diminish the fluctuations in the price of gold by offering small amounts to speculative buyers. It worked well until last year, when the decline in U.S. gold stocks and lack of confidence in the dollar stepped up the pace of the buying.

"Officials said that the London market for gold—as distinguished from the pool—would stay closed for the next two weeks. That is, there will be no 'free' market in gold in London during that period.

"The assigned reason was to provide a cooling off period. But other 'free' or unofficial markets, such as the one in Paris, are unaffected.

"At the same time, the governors of the central banks attending the Washington meeting announced that they would provide new lines of credit to the British, bringing the total available up to $4 billion. Included will be $500 million in a new 'swap' arrangement by the Federal Reserve, part of an over-all $2.275 billion boost in those standby credit arrangements.

"If the seven governments can make the new gold arrangements work, the monetary supply of gold will be 'frozen' at the $41 billion plus now in the system. This is 'sufficient,' they said, in view of the prospective addition of a new paper asset, the Special Drawing Rights.

"The essence of the plan was devised by Italian central banker Guido Carli, who attended the Washington meeting.

"In a word, the cooperating central banks are going out of the gold buying and selling business—except among themselves.

"That means:

"Central banks will no longer buy newly-mined gold from South Africa or any other producer.

"The U.S. Treasury will no longer license, effective today, the sale of gold from its stock to industrial users in this country, who last year tapped Treasury monetary gold for $158 million. They will be able to buy from U.S. mining sources, or on foreign free markets. And the Treasury said it would allow American gold producers to sell as well to foreign buyers.

"The cooperating nations are basing their actions on the belief that the future needs of the international monetary system will come from the growth of 'paper gold' rather than the real metal.

"Officials indicated their belief that the decision to keep the official price at $35 an ounce, and to insulate the existing monetary stock, would deflate the speculative rush.

"It is obvious however, that a two-priced gold system itself does not solve the U.S. balance of payments problem, nor guarantee that U.S. gold stocks won't be tapped by some central banks.

"For example, some smaller central banks, if nervous may accelerate the rate at which they have been exchanging dollars for gold. The United States will sell gold at $35 an ounce—provided they don't resell any to private markets.

"Yesterday's decision amounts to a partial demonetization of gold, in this way: supplies of newly-mined gold and holdings of speculators' and hoarders' gold will no longer have a value as a form of money. They will continue to have a value, perhaps even higher than $35 an ounce, as a commodity, like copper or jute.

"Officials insisted that the new two-priced system for gold would have no effect on the value of the dollar, particularly in the United States, where gold is not part of everyday currency.

"Another big question mark concerns the French. No one expects France to buy gold from the U.S. for speculative resale. But the French could help stimulate a drain on U.S. gold supplies through other nations.

"The other question relating to France will be its willingness to speed along the activation of the Special Drawing Rights system. The French have been trying to persuade their European Common Market partners to surround the SDRs with various limitations.

"But a special statement last night by the International Monetary Fund said that the SDR system was on track.

"One reason for the new aid package to Britain relates directly to the gold speculation of recent weeks. As anxieties mounted, many who held deposits in sterling changed them into dollars, with which they bought gold through the London pool. The new lines of credit are designed to help restore sterling balances.

"The communique noted 'the determined policy' of the U.S. Government 'to defend the value of the dollar through appropriate fiscal and monetary measures and that substantial improvement of the U.S. balance of payments is a high priority objective.'