

Gold by Montresor

South Africa: monetary outlaw

Chaos is preferred to the restoration of an official international gold standard for nation-states.

You must read the most recent report of the International Gold Corporation," said the South African representative between mouthfuls of melon balls and cream. It was at one of the innumerable bankers' receptions during the late meeting of the International Monetary Fund in Washington, on an upper floor of an art gallery stocked with exemplary bad taste.

"No, I am serious," persisted the South African. "It will surprise you. We say that gold will never return to an official role in the monetary system. Isn't it interesting, that South Africa argues against this? You must admit that this is something new."

It is not really new, one must conclude upon reviewing the report entitled "Gold in the International Monetary System," by a promotional arm of the Pretoria government. Since the murder of the farsighted West German banker Jürgen Ponto in July 1977, a dialogue between European financiers and the less *verkramp* (tense) members of the South African leadership weakened and, finally, dissolved. Ponto envisioned a new monetary system based on gold as a vehicle for expansion of industry in the developing sector, and Africa in particular. In the context of such discussions, the South African view of gold rose, for the first time, above mere greed or worse, a doctrinaire 19th-century gold standardism.

The present document merely confirms what many of us have known, especially since the Soviet media cried

"Goebbels" at publications that commented upon the tight cooperation between South African and Soviet gold marketers, and even more so since the unraveling of the Marc Rich affair exposed Soviet-South African collaboration on the oil market: South Africa has chosen outlaw status. Considering the indelicate financial condition of Israel and Hong Kong, two other refugees from the international community, some South Africans may have cause to regret this attitude before the day is done.

The conclusion of the report reads, "Political, technical and economic factors preclude reactivating gold as the international monetary standard of value. Yet, its active role will not end. Increasing investment demand along with expanding markets across the world in physical gold, gold futures, and options further legitimize gold as an international asset."

International Gold Corporation describes the sort of gold transactions it admires:

"Activities such as swapping and leasing, rather than outright purchases or sales, have become much more popular as a means of practically mobilizing previously frozen gold reserves. They represent, along with trading activities, the 'new wave' of central bank gold operations. Swaps enable countries to overcome short-term balance of payments difficulties without having to give up gold reserves. Several central banks have arranged swaps with leading interna-

tional banks. Portugal has borrowed from the BIS using gold collateral (a portion of which was eventually sold to meet loan payments), and the Brazilians, Chileans, and Venezuelans have used gold reserves as collateral to borrow to alleviate debt payment difficulties. The South Africans and Soviets also conduct swap activities."

It continues, "Central banks and other holders of gold also lease gold to the market for a small rate of interest. These leasing activities attempt to earn interest on a reserve asset that would otherwise produce no income. The rate of interest is usually very low and can vary with the need from bullion dealers and industrial users and supply from central banks."

Central banks, as often reported in this space, are surrendering increasing portions of their gold to the freebooters of the financial system, and the great private hoards of Western Europe are accumulating gold at the expense of national governments. Diplomatically isolated, South Africa clearly prefers the freebooters to the national governments, and exults in the devolution of the world monetary system.

There is, of course, something of an official referee in this business, the report adds: "The Bank for International Settlements is without doubt the most active international institution in the gold market due to its gold swapping activities. The Portuguese swap noted above is just one example. Moreover, the reliance on gold as a convenient denominator is seen on a typical BIS balance sheet. Assets and liabilities are valued in terms of gold francs."

The arbiter of the chaos which South Africa praises is the institution so above national controls that it sold the gold from the teeth of Hitler's victims, and transmitted SS General Karl Wolff's peace terms to Allen Dulles.