Q: Where do you think the prime rate will be by the end of the year?

A: We expected the current developments; we didn't equivocate. But they have happened faster than we anticipated. I expect that the prime will hit 8 percent or 8.25 percent by the end of the year...At this stage in the 1972-73 expansion, the business credit demand wasn't as great as now. And government credit demand was low. Remember, Nixon had balanced the federal budget. He did it by impounding funds. Now we have a $45 billion federal deficit; next year it will be $65 billion. Business and the government are competing for credit and that is pushing up rates...

West European Gold Operation Takes Jabs At London

Gold prices this week reached a two-year record of $158 an ounce as a result of West European and Arab intervention on the international markets. The run out of the dollar and into gold was limited only by the awareness from the West European bankers that a speculative gold bubble would run out of their control and further the worldwide economic collapse to the benefit of the City of London, in the absence of a gold-pegged international monetary system alternative.

GOLD

The operation into gold is organized from Zurich and the West German-dominated Luxemburg market. According to sources in Zurich, French-Swiss-West German banks are helping the Soviet Union and South Africa restrict their gold sales as much as possible. On the other hand, they are conduiting money — notably Arab funds — into bullion. According to New York's Credit Suisse-White Weld, "The Swiss and their friends are making money both ways, withholding bullion from the gold market with cooperation of gold producers, and helping buying it up altogether." New York's Sharps and Pixley, close to the House of Rothschild, added that Arab money shifted out of the dollar into gold on a large scale last week. Bache, Halsey, Stuart identified West European and in particular Swiss banks as acting on behalf of Arab customers on the New York bullion market.

London Gets Short End

The choice of New York has undoubtedly been made by the Swiss banks against London, out of necessity. The Luxemburg market is not yet large enough to bear the brunt of an entire gold operation, and the Zurich market has not fully recovered from the dirty trick engineered by the City of London against the Swiss banking community, known as the "Chiasso scandal."

New York prices are now leading London, rather than the other way around. As opposed to only a few weeks ago, London's second gold fixing is almost every day under the final New York quotation. This in turn implies that the Swiss, West German, and French bankers have close and cooperative friends in the United States. In an unmistakeable sign of U.S. support the Oct. 10 editorial of the *Wall Street Journal*, entitled "Sinking Dollar," suggested for the first time that a gold-based monetary system would be preferrable to the present one.

This operation is potentially very dangerous for the City of London. The New York representative of Merril Montaigu, a parent company of London's bullion trader, angrily commented that no gold orders are coming from London. "It is European speculation; they have managed to manipulate their currencies so as to make gold inexpensive." The Swiss Central bank permitted the Swiss franc to appreciate significantly against the dollar in order to buy gold cheap. According to Reuter dispatches and rumors on the market, the Swiss sold dollars at the beginning of this week, probably to the West Germans, who were trying to contain the rise of the deutschemark.

What's at Stake

This week the *London Sunday Times* expressed its concern that "gold thrives on instability like this as the one edge against financial Armageddon." City of London fears are all the more acute because Swiss and West German banks are not only buying gold, but have started selling British gilts (bonds) and stock, triggering a sharp fall in the London stock market and threatening the bond market.

At this point it would only take a programmatic initiative for a new monetary system to direct the West European and Arab funds out of London control — a fact London knows only too well. But such a programmatic alternative has not yet appeared on Europe's official agenda. Western European bankers must therefore keep gold prices under control to prevent the formation of a purely speculative gold bubble that would ultimately threaten their own economies. This in turn would politically destabilize the continent to London's advantage. Gold prices have consequently stood still since Oct. 13 and one prominent Swiss bullion trader in Frankfurt confided that he is "not bullish on gold" and that the "South Africans and Soviets are now selling."