

SOUTH AFRICA AND THE GOLD POOL

It is good to know that our fellow members of the London gold pool are still willing to part with gold at the rate of \$35 an ounce in order to lighten the pressure on our own gold reserves and help us maintain the value of the dollar.

This assurance on the part of Britain, Germany, the Netherlands, Italy, Switzerland, and Belgium was what Chairman William McChesney Martin of the federal reserve board set out to obtain in Basel the other day, and he described himself as "well satisfied" with the result.

But at best this assurance is only a holding measure, an effort to maintain the status quo. There would have been no need for Mr. Martin to go to Basel if new and serious threats to the dollar had not arisen.

One threat comes from Viet Nam, where the communist offensive is likely to push our costs far higher than was expected. It may be impossible to avoid this.

The other new threat is totally unnecessary and results from rumors that South Africa may start selling its gold on the Paris market instead of the London market. This could very well wreck the usefulness of the gold pool. South Africa supplies nearly three-fourths of the free world's supply of new gold. As long as this gold is funneled thru the London market, its flow and price can be controlled by the gold pool, acting thru the Bank of England. Since France has seceded from the pool and no longer shows any concern for the plight of the dollar, this control would be lost in Paris.

Members of the pool would be increasingly reluctant to use their own gold to make up for the loss of South Africa's; the burden would fall increasingly on the United States; restrictions might be imposed on sales for hoarding [these have already been proposed]; and speculators would be willing to pay more than \$35 an ounce to get gold in Paris. For all practical purposes the dollar would be devalued on the Paris "black market,"

and the official rate would become a mere formality.

What irks South Africa is its continued harassment in the United Nations and elsewhere at the instigation of Britain and with the official cooperation of the United States. The moral basis for this harassment is counterfeit at best, because its purpose is to appease hypocrites in the British commonwealth like India and Kenya, which practice discrimination themselves while deploring it in South Africa.

We had better recognize that the gold pool's ability to maintain the value of the dollar depends largely on the availability of South African gold on the London market. The easiest and one of the best things Britain and the United States can do to help their money systems, therefore, is to reverse an anti-South Africa policy which is both futile and silly.