

## Gold by Montresor

### Bond option not to be ignored

*Andrew Racz's proposal before the presidential Gold Commission has some powerful backing.*

Princeton Professor Peter Kenen's closing *bon mot* before the Nov. 18 session of the President's Gold Commission, warning of possible circumstances "where gold could be the only acceptable means of international payment," could have served as the introduction to a plan proposed by another witness: Andrew Racz, an erstwhile specialist in speculative securities like Charter Oil and Resorts International who now heads his own firm, A. Racz and Co., in New York.

Racz, who first raised the notion of offering low-interest bonds backed by a conversion offer into precious metals in 1976, offered a plan to "activate American interest and American monetary power" by offering gold-backed bonds at low interest rates on domestic and international markets.

A special twist to the Racz plan, absent in similar proposals offered by former Council of Economic Advisors Chairman Alan Greenspan and others, is to employ the proceeds of such bond sales to reorganize the debt of troubled East bloc economies, as a bargaining chip to force the Soviets into arms negotiations to U.S. advantage. The strategic feature of Racz's plan attracted interest from Commissioners Henry Reuss (D-Wisc.) and Fed Governor Henry Wallich during the Nov. 18-19 hearings, according to the Treasury's discussion transcript.

Even more interesting is the interest shown by former President

Nixon, whose counsel is still important among the circle of former Republican cabinet members, including George Schultz, Alan Greenspan, and Arthur Burns, who advise President Reagan.

"I consulted President Nixon and he was favorably inclined to use monetary measures for international negotiations, as opposed to relying on military strength alone," Mr. Racz said in an interview. "He agreed that we have superiority over the Soviets in the monetary field. He suggested calling the gold-backed securities 'defense bonds.'"

Mr. Racz's new firm was capitalized, in part, by political operators like Strook, Strook and Lavan partner Maxwell Rabb, the New York fundraising chief for the Reagan campaign who now is American ambassador to Italy, and by former British Conservative Party leader Edward DuCann. Both are men who play on the rougher side of the financial markets; e.g., Mr. Rabb was at one time chief operating officer of International Airport Hotels, a company linked to reputed criminal financier Meyer Lansky, while Mr. DuCann was receiver for the British assets of Investors Overseas Service after Robert Vesco bankrupted it. But they are also well-connected among the elite of European investment banking, and Mr. Racz's views may be assumed to have substantial interest among the circles who have made virtually all monetary policy since the Spanish bankruptcy of 1577.

Mr. Racz's emphasis is definitely on the political side of his plan. "I recommend that under certain circumstances the U.S. Treasury should start exchanging the bad debt of Western banks given to Poland with U.S. Treasury bonds which we obtain through the floating of gold- and silver-backed bonds in the American market. . . . The trump card would be passed through monetary and political levels to the hands of the President of the United States. . . ."

In many ways, the issue of Soviet power and the gold issue is considerably more complex than Mr. Racz has presented it. Hungary's petition to join the International Monetary Fund, and the parallel probes of the Hungarian central banker Dr. Janos Fekete towards the convertibility of the Hungarian forint into Western currency, bespeak a monetary-political game from the Soviet side. The Soviets are not so deaf as not to hear the calls for a European currency bloc, issued by Prof. Robert Triffin and others in the European bureaucracy who believe that an American depression will engender a European split; the Soviets suspect that there is something in closer monetary relations to a "decoupled" Europe for them. In different wrappings, the gold argument may be used to project Soviet as well as American geo-political designs.

Nonetheless, the importance of Mr. Racz's intervention before the Gold Commission is that he has offered a plan which an administration unable to easily finance its budget deficit nor stop the present economic decline will have difficulty ignoring. It is not to be left out of the next few months' political reckoning.