Interview

Jean-Claude Martini discusses the new French gold policy and future options

On Nov. 30, two months after the government's announced abolishing of anonymous transactions on the French gold market, Paris EIR *correspondent Sophie Tanapura interviewed one of the top gold dealers in the French capital, Jean-Claude Martini, of the Compagnie Parisienne de Réescompte (CPR).*

Founded in 1948, the CPR specializes in discounting, and now controls around 70 percent of the French gold market. Its main shareholders are Compagnie de Suez (20 percent), Banque Neuflize-Schlumberger-Mallet (17 percent), and a group of pension funds (27 percent). René Cassou, former director of the money-market department of the Banque de France, has presided over the company for the past 10 years. Until 15 years ago, the CPR also acted as the intermediary of the Banque de France on the French gold market. Now the CPR operates mainly on the Paris, Lyons, and Marseilles exchanges.

Tanapura: Mr. Martini, perhaps you can describe to our American readers some of the peculiarities of the French gold market.

Martini: In France, the gold market has always been active. Over the past 50 years, the French franc was constantly, and still is, eroded by inflation and many devaluations. The reason that makes Frenchmen such lovers of gold is that they have never really trusted any government to come to the roots of these problems. It is generally estimated that Frenchmen hold somewhere between 4,000 and 5,000 tons of gold. I myself would estimate it easily between 6,000 and 10,000 tons, closer to 10,000 than 5,000. This is because we must not forget to add to the gold bullion gold in the form of jewelry.

Tanapura: What do you think the government was aiming at by abolishing anonymity in buying and selling gold?

Martini: The government must certainly have its reasons. Perhaps they hoped to discourage the French from hoarding gold and to direct savings into other investments, perhaps into bonds. Although this decision may represent some advantages for the government's program in the future, there is definitely a risk that there will be some disadvantages. The danger of a parallel black market developing is evident. There will always be people who prefer to pay a higher price, run a higher risk, for the sake of withholding their names.

It has now been months since the new law went into effect and the French people are beginning to get used to the new situation. A certain number of people now accept revealing their identities, or have found others to lend them their names. Contrary to the sharp drop in clients immediately following the government's decision, more and more people are coming back every day. . . .

Tanapura: Can you give us any figures or patterns of this movement?

Martini: In the first days following the government's decision, transactions had dropped by 80 percent. By the end of two weeks, the percentage moved up to 50 percent. I would say that now it is quite normal. I should also add that there was a strong buying pattern this summer. People spoke a lot about the devaluation of the French franc. Once the shock of devaluation was over, people were not so worried about it any more, at least for a while. Therefore, it is perfectly normal that there are presently fewer buyers. Moreover, the international market price has also gone down. The irony is that because there is less business, the government is going to reap in less tax money.

Tanapura: People say that by abolishing anonymity in gold transactions, the government will now be able to keep tabs on gold owners with eventually the possibility to shore up the future budget deficit by buying up the privately owned gold at a cheaper price, a sort of "nationalization."

Martini: That is pehaps going a bit too far. Up to now the names are written in a ledger and nobody has yet asked to see them. It will not be the case for the moment. . . .

Tanapura: Following the creation of the gold commission by the Reagan government, discussion of a return to a certain gold pegging of the dollar is in the air. What do you think of it?

Martini: There are pros and cons to this. I think that it is going to be quite difficult to index a currency to a certain level of gold production or gold price. If we come back to the convertibility of the dollar to gold, we must first find the price of this convertibility. If the price of convertibility into gold is too low, the U.S. will find itself emptied of its gold. If the price is too high, there is a high risk of inflation, increase of the American money supply.

On the other hand, it would be a marvelous scheme, if one could be sure that it would stop inflation—maybe not world inflation, but at least the inflation in the U.S., because if we were to come back to a system of indexation of a currency to gold, we would have to consider a floating indexation.

However, what I think would be eventually interesting for the world in order to launch business, to create cash flow, is a scheme to get out a portion of the privately owned pool of gold worldwide, get this portion mobilized. To do this, you must first give people confidence in the currency that you will use to buy their gold. If you give them a currency—even if it is called the U.S. dollar—which constantly loses its value because of inflation, people will refuse to play along, and what's more, they will continue to buy more gold, perhaps also diamonds.

I am convinced that the American individual is going to continue to buy more and more gold in the near future. So we need to find a way to mobilize this gold, create confidence and stop inflation. Up to now, nobody has been able to stop inflation. They have been able to slow it down, but never stop it . . . for the moment, there is nothing one can do.

We would have to set up a new monetary system. Why not come back to the gold standard system often mentioned by General de Gaulle? If we come back to this system, we must also keep in mind that there will be a wider gap still between the haves and the have-nots. . . . Personally, sooner or later, I think gold will play some kind of role in a new monetary system. At that moment, gold will probably be at a higher price than it is now. Once again, I am not saying that I am favorable or not to such a solution. That is not my role. . . .

Why not—in order to create confidence—mint gold coins? Why tolerate bank notes, nickel, or other coins? Why not gold coins to regain confidence?

Tanapura: Why not come back to the idea of the European Monetary System, extrapolated onto the international system? After all, the EMS implies a second phase, the creation of a gold-based fund.

Martini: There you are bringing up a problem. Political circumstances have changed with the change of government. . . .

Tanapura: I suppose it is now up to the Americans to make the initiatives.

De Gaulle returns to power in 1958.

Martini: Let me put it this way. If you go to any country with your dollar, people would buy it. If you go with the French franc, no one will buy it. Even the deutschemark is not known in certain countries, in spite of the development of tourism. The U.S. dollar is the means of payment worldwide and serves as a reference-point for all other countries. The U.S. must serve as an example. It is they who can impose their decision on the world. However, if the U.S. takes insufficient measures to defend their dollar, other currencies would devalue. At that point, having lost all confidence in practically every currency, people would begin to buy gold massively. An initiative to create a new monetary system must, therefore, come from the United States.

Tanapura: You have read about the LaRouche gold proposal in the Oct. 13 issue of *EIR*. What do you think of it?

Martini: I think that this proposal—among other proposals—is certainly worth considering. The however, is the time lag between the discussion of policies by politicians and governments, and their implementation. Often when it comes to implementing policies, the givens of the problem have already changed, and the intended solution is already out of step with reality. Therefore, decisions must take into account this time-lag factor.