Gold by Alice Roth

Swiss to dump dollars for gold

Swiss tactics are nothing new, but there is a broader international scenario in the works.

A report that the Swiss central bank is considering making additions to its gold reserves could be the signal that the European "black nobility" which controls Swiss banking is preparing for another major dollar crisis during 1981. Their "worst-case" scenario calls for the dissolution of the existing dollar-based monetary system and its replacement by a deflationary gold standard similar to that which prevailed under the "Pax Britannica" of the 19th century.

On Dec. 29, London *Financial Times* correspondent David Marsh reported that the Swiss National Bank "is keeping open the possibility of eventually purchasing gold to stock up its reserves." Continued Marsh: "A return to the bullion market by a major central bank, following a decade in which the main industrialised countries have made practically no additions to their gold holdings, would underline the way gold has returned to monetary importance in spite of years of U.S. efforts to reduce its reserve role."

Under Swiss law, at least 40 percent of the country's banknote circulation must be covered by the central bank's gold holdings. Recent money-supply trends indicate that banknote circulation will reach the legal limit by about 1982 or 1983.

The National Bank is considering two measures which would permit it to conform to the 40 percent limit; one is to revalue its gold reserves. (The official price is now SF 4,600 per kilo or about $80 per ounce.) The alternative is to purchase more gold. The central bank has so far played down this second option but, according to Marsh, it has "not been ruled out and may be favoured in some quarters."

Marsh's story is not really news to experienced gold-watchers. The Swiss National Bank's legal predicament has been known for many years, and the bank's predilection for gold remonetization is likely to surprise no one. More significant is the fact that the *Financial Times* placed this "scoop" prominently on its front page.

As *Executive Intelligence Review* has reported, leading British and European banking circles associated with the Mont Pelerin Society and Robert Triffin's Siena Group have been setting the stage for a major dollar crisis early in Ronald Reagan's administration, triggered by Reagan's alleged "indecisiveness" in fighting inflation. This is expected to force the administration to adopt draconian measures, such as credit controls, exchange conrols, and deep cuts in necessary federal spending programs such as Social Security. The imposition of controls on U.S. dollar outflows could in turn precipitate the collapse of the $800 billion Eurodollar market, upon which the financing of less-developed nations' payments deficits depends.

Under conditions of world financial anarchy, the time would be ripe for the imposition of a scheme which the Mont Pelerin Society has long favored: the replacement of a discredited International Monetary Fund with the Basel, Switzerland-based Bank for International Settlements (BIS) and extensive use of gold, instead of the dollar, in international transactions among central banks (see page 4). Since world credit growth would not be allowed to outpace the supply of physical gold, the new "'gold standard" would result in a prolonged depression in world production and trade.

Will the governments of France and West Germany, which founded the European Monetary System as an embryonic progrowth, gold-based monetary system, go along with such a scenario? The answer seems to be that there will be resistance, of course, but unfortunately, leading German businessmen are already throwing up their hands in despair and hedging against an expected debacle in Reagan economic policy.

According to a source at one of West Germany's "Big Three" banks, the banks expect an acute dollar crisis to break out by mid-1981. Gold may remain weak, slipping to $550 an ounce or at times even lower for about six months. But once the euphoria about Reagan's election wears off, the dollar will come under fire, and gold will take off. The major European central banks probably will seek to protect themselves by stocking up on gold while it is cheap, the source added, mentioning the central banks of Switzerland, West Germany, France, Portugal, and Italy as likely buyers.