

Dollar Plunges Abroad

Post 7/6/73

Currency Hits Record Lows In 8 Markets

From News Dispatches

The once mighty dollar had little to celebrate this 4th of July as it plunged to record lows in major European markets yesterday in one of its worst performances of the year.

The American currency hit new lows in Frankfurt, Paris, Zurich, Amsterdam, Brussels, Oslo, Milan, and Stockholm. The drop in Frankfurt against the mark was one of the largest on record for a single day, but the dollar rebounded later in the afternoon to recover part of the loss.

Though the volume of dollar trading was relatively light, dealers described the activity as nervous with an absence of dollar buyers causing the big price swings.

Bankers, claiming the dollar was undervalued, expressed puzzlement at the continuing decline. But money market dealers suggested the short-term outlook for the dollar would remain gloomy in the absence of positive economic news from the United States.

In Paris, French President Georges Pompidou said the monetary situation was worsening, and all countries seemed to be dragged down in its path.

"The situation must be analyzed and a policy must be found for defending France and Europe against this pernicious malady called the monetary crisis," he told a French Cabinet meeting.

A top dealer in London lamented the lack of government intervention to stop the dollar slide and said "our political and economic masters are letting us in for serious economic trouble by doing

nothing about it."

The basic weakness of the dollar in the past few months has been generally attributed by money market observers to a lack of confidence in President Nixon's ability to deal with economic problems because of the Watergate scandal, continued U.S. inflation, and a lack of significant improvement in this country's foreign trade figures.

Yesterday's decline however had experts grasping for economic explanations with little agreement as to the cause. Among the special factors cited were:

- A report by a leading West German economic institute that the 5.5 per cent upward revaluation of the mark last week was insufficient to help the dollar and that an- See **MONETARY, A16, Col. 1**

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other revaluation was therefore likely.

- Unconfirmed reports that an unnamed Middle East country had been selling dollars heavily in Europe.

- Suggestions that stiff new U.S. restrictions on exports of soybeans and scrap iron and steel would further weaken America's trade balance and negate the impact of previous devaluations.

"This dollar decline reflects hysteria, nothing else," a Frankfurt banker said. "There is no valid economic reason that would depress the U.S. currency against the mark the way it did today."

The Associated Press reported that in Germany the dollar dropped from 2 3850 marks to a low of 2.3115 marks, one of the largest declines recorded for a single day. In the late afternoon it recovered most of the lost ground to close at 2.3725.

The dollar's rate in terms of marks is now about 27 per cent lower than the 3.20 mark level which was in effect at the beginning of this year.

This was before a series of

monetary adjustments which included a 10 per cent devaluation of the dollar in February, two mark revaluations totalling 8.5 per cent, and a steady but unofficial downward drift by the dollar against the jointly floating group of European currencies. Under the floating system instituted in February there is no "floor" level for the dollar, which rises or falls daily according to buying and selling pressures on the money markets.

Otmar Emminger, vice-president of the West German Central bank, said in Paris yesterday that the dollar's decline against the mark is exaggerated and that a turnaround would take place eventually.

Emminger, who was attending a meeting of the Organization for Economic Cooperation and Development, noted that the dollar had depreciated significantly against the mark in the last three years.

"I have no doubt," he said, "that given some time, there will be a very significant effect on flows of trade and balances of payments."

In Paris the dollar dropped

under 4 francs for the first time but strengthened to 4.05 francs after the official close as a result of interbank trading. It had closed on Tuesday at 4.118 francs.

In Zurich the dollar sank to a record low of 2.790 Swiss francs but rebounded to 2.8175 Swiss francs, still lower than the previous day's 2.8662 francs.

Even in Italy the dollar lost ground to the lira which has been declining for several weeks. But in London the dollar actually gained against the pound which was itself battered by poor economic news.

Compared to the currency turmoil, the gold markets were calm. Gold closed unchanged in London at \$122.25 an ounce. In Zurich it was up 87 cents to \$123.50.