

the panicked, massive stockpiling which occurred through most of 1974, until the commodities boom blew out at the end of the year.

Oil factor

As in 1974, the November-February price takeoff can be traced to international oil developments.

The recent four month price jump began with copper, an industry which had slumped into a full-scale depression both on the mining and refining side since late 1974.

As a result of the long-term depression conditions in copper prices, industrial users permitted their inventories to be drawn down to very low levels, knowing that cheap copper would be available at any time. Starting in March 1978, inventories on the London Metal Exchange as well as those maintained by U.S. corporations were so low that commodity traders

worldwide knew the bottom had been reached.

It was just a matter of timing for keen commodities investors in New York and London to set off a wave of new purchases in copper, the "pacesetter" in the nonferrous metals group which drags all the other metals along.

During October-November 1978, British Petroleum and Royal Dutch Shell launched a concerted effort to rig international oil prices upward, in conjunction with BP's open moves to wreck agreements with and destabilize the government of Iran. On cue, London-linked investors began to liquidate medium and longer-term investments, parceling out these funds released for short-term speculation between currency and commodities transactions.

When Iran's government collapsed and war broke out in Asia, the copper price took off, reaching

\$1.00 per lb. for a few days in the U.S.—almost double the 1978 price.

Numerous sources have suggested that the "take-off" last November may also have been triggered by major London market sales of copper, often called the "wartime metal," to the People's Republic of China. While such reports are nearly impossible to confirm, it has been definitively reported in the monthly statistical report of the U.S. Bureau of Mines that during January 1979, the very eve of the outbreak of war in Asia, the first shipment of U.S. copper to China in 30 years was concluded by a U.S. metals trading firm.

downward pressure will stem from the enlarged U.S. Treasury and International Monetary Fund sales and from the possible deflationary effects of a U.S. recession, should one develop, Degussa notes that the existence of the EMS will put a defacto "floor" under the gold price.

The Degussa report confirms what other sources close to the West German monetary authorities have told *Executive Intelligence Review* in the past: namely, that the EMS governments are aiming to keep the gold price at about \$230 to \$240, in the middle of Degussa's specified "range." Jürgen Ponto, the assassinated chairman of Dresdner Bank, also sat on Degussa's board. Close to Chancellor Schmidt, Ponto reportedly helped to develop the "Grand Design" conception underlying the formation of the EMS.

—Alice Shepard

KEEPING TABS ON THE ECONOMIST

Whose follies?

In our weekly check of the accuracy of the London Economist's reporting across a mendacious slur directed against French President Giscard, in the magazine's March 17-23 issue.

The Economist

"French follies": President Giscard d'Estaing, in the chair, had a rough time at the summit... The initiatives he proposed did not go down well with the other leaders... But Mr. Giscard d'Estaing's embarrassment was not at an end... He had to share a platform with Mr. Roy Jenkins, the president of the commission... (who) insisted on giving his version of the events.

The facts

Giscard d'Estaing, President of the European Council, received a mandate from other government leaders to "meet with the current Organization for African Unity leader, Numeiry from Sudan, as well as with leaders of the Arab League," Giscard told a press conference, after "noting the positive atmosphere of the reactions" to his proposal for a European-Arab-African summit.