

GOLD

London can't torpedo the bullion price

Gold-mining interests in London have not welcomed the recent record heights of bullion prices. The pace-setting Consolidated Goldfields group is trying to move down the price in what has emerged as a political fight over gold's monetary future. Consolidated is, however, in a losing position.

Last week we carried an *Executive Intelligence Review* interview with Consolidated's research chief, Christopher Glynn, who deplored gold's spot appreciation and advocated "bringing gold down just like in 1975," when the price was flung from \$200 an ounce to \$100 as the

U.S. Treasury began its gold auctions.

Glynn had been delighted when gold started its climb, asserting that its rise would topple the U.S. dollar from its world reserve role. Now, as we reported, he is worried about the fact that Europe—as exemplified by West Germany's Dresdner Bank—"is talking about a new official price for gold."

Consolidated's South African subsidiary, Gold Fields of S.A., is also trying to turn the price around. "The current 'speculative' element in the gold price" causes concern to the firm's director, Robin Plumbridge, according to the July 13 *Financial Mail*. "Plumbridge sees similarities with the 1974 situation and foresees

the possibility of a near-term unwinding of 'speculative' positions in the metal."

The *Financial Mail* was right to put quotation marks around the term "speculative." What may sound like sober precautionary warnings against a gold bubble amount in fact to a defensive effort to keep the year-old European Monetary System from fully remonetizing gold, which the EMS would do by activating its pool of 20 percent of members' gold and dollar reserves as a base for long-term European Monetary Fund credits, and by negotiating a peg between the price of OPEC oil and the price of gold.

When Hans-Joachim Schreiber of the Dresdner Bank recently referred to the oil-bullion link, Christopher Glynn complained: "He is really talking about a new official price for gold."

Consolidated is not an industrial enterprise or even a commodities manipulator; since its founding by

WORLD TRADE

West German trade pickup boosts domestic investment

West Germany's economy is continuing its export-led upturn while the U.S. economy skids toward depression, latest trade and economic figures indicate. In contrast to the U.S. picture, West Germany's auto industry boom is "Showing No Signs of Weakening," as a recent headline in New York's *Journal of Commerce* put it. That publication reports "it is now almost certain that the German auto industry will post a new output record in 1979. ... A good export performance will be a strong contributory factor. ... At 13 percent, the gain in export of commercial vehicles

and trucks was particularly impressive. It reflects primarily a spectacular 20 percent increase in foreign sales of light trucks."

The secret to the continued BRD boom while the U.S. economy nose-dives is:

- The availability of relatively low interest credit available to industry for capital formation purposes;
- generous credit issuances to underdeveloped area purchasers of West German exports;
- a government policy of encouraging expansion of trade with the East bloc.

The emulation of such policies in the U.S. has been systematically sabotaged by the Malthusian cult in Washington centered around Secretary of State Vance and National Security Director Brzezinski.

West German boom a deliberate policy

The West German boom is not a matter of luck but rather a matter of deliberate policy fostered by certain West German banking, industrial, and Schmidt government circles. That this is the case is well recognized by the Anglo-American-centered faction opposed to this West German grouping and their cothinkers in France and in Japan. Hence the denunciations of West Germany's "Russia card" in the latest issue of London's *International Currency Review* and similar denunciations being circulated by the staff of the top Bilderberg-linked Senator Heinz.

Paribas bulletin concurs

That this is not merely wishful thinking on the part of the West Germans is underlined by the July 1979 issue of *Conjoncture*, a monthly economic bulletin published by the Banque de Paris et des Pays-Bas. As bullish on

Cecil Rhodes, it has functioned in what Rhodes' Rothschild patrons referred to as a "geopolitical" capacity against continental European efforts to modernize Africa. Hence Glynn's sensitivity to the EMS question.

Are the bears toothless?

In a July 31 interview, Thomas Wolfe, the Washington consultant who ran the Treasury's gold operations in the Nixon administration, commented on Glynn's projection that gold will fall to \$270 an ounce: "He would never dare say that to me." Wolfe said that French and West German leaders "want the gold market stabilized, period, with a stable gold dollar-price."

Wolfe gave the following breakdown of gold flows this year: 20 million ounces sold at U.S. and International Monetary Fund auctions; 20 million ounces sold on world markets, of which 7 million in gold jewelry; 10 million ounces restituted to the Third World by the IMF.

Of 6 to 8 million ounces bought by Arab investors, a significant amount has been supplied directly by the producer countries.

Taking a conservative 50 million ounces total, Dresdner, along with Swiss and French banks, controls about 15 million ounces, Wolfe estimates—mainly for the account of Western European and Japanese central banks. West Germany, he estimates, had about 120 million ounces officially held for the Bundesbank at year's start, and has enlarged its holdings by 10 percent.

"The governments in the gold market have introduced such stability, buying at least 20 percent of new gold as it comes in, that they dwarf the speculators," Wolfe told *EIR*. "Even though speculative buying [of gold] has risen, there is maybe 10 million of it, compared to over 12 million being bought by the central banks." He reckons that only about 3 million ounces of speculative non-jewelry gold can be cornered by Brit-

ish traders—hardly enough to establish a bear market.

Even on the volatile Chicago Mercantile Exchange, Wolfe added, where contracts are made to buy gold at specified future dates, European muscle "could make or break speculative turn in the price. Dresdner alone is so well positioned at the Chicago exchange that if they wanted to they could stabilize the price singlehandedly."

—Kathy Burdman and
Susan Johnson

the German economy as the Germans themselves, Paribas gives a detailed run-down of the West German economy's strengths, emphasizing the positive situation in investment in equipment (up 2.5 percent in the first quarter of 1979 over the fourth quarter of 1978), with volume of equipment orders in March and April up 14 percent over the previous year, reflecting capacity expansion to meet export business. "Taken as a whole, domestic demand is very healthy." Besides orders for equipment goods, demand has been "strong in the energy and building sectors, but also in the metals and shipbuilding industries."

Similarly the export sector: "orders from abroad are 12 percent up by volume over their 1978 level..."

As the world's number two exporter, the strength of the West German economy has been important for the world economy as a whole, and Europe most notably, a fact acknowledged by Paribas's wondering

out loud "Will Germany still be the dynamic element and the source of European growth in forthcoming months?"

It is noteworthy that a major aspect of this catalytic role the West Germans have been playing has been toward the under-industrialized areas of Europe, which are slated for incorporation into the European Monetary System as a bridge to the Arab world and Latin America. While German exports were down 22.1 percent to OPEC in the January-May 1979 period in the wake of the Anglo-American group's destabilization of Iran, exports to the least-developed European countries were up 20.1 percent. Exports to the other European Community members shows a 17 percent increase, while sales to the Third World rose a significant 11 percent.

It is against precisely the "North-South" strength being emphasized by both West Germany, especially within Europe, and France, especial-

ly with respect to the OPEC sector, that the new GATT treaty out of Geneva has been designed. Rushed through Congress and hurriedly signed July 26 by President Carter—but boycotted by the underdeveloped sector—the new treaty bans the use of government subsidies for industries in underdeveloped areas. As reported favorably in the August 2 lead editorial of the *Journal of Commerce*, the new GATT pact is sure "to raise political hackles in Europe ... the new law encourages attacks on the industrial policies of European governments, especially those involving government-owned enterprises." Rather than making the U.S. a creative and productive power for development in the world, the Vance-Brzezinski-Carter crew continue bent on dragging down the rest of the world into depression.

—Richard Shulman