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powered by 1975, and that the trend toward greater use of cheap nuclear energy would provide the utilities an ample profit margin to meet their capital obligations.

To date, only 9.0 percent has become operational. Much capacity has been delayed or cancelled because of opposition from Rockefeller-linked environmentalist groups.

Moreover, new facilities coming on-line this year have not kept up with the 1974 growth projection, with capacity growing only 2 percent from 1973 to 1975 instead of the 12 percent planned. And in 1975, overall industry construction expenditures decreased, reversing a long trend of accelerating increases in plant expansion, and in 1976, although construction expenditures did increase, again they were 6 percent below the target set by the industry.

But growth for the industry at at least the historic rate of 6 to 7 percent a year in new generating capacity is the only context in which the large debt overhang from the 1965 to 1975 period can possibly be handled. Industry executives are planning, as they must, to continue this historical growth rate, forecasting an 85 percent increase in capacity by 1985 — by which time they hope 32 percent of the nation's capacity will be in nuclear energy — requiring $122 billion in financing. Even with that rate of growth it is not at all clear that rate reduction and other new market incentives could produce the necessary revenues.

The severity of even these relatively small construction cutbacks was highlighted in a report issued by the Federal Power Commission last week. The report predicted that the next "great shortage" would be a shortage of electricity.

But the Carter proposals are much worse. Although specific projections based on Carter's proposed 30 percent energy use reduction have not been made, a 1974 Ford Foundation study proposing a 12 percent energy consumption cutback by 1985 called for slashing growth in nuclear generating capacity by 60 percent and in coal generating capacity by 40 percent.

The implications of the Carter proposals have caused shudders throughout utilities industry analysts. In an effort to stem growing panic, a recent Moody's publication babbled that "...with due respect to debt ratios and interest coverage multiples, Moody's has repeatedly stated that many factors other than merely statistical ones have a bearing on the determination and judgement of utilities' debt quality. But as much as we emphasize this point, there are those outside the rating profession who persist in attempts to categorize and evaluate debt quality simply on the basis of comparison and interpretation of essentially short-term statistical ratios....In Moody's opinion, barring corporate mismanagement or a national financial calamity, the bonds of virtually all electric utilities companies are assured payout obligations.

Unfortunately for Moody's, the Carter energy use cutback program will mean just such a national financial calamity.

Preparations For New Monetary System Spark Gold Price Rise

GOLD

The price of gold hit $141.25 an ounce on Thursday, Feb. 24, in London — up $5 from a week ago and the highest level in over 13 months. The sudden gold price jump is predicated largely on widely circulating reports that European financial interests, the Soviet Union and Arab oil-producing countries are in the process of negotiating an alternative gold-backed monetary system, in which the gold-backed Comecon transfer ruble will play a central role.

An article in the February issue of the Gaullist jounal *L'Appel*, entitled "The Gold War," makes the connection between the transfer ruble discussions and the gold price rise most explicit: The article blames the U.S. government's unpegging of the dollar from gold in 1971 for creating "the greatest wave of international inflation the world has ever known" and unleashing a huge pile-up of world debt. *L'Appel* then lays out a scenario for a run on the dollar, which could occur in either of two ways: 1) Foreign holders of $120 billion in short-term U.S. government debt could decide to flee from the dollar, or 2) A sufficient number of other debtor countries could become insolvent at the same time. "There will then only remain the gold solution," *L'Appel* concludes.

Significantly, the *London Economist* leaked word last week that the European Economic Community's Commission is considering an official proposal to establish a gold clearing system among member nations. At the same time, the Swiss bank Lombard Odier issued its predictions that European central banks will buy heavily into gold this year as part of an effort to make the metal their primary reserve asset.

Adding fuel to the speculations concerning gold, French Prime Minister Barre and Italian Treasury Minister Stammati, meeting in Paris last week, announced that European monetary union and the creation of a gold-backed common Euro-currency was their "first objective."

Subsequently, the release of the London-based Moscow Narodny Bank's quarterly report on Feb. 23 characterizing the demand for gold as "quite encouraging" sent the market up to still greater peaks.

The new gold fever is extending to less sophisticated investors as well who are not yet apprised of the political "coup" being planned against the dollar. This category of investor is simply diving for cover before a new round of international inflation and currency instability begins. European banks point to the inflationary danger in the U.S., in particular, citing the 0.8 percent jump in U.S. consumer prices in January and Carter's upping of the Ford budget deficit for 1978 by over $10 billion.

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