

De Gaulle's fight against 'paper gold'

How the dollar-gold link was severed, part III

Part II of this series described how the Bank of England and British gold interests, typified by the Rothschilds, organized the first major run on U.S. gold reserves in the 1959-60 period leading up to John F. Kennedy's installation in the U.S. presidency. These London interests, with support from certain Wall Street elements, hoped to force the phaseout of the dollar's "burdensome" reserve currency role and its replacement with a new international reserve unit, or "paper gold," under the control of the Anglo-American faction that dominated the International Monetary Fund.

Ironically, despite Kennedy's impeccable British cre-



dentials and family connections, his administration proved a keen disappointment to the British on the monetary front. Kennedy and his treasury secretary, C. Douglas Dillon, were quite amenable to proposals to expand the IMF's credit-generating capacity—credits which were used almost exclusively to bail out the moribund pound sterling—but they balked at taking measures which might be construed by the American public as weakening the dollar.

Henry Fowler, the Goldman Sachs investment banker who succeeded Dillon as Lyndon Johnson's treasury secretary in 1965, had no such scruples. According to British commentator William Wisely, Fowler convinced Johnson that creation of a new reserve unit—subsequently dubbed the "Special Drawing Right"—was necessary in order to finance the expanding Vietnam war. U.S. military expenditures abroad were already dangerously swelling the U.S. balance of payments deficit. By flooding the world with new liquidity, Fowler argued, the United States could continue to run up such deficits without being forced to pay the piper. Fowler, however, underestimated the opposition of France's Charles de Gaulle.

De Gaulle's campaign

At a famous Feb. 4, 1965 press conference in the Elysée ballroom, de Gaulle initiated a campaign which was to put the Anglo-American faction on the defensive for the next three years. By insisting that gold must remain the cornerstone of the international monetary system, de Gaulle served notice on the Johnson administration that it could not persist with impunity in its hyperinflationary war spending policies. Said de Gaulle:

"It is difficult to envision in this regard any other criterion, any other standard than gold. Yes, gold, which does not change in nature, which can be made either into bars, ingots, or coins, which has no nationality, which is considered, in all places and at all times, the immutable and fiduciary value *par excellence*. Furthermore, despite all that it was possible to imagine, say, write, or do in the midst of major events [a reference to Bretton Woods—A.R.], it is a fact that even today no currency has any value except by direct or indirect relation to gold, real or supposed."

Furthermore, to show the Johnson administration that he meant business, de Gaulle instructed the Bank of France to make frequent calls on the U.S. Treasury's gold window and even demanded that France's gold be physically shipped to Paris rather than stored in the Federal Reserve's New York bank vaults. De Gaulle's finance minister, Michel Debré, meanwhile broke up every international meeting which was called to discuss Fowler's plan to create the SDR by insisting that only a gold-based monetary system would be acceptable to France.

Although the U.S. media characterized de Gaulle's campaign as "anti-American" and "antidollar," the truth was that de Gaulle was providing the U.S. with an opportunity to break from its alliance with Britain and British-modeled imperialist policies. Just as de Gaulle offered Paris as a negotiating site for bringing about a possible speedy conclusion to the Vietnam war, de Gaulle also offered the Americans a "way out" on the monetary front. A one-time devaluation of the dollar against gold, as de Gaulle proposed, would actually have strengthened the dollar, since the U.S. still possessed enormous gold reserves. The brunt of de Gaulle's progold policy actually fell on Britain, which had scant gold reserves and was desperately struggling to preserve sterling's former imperial status as a secondary reserve currency.

Of course, gold revaluation alone would not have solved the world monetary crisis. But it would have provided the U.S. the breathing space within which a truly patriotic American administration might have laid the groundwork for a long-term revival of the dollar, for example, through Gaullist-style collaboration with the Soviets around industrialization of the Third World. As it turned out, Johnson, and later Nixon, were to take a very different road.

Next installment: The Collapse of the gold pool.

—Alice Roth