

NINETY-FIRST INTERNATIONAL ATLANTIC ECONOMIC EUROPEAN CONFERENCE

Goldfinger, Morgenthau, and the Changes in the U.S.
Dollar Price of Gold

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19-22 May 2021

OVERVIEW OF PRESENTATION

- THE BOOK/MOVIE PLOTS OF IAN FLEMING'S GOLDFINGER –
- 1914--THE UNITED STATES BECOMES THE “MARKET MAKER” IN GOLD
- CHANGES IN U.S. GOLD POLICY IN 1933-1934
- CHANGES IN U.S. GOLD POLICY AT CAMP DAVID AUGUST 1971

THE BOOK/MOVIE PLOTS OF GOLDFINGER

- THE PLOT IN THE BOOK
- THE PLOT IN THE FILM
- GOLDFINGER'S INSIGHT

THE U.S. ROLE AS THE MARKET MAKER IN THE WORLD GOLD MARKET

- WHAT DOES IT MEAN TO BE A “MARKET MAKER”-
- HOW DID THE UNITED STATES BECOME THE MARKET MAKER
- IMPLICATIONS OF U.S ROLE AS MARKET MAKER
 - RESIDUAL BUYER
 - RESIDUAL SELLER
- THE UNITED STATES AS THE MANAGER OF THE MARKET PRICE

CHANGES IN U.S. GOLD POLICY 1933-34

- PRE-1933 POLICY
- 1933--NATIONALIZATION OF PRIVATELY- OWNED GOLD
- 1934--INCREASE IN THE U.S. DOLLAR PARITY TO \$35.00
- THE *GOLDEN AVALANCHE*

CHANGES IN U.S. GOLD POLICY--1971

- THE MENU OF POSSIBLE CHOICES
- INCREASE THE U.S. DOLLAR PRICE OF GOLD
- WITH PEGGED RATES
- WITH FLOATING RATES
- CLOSE THE U.S. TREASURY'S GOLD WINDOW
- REPUTATIONAL COSTS OF EACH CHOICE

IF MORGENTHAU HAD BEEN AT CAMP DAVID

- A NEW U.S. GOLD PARITY OF \$100 AN OUNCE
- MARKET VALUE OF EXISTING GOLD RESERVES TRIPLES
- MARKET VALUE OF ANNUAL GOLD PRODUCTION TRIPLES
- PRIVATE PURCHASES OF GOLD DECLINE
- FOREIGN CENTRAL BANKS SELL DOLLAR SECURITIES, BUY GOLD
- U.S. PAYMENTS DEFICIT DECLINES AS FOREIGN CENTRAL BANKS BUY
- MORE GOLD

IMPACT OF CLOSING THE GOLD WINDOW

- WHAT WOULD HAVE HAPPENED TO THE FOREIGN OFFICIAL DEMAND FOR U.S. DOLLAR SECURITIES OF THE U.S. DOLLAR PRICE OF GOLD
- HAD BEEN INCREASED TO \$100/OUNCE?
- HAD BEEN REDUCED TO \$10/OUNCE?

EXPERIENCE WITH FLEXIBLE EXCHANGE RATES

- THE NORMATIVE OBJECTIVES
- THE POSITIVE CLAIMS
- THE EXPERIENCE

CONCLUSION

- THE U.S. ROLE AS THE MARKET MAKER IN GOLD
- WHEN THERE IS A GOLD GLUT
- WHEN THERE IS A GOLD SHORTAGE