

Dollar Plunges in Europe; Gold Soars \$6 an Ounce

NYTimes By CLYDE H. FARNSWORTH JUN 5 1973

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PARIS, June 4—The dollar took its biggest one-day plunge in recent months, falling 1 and 2 per cent against leading European currencies, and the price of gold soared

by more than \$6 an ounce to another new high.

The steady pounding of the dollar reflected the growing uneasiness of money managers at disclosures in the Watergate scandal, as well as the general distress caused by the large amount of dollars abroad because of the United States balance-of-payments deficit.

The price of gold, inversely reacting to the agitation in the currency markets, closed at \$123.75 in Zurich, up \$6.25 from last Friday's close. In early May the price was \$90 an ounce, and in January it was around \$65.

Volume Not Disclosed

Gold traders never disclose the volume of sales, but it is estimated that upwards of \$50-million would be involved in a day like today.

Currency dealers said they did not know when the dollar selling would end. Some bankers in Frankfurt see the dollar falling under 2.50 West German marks and approaching a level of only two marks. Four years ago a mark was worth 25 cents.

The Morgan Guaranty Trust Company's latest world currency survey tends to support the position of the dollar pessimists by forecasting little improvement in the basic balance-of-payments deficit of the United States this year. It notes that as long as large deficits

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remain in a floating-rate system, the equalizing element will be an ever-lower dollar exchange rate.

Decline in Frankfurt

In Frankfurt the dollar dropped from 2.6750 marks on Friday to 2.6025 today, or slightly more than 2 per cent. The dollar is already 8 per cent lower than it was last February, after a devaluation of 10 per cent, the second devaluation in 14 months.

Against the French franc the dollar fell from 4.29 commercial francs to 4.21. This also represents a fall of around 2 per cent. The decline was less steep against the strong Swiss franc. The dollar closed at 3.03 Swiss francs against 3.06875 Friday. The pound rose more modestly still, from \$2.5740 to \$2.5825.

Between March and early May, the initial period of the world's new floating-rate system under which currencies are left to find their own value in the marketplace, there was relative currency stability. The dollar in this period actually gained strength against some of the European currencies rising as high as 2.85 West German marks, for example.

Watergate Stirs Doubt

Then Europeans became aware of Watergate. The disclosures in the unfolding scandal cast doubt on Presidential authority in the United States, leading many money managers to lose confidence in the Administration's ability to overcome America's economic problems.

The dollar buys more in New York than 4.2 French francs buy in Paris on 2.6 marks buy in Frankfurt, which indicates that in economic terms the dollar is becoming an undervalued currency.

But in the marketplace, the law of supply and demand, rules.

"There are just too many dollars, and nobody wants to hold them," one Zurich foreign-exchange dealer said.

American monetary authorities, led by Secretary of the Treasury George P. Shultz, are coming to Paris this week to the American Bankers Association's international monetary conference. Many foreign commercial and central bankers will probably subject the American officials to intensive examination.

Foreign-exchange dealers will be watching this meeting for clues to future action of the currency markets.