's 1791 proposals for a tariff system to protect developing U.S. industry from the encroachment of British monetarism. The leaders of the current protectionist drive aren't interested in producing steel or anything else. These monetarists are out to protect the equity values attached to their decrepit plant and equipment, through artificially high steel prices and effective cuts in steelworkers' wages.

The same steel industry monetarists who today are screaming for protection against Japanese and European steel actually promoted a policy of developing steel industries abroad — to save themselves the cost of developing a modern steel industry and expanding the skilled workforce in the United States. Now that this policy is collapsing, along with world consumption of steel, and threatening their price and profit structure, they want the government to save them from "cheap imports." Moreover, they are calling on U.S. steelworkers to voluntarily descend to the level of "cheap foreign labor" in the interest of making the industry "competitive."

In documents such as the American Iron and Steel Institute's recently released white paper on "The Economics of International Steel Trade," these steel producers point to the threat of the government-assisted development of steel industries around the world. This, they protest, has led to an "oversupply" of steel capacity worldwide and now to the "dumping" of steel on U.S. shores.

Underconsumption

Yet it could not be plainer that the problem facing the world steel industry is one of *underconsumption* of steel, not surplus capacity to produce it.

Between the peak year of 1973 and 1976, steel consumption in the U.S., Japan, and Western Europe collapsed by over 20 percent, in tandem with a comparable decline in the output of capital goods for use in the advanced sector and for export to the developing countries. In the developing sector, the part of the world where steel consumption should be accelerating the fastest, consumption in 1976 was no greater than in the peak year of 1974, thanks to the import-slashing austerity programs imposed by the same New York-based financial interests that dominate the steel industry itself.

Throughout most of the post-war era it was U.S. monetarist policy to develop the Japanese and West German steel industries on the basis of cheap labor, while systematically allowing the U.S. industry to fall into ruins. Thus it was no accident that in 1951 the U.S. produced roughly 45 percent of the world's steel output, while in 1976 it produced barely 15 percent. If Japanese and European steel imports hadn't been available in the peak consumption years of 1973 and 1974, there would have been a severe shortage of steel in the U.S., and U.S. industry would have ground to a halt.

It was only when world steel consumption fell off the precipice in 1975 that the howls about cheap imports went up. In fact, throughout the 1971-1974 period the U.S. was actually importing more steel than it is now — some 19.6 million tons in both 1971 and 1972, compared with around 15 million tons in 1976, the year of the "Japanese invasion" and the current annual rate of 13 million tons.

And while U.S. steelmakers now portray themselves as innocent victims of government-subsidized foreign steelmakers, it should be noted that in the peak consumption years of 1973 and 1974, when the U.S. imported 17.0 and 17.9 million tons respectively, U.S. producers were taking advantage of the devaluation of the dollar, turning wage-price controls into a virtue, and sharply increasing their exports to the rest of the world. During those years many U.S. industries were forced to buy imported steel, which was selling for as much as $100 a ton or 25 percent more than domestic steel.

As late as 1974 the New York banks and related institutions were clamoring for the development of steel industries in the Third World, based on the same monetarist logic as the decision to develop the Japanese and West German steel industries over against that of the U.S.

But today the American Iron and Steel Institute is inveighing against the rampant expansion plans of the Brazilian, Mexican, South Korean, South African, and Spanish state-owned or state-assisted steel industries — now that those industries are out of New York's control and world steel consumption has been forcibly depressed.

'Over-Capacity'

The collapse of steel consumption in the advanced