GOLD

Bullion price finally dips

The first significant break in the gold price in weeks occurred on April 11, when the spot market price fell from $239.10 at the London morning fixing to $232.50 in late New York trading the same day. The turning point appears to have been Treasury Secretary Michael Blumenthal's statement in Dallas the day before that the U.S. must be prepared to "risk recession" to fight inflation, amidst growing expectations that the Federal Reserve is about to tighten credit another notch. Higher interest rates in the dollar sector increase the "opportunity cost" of investment in gold; that is, the price of gold must rise more sharply if the investor is to receive returns comparable to what he would otherwise have earned by investing in high-yielding dollar-denominated securities. The dollar's rally on world currency markets has also reduced the large volume of funds previously flowing into gold out of sheer panic and uncertainty.

An April 11 *Wall Street Journal* feature on gold, citing several analysts who believe gold could soon slip back to $200 or below, has also contributed to the bearish atmosphere. These forecasts should be taken with a grain of salt, however, for the following reasons: 1) Political destabilizations and U.S. brinksmanship toward the USSR could again have the side effect of sending the gold price skyward. 2) British and other outlets are already talking about another bout of dollar weakness (see Foreign Exchange), noting acerbically that none of the "fundamentals" in the U.S. economy have changed. Carter's oil price deregulation program will further compound the danger of runaway inflation in the U.S.

A U.S. credit crunch might cause the gold price to fall back temporarily, especially since industrial demand for the metal tends to be lower in the spring and summer months and the market may have greater

CORPORATE STRATEGY

After Harrisburg: utilities pressed to lie low

Utility, construction and oil companies are being told by dubious friends in government, foundations, and business to adopt a near-invisible profile until the crisis around the Three Mile Island nuclear plant malfunction blows over.

What is being recommended has less to do with building nuclear power plants than most utilities presently understand. Lying low right now means the executive branch reorganization involving the Federal Emergency Management Agency (FEMA) goes into effect unopposed.

FEMA, which went into action around the Harrisburg shutdown March 27 ("jumping the gun," according to acting director Gordon Vickery), is a disaster management team under the National Security Council that in the event of "emergency" is empowered to bypass federal and state constitutional and legal structures, and rule by decree.

A classic routine is being used to keep U.S. corporations, especially the hard-hit utilities, in line. The soft end is the earnest advice given by Energy Secretary Schlesinger and Secretary of State Vance to stay out of sight for a while and make no response to the Three Mile Island sabotage lest the public think the power companies are seeking alibis.

Parallel advice was given by the British intelligence front, the Heritage Foundation which held a special conference on the future of nuclear energy in Washington Feb. 2, and agreed to set up a national steering committee to promote nuclear energy. The steering committee met once, two weeks before Harrisburg, and was disbanded. According to Milton Copulos of the Heritage Foundation, "It would just set up another bureaucratic layer" while what was needed was a "mandate from the grassroots." At least one senior executive at Allied Chemical, which has nuclear holdings as well as direct ties to an Israeli intelligence front called the Nuclear Club of Wall Street, has put out the word that "rational elements" will prevail in

difficulty absorbing the increased U.S. Treasury and International Monetary Fund bullion sales. Nevertheless, with the establishment of the European Monetary System, European central banks will probably curb a drastic price fall. According to Jeffrey Nichols, chief economist for Argus research, "Central banks have too much of an interest in sustaining gold's price. If the price goes too low, the banks will intervene." Furthermore, both British and Swiss sources report that the Soviets are reducing their sales until the price improves.

—Alice Roth

COMMODITIES

Bonn raw materials compromise

The West German government announced a raw materials policy the week of April 9 which was the upshot of a stalemated fight. Chancellor Schmidt's allies in the Economics Ministry—who under Hans Matthoefer had spearheaded earlier German efforts to turn the European Community's Lomé trade agreements with the underdeveloped nations into some sort of transfer-of-technology alternative to UNCTAD's "Common Fund"—clashed with Finance Minister Otto Graf von Lambsdorff, who demanded that private raw materials speculation be underwritten through tax breaks. The compromise provides government authorization for corporations to use the discounting facilities of the Bank for Reconstruction (Kreditinstitut für Wiederaufbau) on an expanded scale to acquire raw materials and bolster their inventories. Traditionally, the notion has been touted in West Germany that the government should not get too deeply involved in Third World economic development, but leave it to industry, and industry was happy not to get dragged into various Common Fund or International Resource Bank schemes.

industry and Washington, so "wait till the facts are in."

Westinghouse Electric Company, which issued a statement on March 29, the day after Harrisburg, on the sufficiency of nuclear safety features, changed its tune 24 hours later, claiming no connection to Three Mile Island and refusing comment on any other matter. Meanwhile, Paul D. Bordwell of Argus Research in New York and Donald Reid of Dominion Securities, Toronto, told the Canadian press that Westinghouse is in trouble because of Harrisburg and its failures to meet its uranium supply contracts, and that depreciated Westinghouse stocks should become a good buy in the future.

According to a preliminary survey by the Fusion Energy Foundation (FEF), a nonprofit organization which is a leading promoter of nuclear power, some corporate leaders know nothing about FEMA and the crisis management reorganization, and don't want to know. A spokesman for the Atomic Industrial Forum expressed surprise that he had not been told about the creation of FEMA, especially since FEMA had to be working directly with the Nuclear Regulatory Commission, with whom the AIF collaborates.

According to an FEF staff member, officials of San Diego Gas and Electric, Alabama Power and Light, and Santa Fe Oil were extremely interested in the data assembled by the Foundation on the hows and whys of the Harrisburg sabotage, but told the Foundation that it was corporate policy not to learn anything further from the FEF.

This publication has learned that at a recent New York cocktail party attended by top oil men and East Coast bankers, the FEF was slandered as "receiving funds from the CIA" and "occasionally using a Communist cover to hide the source of funds," as a warning to managements not to go anywhere near the Harrisburg story.

Utilities in the South and Midwest however, have evinced a strong "go get 'em" spirit which may result in a media campaign to inform the American public. This means taking on the Carter Administration, important financial interests close to the power industry, and at least one utility engineering firm which is reported to have consciously underdesigned parts of power plants, making them unsafe.

Given the growing belief among Americans that sabotage was involved at Harrisburg—even if the motives are still unclear to them—and the recent Gallup Poll which found, two weeks after Harrisburg, that 63 percent of Americans insist that nuclear power is necesary to the nation's future, corporations have both an obligation and a broad mandate to tell the truth.

—Leif Johnson