Gold by Alice Roth

Gold becomes a campaign issue

In both the GOP and the Democratic Party, gold remonetization is quickly becoming a leading economic issue in the presidential campaign.

The question of whether the U.S. should act to reestablish some form of gold-backed monetary system is emerging as a major issue in this year's presidential race. Lyndon LaRouche, a contender for the Democratic Party nomination, was the first candidate to endorse gold remonetization, which he said should be undertaken by the U.S. in close consultation with the leading European Monetary System powers, France and West Germany. On March 10, Republican Party hopeful Ronald Reagan also advocated a new monetary role for gold.

While campaigning in Birmingham, Alabama, Reagan announced that he had instructed his research staff to prepare a position paper on the advantages of establishing a gold backing for the U.S. dollar. This "might be one way to stabilize what we have now," Reagan said. "No nation in history has ever survived fiat money, money that did not have precious metal backing and why we should suddenly think that we can be different than any other nation in thousands of years of civilized history, I don't know."

Reagan's statement reflects strong progold sentiment among his conservative supporters, a current running ccounter to the views of many of the candidate's economic advisors. Only days before Reagan's Birmingham speech, Dr. Herbert Stein, who formerly headed Nixon's Council of Economic Advisors, told a journalist that Reagan was considering taking a pro-gold stance, but was being "advised against it by Milton Friedman." Friedman, the well-known monetarist economist, was the intellectual author of Nixon's Aug. 15, 1971, package which cut the dollar's ties to gold and initiated the often chaotic, system of "floating exchange rates."

Of course, there are many different ways in which one might go about reestablishing a link between gold and the dollar. LaRouche's advisors warn that a mechanistic, nineteenth-century style gold standard, restricting credit growth so as not to exceed the value of the nation's gold holdings, could result in a deflationary bust. The currency's true value, they argue, ultimately rests not on piles of gold, but on the productivity of the nation's industry. Therefore, the nation's gold should be harnessed in such a way as to reestablish confidence in dollar credit, enabling the federal government to systematically channel that credit to promote expanded capital formation in U.S. industry and U.S. technology for capital goods exports to the Third World.

Meanwhile, despite the increasing importance of the gold issue in this year's election, the metal has come under some pressure in recent days in U.S. futures markets. Analysts attribute the slippage in the gold price to below the $600 an ounce level to rising U.S. interest rates, which have increased the cost of holding commodity futures contracts, and to investor fears that the Carter administration may impose sharp increases in margin requirements. Nevertheless, the "big players" in the gold market, namely the oil-rich Arab nations and continental European banks, have made no move to divest themselves of their enormous gold holdings and appear quite confident that gold will eventually rebound.