NEWS FROM THE COLONY

CITY SWISS CLUB

At one of their regular dinners on Wednesday, 17th October, members of the City Swiss Club found themselves at a new venue – for the first time at the Portman Hotel – and a very successful occasion it turned out to be for not only was the new setting found to be very acceptable and the meal really excellent but the principal guest and after-dinner speaker, Mr. Paul Bareau, O.B.E., delivered an address of outstanding quality even for these occasions.

After a brief introduction as one of the most outstanding economic journalists of our time by the Chairman, Mr. H. Jauslin (when the ladies present also received a warm welcome), Paul Bareau launched into a masterly survey of the development of the world monetary system from Bretton Woods to the present day which held the close attention of his audience throughout, including his extensive replies to questions raised towards the end of the evening.

No summary can hope to capture the atmosphere of the evening nor faithfully reproduce the text of the speech; but the context was briefly this:

That the planning of the post-war monetary system was begun even in the darkest days of the war with a determination to achieve such overall stability on the world exchanges as to avoid the economic warfare of the 1920s and 1930s which contributed so much to the start of another massive conflict. It was seen as a revulsion against anarchy, a firm basis for a free and fair world.

The aim was to achieve stability and confidence as a background to an expansion in world trade for which stable exchange rates formed a fundamental need and with gold as the "anchor".

This system, begun with the establishment of the International Monetary Fund, gave the world 25 years of what, in retrospect, was astonishing stability; price stability and unprecedented growth in world trade so desperately needed in this reconstruction period.

Unfortunately, the low price established for gold (the 1934 value of US$ 35 per fine ounce) provided an inadequate base for reserves and gradually the US dollar became the prime source for large scale capital; thus the post-war shortage of dollars eventually became a surplus as American deficits grew, at first uncomfortably large then super abundant as the waste of the Vietnam war took its toll.

The largely uncontrolled "Euromarkets" developed from these surpluses of US dollars and have grown to an enormous magnitude.

Finally, the leap in oil prices and collapse of confidence led to the chronic and widespread inflation of the 1970s with which we are all so depressingly familiar.

The attempted dismissal of gold as a monetary factor, the introduction of "S.D.Rs", the conscious withdrawal of the pound sterling as an international reserve factor, the actions of OPEC and the removal of fixed parities has led to a situation where there is now no integrated system – only the close and constant co-operation of the major Central Banks achieves some degree of tolerable management.

Inflation, contagious and rampant, is fostered by the indiscipline of floating rates and loose domestic policies towards money supply (the UK has currently one of the worst records of the major industrial countries in the Western world in regard to inflation closely followed by the United States).

In the long run, no country wishes to hold another's "irredeemable" debt – hence the comeback of gold on the international monetary scene. It is the only unquestioned media of international acceptance, a fact which is always underlined in times of crisis.

As far as the United Kingdom is concerned we are still misusing the benefits of North Sea oil and gas finds and it seem probable that the pound has now been driven up too high in relative terms.

The City has a fundamental key rôle to play, no longer primarily dependent on sterling and its associated problems. It is essential to maintain the honourable traditions of the past, to continuously develop its "know-how" and immensely diversified activities, adapting to ever-evolving circumstances and retaining its "open door" policy for banks and financial institutions of all nations. Other markets are becoming established but there is absolutely no reason why this unique market place should not continue to thrive successfully in the future as it has in the past.

R.L.P.

"VIVAT RAETIA!"

My fellow "Ticinesi" who missed Prof. Remo Fasani's talk on Thursday, 8th November, at the "Istituto Italiano di Coltura" in Belgrave Square, SW1, have cause for regret, for it was an occasion of real intellectual enjoyment. Indeed the audience was somewhat thin, as members of the more numerous London Italian colony turned on their heels when advised that the lecture was not the one advertised in the season's programme. The spacious hall was half full – we noticed compatriots of the other Swiss cultures, including Swiss Embassy staff – when the Institute's director, Prof. M. Montuori introduced the speaker, Prof. Remo Fasani, who for some years now has occupied the chair of Italian language and literature at Neuchâtel University.