

Gold by Alice Roth

Price jump not just a scare reflex

Why the upward trend will continue, and the remonetization plans will, too.

Gold surged past the \$700 an ounce mark last week, not simply because of a shift in the world strategic picture favoring an early return to some form of gold-based monetary system. The Anglo-American policy establishment, who are the chief opponents of gold remonetization, suffered major setbacks last week on two fronts.

First, the Iraqi invasion of Iran wiped out the Carter administration's hope of a rapprochement with Iran. Should Iraq prove successful in toppling the reactionary, antimodernizing mullahs presently ruling Iran, they will also discredit the "fundamentalist Islamic" factions currently threatening the stability of Saudi Arabia and other Arab states. This could open the way to a major improvement in Euro-Arab relations.

Second, the credibility of the International Monetary Fund (IMF) has been eroded as a result of that institution's confrontation with the Saudis over the question of whether the Palestine Liberation Organization should be given observer status at the IMF annual meeting. If the U.S. succeeds in blocking the admission of the PLO, the Saudis will have the pretext they need to cut off funding to the IMF/World Bank—and proceed toward closer collaboration with the European Monetary System (EMS), which is based on a pooling of European central bank gold reserves.

British analysts are increasingly concerned about the possible emer-

gence of a European Monetary Fund as a gold-based competitor to the IMF. In a recently published review of the gold market entitled "The Gold Price 1980-84," London stockbrokers Laing and Cruikshank accept the formation of the EMF as a given and predict that this will lead eventually to much greater stability in the gold price. The mobilization of central bank gold reserves in the EMF will make gold "the sun around which adjustments in parities will be made." Under such a system, the central banks will not be able to countenance wild swings in the gold price and will intervene to stabilize the market, the report states.

Meanwhile, *Financial Times* columnist David Marsh emphasized in a Sept. 19 article the Soviet Union's growing interest in the EMS and Western Europe's effort to remonetize gold. Marsh notes the warm commentary on the EMS

in the May issue of the Soviet journal *Economic Science*, an article first brought to the attention of Western readers in an *EIR* exclusive last July. Marsh also notes that, as *EIR* readers were already aware, officials of Consolidated Goldfields, a London-based mining finance house with extensive holdings in South African gold mines, had talks in Moscow that could lead to Soviet-South African collaboration in gold marketing.

The end result of all this is that gold is probably heading higher, at least in the medium term, until Western European governments gain the political confidence to go ahead with the EMF and declare a fixed gold price. A final note: *EIR* was correct in predicting a resurgence in the gold price this fall, when many well-known Wall Street analysts were projecting either a recession-related collapse or aimless chopping which would go on to another six months to a year. We were right because of a superior grasp of the world strategic picture. The ineptitude of Carter's Middle East policy was certain to have triggered an explosion in that region at some point.

