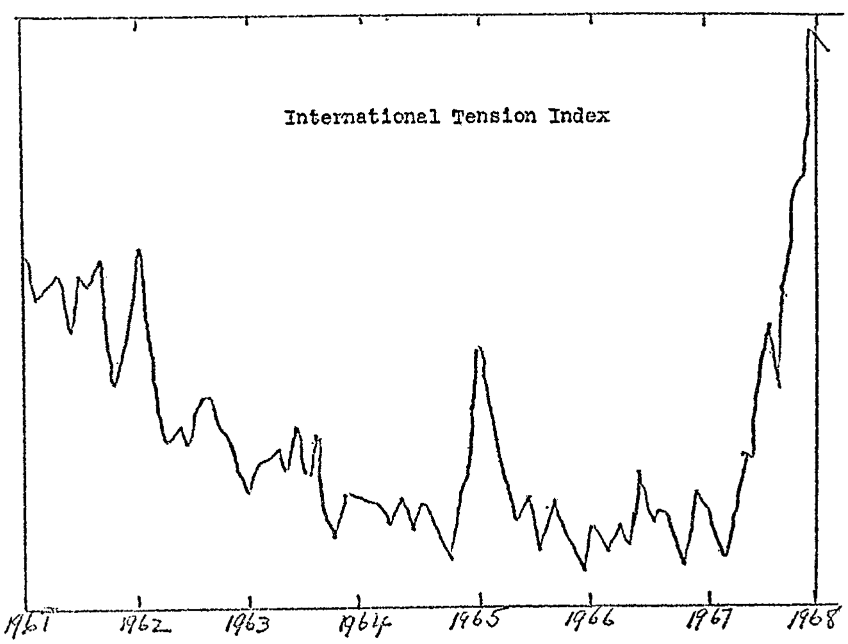
ample warning to prepare both for the run on sterling and the run on gold. I offer it here as sufficient proof of my contention that there is a great gap in the financial leadership of the Western world.



Source: See Appendix

FIGURE

Appendix: The International Tension Index

The International Tension Index is a measure of disequilibrium in international financial markets. It is based on a weighted average of conditions of financial disequilibrium in eight countries: the U.S., U.K., Germany, France, Canada, Switzerland, the Netherlands, and Belgium. It is computed on the basis of the following formula:

$$\Theta=\sum_{i=1}^{7}\sigma_i\left[\left(\frac{r_i-r_a}{1+r_a}\right)^2+\left(\frac{FR_i-SR_i}{SR_i}\right)^2\right]^{1/2}$$

where

σ_i = weight of country i
r_i = interest rate in country i
r_a = U.S. interest rate
FR_i = Forward rate
SR_i = Spot rate

The weights, σ_i, are based on proportions of trade, and reduce to:

U.K.	= .23
Belgium	= .09
France	= .15
Germany	= .25
Netherlands	= .10
Switzerland	= .05
Canada	= .13
	1.00

for the years 1961–67. The index was prepared, at my suggestion, by Mr. Houston Stokes, using monthly averages of Treasury bill rates and forward premiums.