

speculated by Latin America's New York bankers straight out of U.S. consumers' pockets. To prove that this cash has paid installments on the combined \$70 billion debts of Brazil, Mexico and the rest of the continent, Latin net purchases of U.S. industrial goods have fallen off by 13 percent since 1975.

*Middle East:* The "evil sheiks" often blamed for the U.S. deficit in fact have been the biggest purchasers of U.S. industrial and agricultural goods in the Third World. Since their populations are so small relative to income they have run up no debts to speak of. Even so, Arab purchases of U.S. goods have stagnated, relative to U.S. energy consumption, leaving the U.S. with a net deficit with the Middle East of \$2.7 billion.

#### *Deflating The Reflation Myth*

Ironically, it is only with the industrialized West — Canada, Western Europe, and Japan — that the U.S. has run a trade surplus. This is the same area which Blumenthal et. al. claim they are rescuing from recession with "surplus U.S. imports" of their goods. Rather, the U.S. is being rescued.

Even here, U.S. surplus doesn't stand up to

examination. First of all, the entire surplus with the industrial countries is accounted for by — food, not industrial products. Most of this is due to the disastrous European drought of last year and will evaporate in September when Europe brings in its harvest. The U.S. is in deficit with the industrial countries on industrial goods. But that doesn't mean U.S. imports of European machinery are stimulating a recovery there. The projected 1977 U.S. deficit on industrial goods with the industrial nations of \$8.7 billion is entirely a deficit with — Japan, the country who least needs reflating.

The June 28 announcement of yet another \$1 billion deficit, this time for May, seems to have frightened even Treasury Secretary Blumenthal. In an about-face he told the bemused Wall Street Journal the same day that the deficit really is "too large" — mostly, the Journal notes, because the Carter Administration has become terrified that the deficit is "undermining confidence in the soundness of the U.S. dollar." But Blumenthal has learned little; while paying lip-service to increased exports, he insisted that "one of the principal answers" to the deficit is "President Carter's energy conservation program:" a slashing of U.S. energy consumption.

## The Real Economic Costs Of A Gold-Based Monetary System

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### GOLD

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The real economic cost of gold under the proposed gold-based international monetary system would be at least \$250 to \$350 per ounce, compared with today's market price of \$140.

This is the conclusion of a study of the real costs of mining gold in South Africa carried out by the U.S. Labor Party in conjunction with the private International Development Bank proposal issued recently by party chairman Lyndon H. LaRouche, Jr. South Africa now produces about 60 percent of the world's gold and accounts for about the same percentage of world gold stocks left below ground.

Real economic costs are defined in terms of the necessary capital inputs and human educational development programs, required to bring South African production up to the North American standards of capital-intensive mining. Specifically this includes raising the abysmal wage of South African miners to \$18,000 a year.

The future existence of the world gold market as an integrated part of a technologically advancing world trade system depends upon a crash program of capitalization in the South African mines. To put in new mechanization and train the entire 400,000-man workforce involved in South Africa's gold production will require a one-time international development loan of \$39

billion. As an interim program, the Labor Party proposes that the seven major finance houses managing South Africa's mines concentrate an initial \$13 billion mechanization program on their most productive mines, shut down one-third of their production — the most labor-intensive mines — and leave one-third in operation at current production.

#### *Capital Versus Labor Intensive*

A comparison of South African mining methods with those in the U.S., Canada, and the USSR graphically illustrates the problem and the solution. With high standards of miner wages and a tradition of capital-intensive methods, production in North America and the USSR from the beginning has been able to exploit gold deposits on an economically feasible basis at past and current gold prices of \$35 per ounce. The key has been to make the mines as capital-intensive as possible to increase productivity.

South Africa has relied on an opposite ratio of capital to labor and very low wages although it should be noted that the foreign capital for mechanization was nearly impossible to obtain during South Africa's development.

Those responsible for South Africa's labor-intensive practice are Lehman Brothers, Kuhn Loeb, Lazard Freres, Morgan Guaranty, and the Rockefellers' Standard Oil. These five make up the "American" in the Anglo-American Corporation which controls 85 percent of the capital in the South African gold mining industry.

The average U.S.-Canadian gold mine today has 500 to 1,000 workers and mines and mills, a minimum of 1,500 to

**Cost Comparison of Average Mines  
In North America and South Africa**

	North America	South Africa
Ore Grade per ounce per ton	.31	.30
Capital expenditure per ounce	\$26	\$26
Total working cost per ounce	\$80 to \$120	\$90 to \$110
Tons produced per man per year	1,500	275
Wages per man per year	\$18,000	\$3,000

5,000 tons of ore per man per year (compared with 275 tons in South Africa). This level of productivity is possible because the mines, especially the most productive ones, are highly mechanized: conveyor belts and machinery move rock all along both the main vertical shafts down into the mine and in the horizontal tunnels shooting off from the main shafts going into the ore bodies.

At the ore face, men work individual power drills as in South Africa, but they are backed up all the way into the tunnel by machinery to load the rock and bring it up to the surface for ore extraction. In the most modern mines, machines scrape the ore from the ore face and haul it away.

The typical South African gold mine, which hauls about twice as much rock and produces twice as much gold, has upward of 11,000 miners. Out of the entire national mining workforce of 400,000, fewer than 40,000 are skilled workers. These are whites who are mostly managerial, do little muscle labor, and are paid up to \$20,000 a year.

The rest of the miners are blacks. The mining wage for blacks has been so bad — about one-quarter that of wages for blacks in South Africa's manufacturing industry — that South African blacks refused to work the mines and more than 80 percent of the black labor force in the past were migrants from other parts of Africa. Today, however, the world recession has sent unemployment up so high in South Africa that laid off industrial workers have been forced into the mines. Now 70 percent of the labor force is South African.

Although wages for black miners have tripled in the past few years, they are still only about \$3,000 a year.

The South African miner hauls his load by hand. The horizontal mining tunnels in which the ore is mined are wide enough only for a man to crawl into — not for a conveyor belt or other large machinery.

Furthermore, South African mines are on the average

about twice as deep in the earth as North American mines — 8,000 to 10,000 feet, with many more than two miles deep. At the most extreme depths, the mines are at a temperature of 100 degrees fahrenheit, and the men can work only for a few hours before they must be lifted to the surface to rest.

*Mechanizing The South African Mines*

The differences between North American and South African mining can be resolved by a one-time expenditure to mechanize the mines and train the workforce as skilled miners. As the table of cost comparisons shows, the average grade of the ore — ounces of gold recovered per ton of rock milled — is the same; the average capital expenditure, in terms of current capital spending, is about the same per ounce of gold produced; and the average overall working costs — labor plus materials, insurance, transportation, etc. — is roughly the same. In fact, the financial cost per ounce of gold produced is basically the same in North America and South Africa today. *The only difference is that American workers are about 5.5 times as productive and about 5.5 times better paid.* The higher cost per North American worker is neatly balanced by his increased productivity.

*The Real Cost Of Gold*

The crash program between North American and South African mining must widen the horizontal tunnels (actually at a 45 degree angle) in the South African mines sufficiently to allow machinery. The current cost of putting in a mine that will go down to 5,000 feet and produce .64 million ounces of gold per year at capital-intensive North American methods is \$240 million according to the chief of mining engineering at a major North American gold mine. Geologists estimate that for the same production at South African levels of 10,000 feet, costs will rise logarithmically since deeper levels require more and more expensive metal supports to hold wider tunnels for machinery.

The cost of such a program — including a full training program for the 2,000 or so men at each mine — would be close to \$830 million. This is \$1,300 per final ounce of gold to be produced at completion.

If South Africa receives an international loan to amortize the charges over a ten year period, the payments would be about \$200 per ounce per year, (using market-related interest charges of 8 percent). With the program of low (2 to 3 percent) interest development loans, specified in the private international development bank, the cost would be closer to \$150 per ounce per year.

When this cost is added to the current cost of production of \$90 to \$110 an ounce in South Africa, this gives a real economic gold price of \$250 to \$300.

— K. Brown