corporations will decide to hedge against further dollar losses by liquidating their dollar positions, *Handelsblatt* reported, creating a speculative tidal wave against the dollar.

The West German machine-builders association denounced the "wild west" conditions on the foreign exchange markets and the consequences for West German exports.

French economist Christian Boromée warned in the widely read weekly *L'Express* that "the only countries that are going to survive the monetary collapse are those who prepare for it. We have to defend against the double threat of foreign enemies and internal subversion," Boromée wrote, "and defend our monetary independence at all costs."

The Gold Dinar

The linchpin of the European agreement is a deal-in-the-making with OPEC to replace the Eurodollar mess, now on the verge of dissolution as debt payments from Third World countries fail to come through, and to create a gold-reserve monetary system. Highly reliable Saudi sources report that weeks of desperate wrangling between pro and anti-Carter factions inside the Saudi royal family have been resolved, in the wake of the Carter Administration's military offensive against OPEC nation Libya. Saudi Arabia's $50 billion in financial reserves and $1.5 billion a month in new excess cash are the "big potato," the cash stockpile that Rockefeller is willing to go to war to get hold of.

France's President Giscard, and British financial muscle allied with the Rothschild family, are pushing the Saudis to break with the dollar, and create a gold-backed Arab currency, a "gold dinar." The anti-dollar faction in Saudi Arabia, jointly with the oil-rich Kuwaitis, has decided to demand payment for oil in "gold dinars" instead of dollars in retaliation against Carter Administration plans to destroy them. The immediate effect of the launching of a gold currency, which knowledgeable sources time for mid-August, will be to wipe out the trade basis of the dollar's value. By linking their currencies to gold, these sources report, the Europeans will be able to join a currency bloc on a par with the Arabs.

In addition, according to Saudi sources, the newly created Arab Monetary Fund, the central bank for Arab countries, will be used as a center for long-term development loans to the Third World, expanding the market for Western European exports. The combined impact of these measures, the Europeans are aware, would be to trigger a massive run against the U.S. dollar against the emerging gold currency union.

The combination of dollar collapse and the creation of alternative credit sources would be to institute a de facto debt moratorium on over $500 billion in unpayable foreign obligations of the Third World and weaker industrial countries. The immediate casualty of these events will be the New York banking group and allied Chicago and other banks, who, as the West German daily *Die Welt* wrote July 26, are the "end risk" for the non-repayment of international debts.

Press On The Dollar Collapse

Europe

Following are summaries and excerpts from West European press commentary on the sudden fall of the dollar and related developments:

Daily Telegraph, July 28:

"Sterling Lifts Its Head In
World Currency Arena"

"Many factors played a part in the Government decision to unpeg sterling. One of the more potent may have been worries about the way the money supply is likely to behave over the coming months. The most important question of all, however, is whether the authorities would allow sterling to appreciate against all other currencies if it showed a consistent tendency to do so. That would be another U-turn for official policy. It would mean putting the need to preserve export competitiveness in second place to what many see as the prime requirement, reducing the cost of imported goods in order to lessen inflationary pressures."

Die Zeit, July 27:

"Stop Blumenthal Now!"

The Blumenthal strategy sounds nice, but it is actually reminiscent of a "wild west floating," and has alarmed German industry. If Carter and Blumenthal succeed with this forcing strategy, the government and the Bundesbank will have to rethink their strategy. "If the unrest continues, the Bundesbank should no longer shrink back from massive intervention," and "a few more billions of Deutschemarks would do no harm to the money markets."

Handelsblatt, July 28:

"Behind the Scandal —
Official Manipulation Suspected"

The Treasury and the Federal Reserve Bank have gotten together to force through the Carter-Blumenthal policy. Blumenthal is an "elephant in a porcelain shop," but European bankers are less worried about the devaluation of the dollar as such, as they are about the rate of the dollar's decline, which, they fear, will unleash a wave of speculation. As past experience shows, such speculation is almost impossible to control. Federal

Reserve head Burns, by stating that the United States has the responsibility to support its own currency, is really only appropriating the arguments of his European colleagues. Publicly, the Europeans' attitude is to back Burns, but this is only because "they do not yet dare to publicly attack the young administration."

Welt am Sonntag, July 24:

"D-Mark Upvalued"

"The revaluation of the D-Mark is taking on alarming proportions and tempo...The Bundesbank hasn't done much to halt the dollar's fall, and Frankfurt traders suspect that this is on orders from Bonn... A further dollar devaluation would be the straw that breaks the camel's back."

Frankfurter Allgemeine Zeitung, July 27:

"The Dollar Debacle"

The dollar's fall is a problem mostly for tourists. There is no real direct connection to exports, because 80 percent of West German business is done in Deutschemarks anyway; however, there is bound to be pressure coming from export customers for West German goods for us to lower prices. More serious, however, is how long OPEC is going to accept payment in a currency continuously losing its value. Washington is playing an "objectionable game...more egotistical than it bears responsibility for the world economy."

Die Welt, July 28:

"Bank of England Draws the Consequences"

The Washington-London axis is now broken. This axis had the function of moving the dollar downwards, and now this has been spectacularly broken.

U.S. Press

New York Times, July 28:

"Britain Ends Rein On Pound Rate
To Cut Danger From Tie To Dollar"

...Today's action reflected not just the deterioration of the dollar, which has accelerated markedly this month, but substantial improvement in most measures of the British economic picture...Britain is trying to let the pound reflect a more representative "basket" of things it buys...

"Move Bolsters the Dollar"

...The pound's new-found strength prompted dealers to start buying it all over Europe and this indirectly helped the dollar because of its role as a "vehicle currency" on the foreign exchange markets...

Wall Street Journal, July 28:

"UK Currency Reaches 10-Month High"

...Spokesmen for the bank and the UK treasury said the decision to unleash the pound from the dollar reflected the U.S. currency's weakness in the past few weeks...The pound's climb helped the U.S. dollar in other markets, as dealers traded other currencies for dollars that they later sold in London for pounds.

"U.S. Sustains Record Deficit in Trade
For June"

...Yesterday, officials of both the Federal Reserve and the Treasury insisted that there isn't any conflict...A Treasury spokesman said the Administration supports "a flexible exchange-rate system, in which the dollar's value is determined fundamentally by underlying economic and financial conditions." He said there isn't any disagreement with Mr. Burns, who , he said, "has stressed the need to protect the integrity of the dollar (through) a strong, stable, noninflationary U.S. economy. That has been and continues to be the focus of our efforts."

New York Times, July 28:

"Monetary Good Intentions:
Side Effects, 1927 and 1977"

...Today, as the industrial world moves toward the golden anniversary of the boom and bust of the 1920's and 1930's, several differences from the earlier era stand out. There are also some curious parallels. Perhaps the biggest difference, from the viewpoint of the United States must be the lack of optimism today... Indeed, the stock market, as measured by the Dow Jones industrial average, plunged 19.75 points yesterday.

In a world context, the American recovery is almost as singular a phenomenon today as it was 50 years ago. The European recovery remains hesitant... Among the other differences are the many reforms in the financial markets and the fact that the importance of monetary policy is far better understood today... In contrast to the differences with the 1920s there are also parallels. National economies are still interdependent... today gold is no longer the basis for either a nation's money supply or the value of its currency... many analysts would argue that as a substitute for gold, there must be political and social discipline.

Journal of Commerce, July 27:

"British Pound Jumps in Heavy Trading"

...The unusually reticent central bank annnounced that it had stopped its intervention because it wasn't appropriate any more to link sterling to a dollar that has moved sharply lower...In any event, some traders viewed the Bank of England move as another step in a coordinated effort to keep the dollar from falling any further... A stronger pound helps the dollar for technical reasons. Unfortunately, one observer said, there doesn't seem to be enough cooperation for that...

New York Times, July 29:

"Dollar and Pound Continue Gains"

The dollar showed strong improvement in foreign-exchange trading yesterday for the second consecutive day, posting gains against most foreign currencies in New York and abroad, *The Associated Press* reported....

Also the dollar was helped by the strength of the British pound. On Wednesday the Bank of England severed ties between the dollar and pound, letting the pound rise. This in turn benefited the dollar because it is used as an exchange medium.

Journal of Commerce, July 27:

"Treasury's Assurances Boost Dollar"

After three weeks of nervous waiting, the foreign exchange market got what it wanted — an assurance from Treasury Secretary W. Michael Blumenthal that " a strong dollar is of major importance not only to the U.S. but also to the rest of the world...The market exploded in hectic and volatile trading, sending the U.S. currency sharply higher. Traders were acutely aware that the Federal Reserve had let the federal funds rate rise to 5.75%...Traders said that there was utter confusion after reports of Mr. Blumenthal's remarks as they scrambled to find out where rates should be...

New York Post, July 29:

"West Germans Blast Carter's 'Risky Game' After $ Slides"

Bonn — ... they feel the Carter Administration is playing what the respected ***Frankfurter Allgemeine Zeitung*** newspaper this week called a "selfish... risky game... that shows little responsibility to the world economy..."

Transfer Ruble Flotation Behind Weakness In Gold Price?

The odd failure of the international gold price to respond to the chaos on the foreign exchange markets in the dollar's precipitous decline this week may be due to a triangular operation between the Soviet Union, the European Economic Community, and the OPEC nations to establish a new international monetary structure based on gold.

The Comecon International Bank for Economic Cooperation may be issuing transfer rubles to the central banks of France, Britain, Italy, and West Germany, and to the Arab nations, via the Big Three Swiss banks in Zurich, in return for payment in gold bullion.

The thesis is given weight by clear moves in Europe for re-entry into the European monetary snake by France, Britain, and potentially Italy, at a time when Europe is enraged over the state of the dollar. Simultaneously, the French Guallists led by Jacques Reuff in particular are working with Kuwait and the anti-dollar faction in Saudi Arabia to speed creation of a gold-backed Arab Dinar.

The evidence for the transfer-ruble (TR) flotation is as follows. While gold rose from $144.95 per ounce at the close on Friday, July 22 to $146.55 during the hectic fall of the dollar last Monday, it slipped back in the course of the most voracious foreign exchange trading in two years to $144.25 on Friday.

At the same time, rumors began circulating through the Zurich banking community that the Soviet Union, which in trading almost entirely via Zurich has for years been a net supplier of 20-25 percent of the world gold market's annual new bullion influx, has recently become a net *purchaser* of gold. London gold market sources, normally well informed of Soviet gold sales trends, could not refute the rumor and expressed uncertainty about previous estimates that the Soviets would sell even more gold this year than last due to their foreign exchange needs. Adding to the mystery, the three large Swiss banks that run the Zurich gold pool — Union Bank of Switzerland, Swiss Credit Bank, and Swiss Bank Corporation — are reliably reported accumulating buy orders on their own accounts for any gold coming onto the market. Between this apparant shift into large net new demand for gold and the dollar shakeup, the price should have soared during the week.

A New York bullion dealer agent for one of the five London gold market banks further believes that major market participants are conducting a bear raid — speculating the gold price down now to buy it up cheap and shove it up again. Certain European dealers with large positions are simultaneously selling gold short in the short term, and going long on six-month and longer gold futures. These dealers' clients expect a short-term collapse of the gold price and then a fast rise, the New York source said. A West Coast think tank with gold market expertise also predicted today a near-term fall in the gold price to $130 and below, and then a rise at year-end above the $250 level after consultations with circles close to Jacques Reuff in Paris.

The Snake

It is clear someone is planning something major and that the gold price is being artificially depressed. Zurich sources familiar with Soviet Economics Ministry experts hold a thesis on the transfer ruble that the Comecon International Bank for Economic Cooperation (IBEC) is issuing TR certificates to the account of OPEC and European central banks at the three Zurich gold pool market-makers, and being paid in bullion. Thus it would appear that the Soviets are net takers of bullion without the transaction, or even the rumor of the transaction, driving up the price. In effect, it would represent a gold swap similar to the two already done by the South African Reserve Bank and the Swiss Central Bank in which South Africa swapped bullion to the Swiss for foreign exchange for an indefinite period without having to put the bullion on the market and depressing prices. The TR-bullion arrangement is a central bankers' operation.

The Swiss gold pool banks have had considerable experience in TR factoring between the IBEC and their European trading partners. Further, they are not only