

Resolution 731 (1980)¹

Effects of the recent volatility of the price of gold

Parliamentary Assembly

The Assembly,

1. Having regard to Order No. 385 on the effects of the rise in the price of gold and to the report of its Committee on Economic Affairs and Development ([Doc. 4520](#));
2. Considering that the recent volatility of the price of gold has been brought about by major political uncertainty caused by the events in Iran, the Soviet invasion of Afghanistan, persistently rising energy prices, and the failure of most industrialised countries to implement such policies as are necessary to permit a return to non-inflationary economic growth and full employment ;
3. Noting that, when the price of gold was rising steeply, supplies came practically only from the producing countries, essentially the Republic of South Africa and the USSR, and from private holders, and that in the same period central banks have not sold any gold on the market ;
4. Noting further that at current gold prices total international reserves have substantially increased in 1979, which may have had a certain expansionary effect on economic policies of the countries with a large gold component in their official reserves ;
5. Considering that the volume of world trade has continued to grow throughout the seventies, including the whole period since the oil crisis, with the exception of 1974, in spite of energy problems, inflation and periods of monetary instability ;
6. Realising that since gold speculation alone cannot cause monetary or economic disorder, it should therefore in itself not give rise to concern ;
7. Observing that since 1971, when the convertibility of the dollar into gold was ended, the role of gold in the international monetary system has been limited to that of a reserve asset ;
8. Considering further that eight of the member countries of the European Communities participate in the European monetary system ;
9. Recalling its [Resolution 710 \(1979\)](#) in reply to the report on the activities of the Organisation for Economic Co-operation and Development in 1978, and in particular paragraph 14.ii which calls on the governments of the OECD countries "to take the initiative for a smoother functioning of the international monetary system, with a view to avoiding too great short-run volatility of exchange rates which has an adverse effect on confidence and economic activity",
10. Stresses that the reintroduction of the convertibility into gold of one or more major currencies at a fixed price is likely to provoke new speculative movements leading to a series of adjustments of the official price of gold in these currencies and consequent monetary instability ;

1. Assembly debate on 25 April 1980 (8th Sitting) (see [Doc.4520](#), report of the Committee on Economic Affairs and Development). Text adopted by the Assembly on 25 April 1980 (8th Sitting).



11. Calls in these circumstances on the members of the International Monetary Fund (IMF), and in particular those which are also members of the Council of Europe :

11.1. to make progress with the creation of the "substitution account" in order to strengthen the role of special drawing rights as a reserve asset in the international monetary system, with a view to providing the means of diversification of reserves without creating pressure on individual currencies ;

11.2. to intensify consultations and to strengthen co-operation under the IMF Articles of Agreement, as amended in 1978, in order to help the Fund to ensure observance of their obligations regarding exchange arrangements and to exercise firm surveillance over exchange rate policies so as to reduce fluctuations in exchange rates that do not contribute to balance of payments adjustments.