

Gold by Montresor

Gnomic advice for America

There can be, say the Swiss, no gold standard to the rescue—except as savage deflation.

The Swiss are going out of their way to reinforce the idea, conveyed by American monetarists, that the United States will never participate in a world gold standard.

The U.S. Gold Commission, appointed last year by President Reagan to investigate whether gold had a chance for use in the U.S. monetary system, returned by a vote of 15 to 2 at its Feb. 12 meeting a verdict against the gold standard. Except for the recommendation that the U.S. Treasury mint a new gold coin, the Gold Commission slammed the door on a U.S. return to gold.

Furthermore, the annual report of the President's Council of Economic Advisers, which was released Feb 10, did not merely reject gold, but painted a picture of an extreme deflation that would result from the adoption of the gold standard. While at first this might be attributed to the monetarist, anti-gold proclivities of CEA Chairman Murray Weidenbaum, something else is actually afoot.

The CEA section on gold, Montresor has learned, was written by one Signor Michele Fratiani, the newly appointed international economist of the CEA, a former professor at the Jesuit-controlled University of Louvain, and more important, a member of the secretive Siena group of Italian and Swiss bankers and oligarchs. Fratiani is reflecting the outlook of the Swiss, who want to impress upon

dull-witted Americans that gold is not an instrument for controlling inflation and promoting economic development, but of extreme deflation and economic contraction. Fratiani wrote in the published CEA annual report that, "the evidence presented indicates that previous gold standards were characterized by 1) lower average inflation and money supply growth; 2) greater fluctuations in inflation, money supply and output growth; and 3) higher unemployment rates than in the period 1946 to 1973."

Following the release of the CEA report, Rainer Gut, the Chairman of Crédit Suisse, one of the Big Three Swiss banks, flew in from Zürich to address the National Press Club in Washington, D.C. Feb 11. Gut gave a hair-raising description of the gold standard.

"Instead of the hoped-for cheapening of money and boost to growth, recessionary tendencies usually accompany the return" to gold, he said, adding that there would "be a period of stagnation that generally has accompanied a return to gold." He cited historical examples to support this view.

Gut predicted that political pressure could bring about a return to the gold standard by the United States but that it would take a decade to do so. However, Gut stated, "If the question 'Do you want a dollar as good as gold?' were put to an American public disenchanted with Reaganomics and high inter-

est rates, such a move could become a reality."

With the latter remark, Gut has made the Swiss position coherent. The Swiss—without saying so by name—are currently organizing against the proposal put forward by economist Lyndon H. LaRouche for a new world gold standard, with gold valued at \$500 per troy ounce. LaRouche's proposal would create new credit for financing the import of high-technology capital goods from the West into the Third World. This view has adherents in the U.S., as well as in Europe.

In addition, there are those in Europe, not sharing the exact Larouche view, who nonetheless have a similar notion of mobilizing world gold reserves to increase world trade levels. Such a move would most likely involve the Soviet Union, with its large gold reserves and gold production capacity and its large economy, in the scheme. The Swiss, who through the Bank for International Settlements, are pushing for the disorganization of the world monetary system, through their drafting of the high interest-rate policy of the U.S. Federal Reserve. The Swiss would like to see the world brought to the brink of disaster and strictly reorganized on their own terms. They do not want the U.S. or any other government, in the meantime, to adopt a gold standard.

However, were the leading governments of the world, in the environment of mounting economic turmoil, to move toward adopting the LaRouche proposal or some variant of a pro-economic-growth gold standard, the Swiss want to be in the position to move in and superimpose their deflationary gold standard instead.