

Inflation Battle Lost, Deak Says



—Star-News Photographer Francis Rountt

Nicolas L. Deak at his firm's Washington office.



By Ron Snider

Star News Staff Writer

The president of the nation's largest foreign currency exchange firm feels that the battle against inflation already has been lost.

Nicolas L. Deak, a native of Hungary who founded Deak & Co. in 1939, said that if he were appointed secretary of Treasury to fight inflation, "the first thing I would do would be to resign. There is no solution."

Deak, who was in Washington yesterday on business, put himself in the class of those most pessimistic about the future of U.S. and other currencies. In an interview at his firm's office at 1800 K St. NW, he said he expects that the dollar eventually will become worthless.

"MY DEFINITION of inflation," Deak said, "is a situation in which people live beyond their means."

He said that the United States, which has a good credit standing, has flooded the world with promissory notes, creating inflation in

this country. "And our economy is so powerful that what happens here happens all over the world."

Deak & Co., which also deals in international banking and investments, is headquartered in New York and has branches in eight foreign countries.

Deak does not feel that world governments have basic disagreements about their currencies. Rather, he said, they have a common problem: "All are in a sinking boat because they have no convertible reserve currency."

THE NEWLY-created Special Drawing Rights (SDRs) for settling accounts between governments are "an offense on the intelligence of the people of the world and soon will disappear from the face of the earth," he remarked.

Deak said that while gold is not the ideal means of transacting world business, nothing has yet taken its place. He sees gold as one of the few things that will survive continued inflation and recommends to investors gold coins and foreign currencies backed by gold.



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"Our entire economic wealth is built on dollars," Deak said. "You measure your worth and the worth of others in dollars. Now that dollar is in trouble."

Deak foresees inflation getting progressively worse, going to 16, 25 and 30 percent a year.

"AT 40 PERCENT inflation," he said, "people will begin to spend their money as fast as they can because they know its value will decrease soon."

This spending binge will further increase the rate of inflation and soon the dollar

will be worthless, he said.

"The Swiss franc should be a stable currency," he said, "but tiny Switzerland cannot isolate itself from the rest of the world. It will have to suffer, but not as much as others."

However, it is in gold that Deak puts most of faith. "Throughout history," he said, "it's always gold that has survived economic crisis."

Otto J. Ruesch, manager of the Washington Deak office, recommends that customers wanting to buy gold coins (the only form of gold ownership now legal in

the United States) purchase 80 percent with numismatic value and 20 percent with only the value of the gold they contain.

Deak said his firm, which had to suspend foreign currency operations during World War II, has been going more and more into the currency futures market to hedge its inventory in certain currencies.

"We try to maintain a low inventory in vulnerable currencies," he said, "and a high one in the strong. If we profit in 51 percent of our transactions we are in good shape."