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Only suckers fall for British line on gold

by Richard Freeman

The rumor trumpeted by the British-controlled press, that gold is being phased out as a significant force in the financial system, is a giant hoax, intended to hoodwink the suckers in America and elsewhere into getting out of gold and other hard commodities, and into bloated financial paper. The precious metals section of the British Commonwealth raw materials cartel has developed this hoax.

The cartel has organized dumping of gold in a *controlled fashion,* which has sharply reduced its price, from $365 per troy ounce on Jan. 1, 1997, to $320 per ounce at the close of trading July 17 (**Figure 1**). The fall is bankrupting weaker gold-producing companies, while the kingpins of the British Commonwealth cartel—such as Sir George Bush's Barrick Gold and Anglo American Corporation—are snapping them up.

The cartel anticipates a seismic collapse of all stock, bond, and other paper values in the months ahead, with another major collapse phase expected most likely in September-October—concurring with the forecast of economist Lyndon LaRouche, who has demonstrated that the speculative world financial bubble has outstripped the loot it can extract from the underlying physical economy, and will now implode.

The world's press now contains reports daily from political leaders and financiers warning of such a crash, following which, the oligarchy intends to reverse the fall of the price of gold, and to place the world on a British Commonwealth-controlled deflationary gold standard. Gold will be pegged to as much as $800 per troy ounce. Such an arrangement is meant to shrink the world economy and genocidally slash population. This will repeat, but on a global scale, the experience following the U.S. Specie Resumption Act, a piece of treason enacted by the U.S. Congress in 1875 and implemented in 1879, which virtually bankrupted the United States during 1879-1907.

The tempo of this process is fed by the disintegration of the financial system.

Central bank sale of gold

As the first step in its plan, the Commonwealth cartel rigged a fall in the price of gold. As Figure 1 shows, for the last several years, gold has traded in a stable band defined by a lower level of $385 per troy ounce and an upper level of $410 per troy ounce. During 1996, for example, the average price of gold was $388 per ounce.

The total existing world supply of gold is 5.858 billion troy ounces, or 182,203 metric tons (there are 32,151 troy ounces in a ton of gold). Of this sum, 39% (or 2.283 billion ounces, though this estimate varies, depending on mining technology) is unmined; 42% (or 2.468 billion ounces) is in private, aboveground stocks, i.e., jewelry, industrial gold, and private individuals' holding of bars, coins, and medals; and 19% (1.107 billion ounces) is held by governments, mostly central banks (with a little held by the International Monetary Fund).

However, of the gold that is aboveground, i.e., in private and government stocks, government-held gold constitutes 31% of the world supply, giving central banks tremendous leverage: Should they choose to unload even a tiny fraction of the gold they hold, they could depress the price. And this is exactly what they are doing. In parallel, some of the gold-mining companies, and more often the gold banks allied to them—such as N.M. Rothschild, Sharpe Pixely, and Macotta Goldschmidt—as well as some hedge funds, appear to have shorted gold (taken out positions that its value will go down), forcing its price down.

Among identified central banks, for the last several years, the largest net sellers have been the central banks of Canada,

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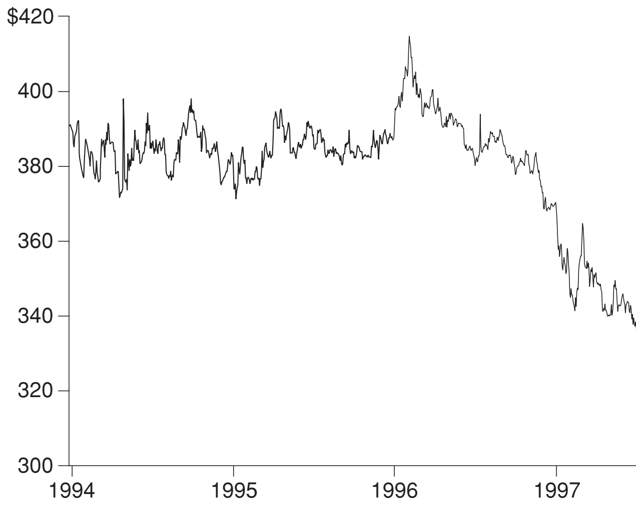
FIGURE 1
Oligarchs collapse gold price
(price per troy ounce, Comex spot)



Belgium, and the Netherlands. In 1996, the central bank of the Netherlands sold a substantial amount—9.6 million troy ounces; the central bank of Belgium sold 6.5 million ounces. Other central banks bought 9.4 million ounces, so, in 1996, net central bank sales of gold totalled 6.7 million ounces, not an incidental sum.

In 1997, the central banks of Switzerland and Australia, two banks that one would not suspect would sell gold, carried out or announced sales: Switzerland was pressured to sell gold by Anti-Defamation League mob-connected Edgar Bronfman, of the Bronfman liquor empire, head of the World Jewish Congress. This was ostensibly to compensate representatives of Jewish families from whom the Nazis confiscated gold 60 years ago. Switzerland announced in March, that it has scheduled the sale of 12.86 million ounces of gold over ten years, or 1.286 million ounces per year. When completed, this will represent approximately one-sixth of the Swiss National Bank's gold reserves of 83.0 million ounces. A U.S. gold expert told *EIR* on July 7, "The Swiss announcement is critical in the fall of the price of gold. The Swiss are identified with gold; their selling is unheard of."

Then, on July 4, the British Commonwealth member-country Australia, announced that its central bank, the Reserve Bank of Australia (RBA), had sold, over the previous months, 5.369 million ounces of gold, which represented 60% of its gold holdings. The Treasurer of Australia, Peter Costello, announced that the purpose of the sale was to take the money from the sale and invest it in bonds, earning a higher yield. But Australia is the world's third-largest gold-mining country, and the sale of this gold devalues the value of its mines. Further indicating the rigged nature of Australia's actions is that one of the RBA's board members, Hugh Morgan, is chairman of one of the world's biggest gold-mining concerns, Western Mining Corporation of Australia. Morgan would condone the RBA's actions, sacrificing seemingly short-term interests, only were it conducive to a global, subsuming Commonwealth strategy: the gold trap.

Swiss and Australian central banks' combined sales alone represent 6% of 1997 projected world gold consumption, or 9% of world gold production, an important sum. But, if in 1997, other central banks sell gold, on a net basis, as indications seem to suggest, then central bank gold sales could total an amount equal to 8-12% of world consumption, or 12-15% of world production. This is a large amount to be dumped on the market.

This enhances even further the effect of critical cartel gold-shorting operations, which have collapsed the price of gold 14% in the last seven months, and brought it down nearly 25% from its February 1996 level.

A 'Darwinian' shakeout

The plummeting gold price has created havoc in the gold market, pulverizing those unprepared for the price drop. But the top instruments of the House of Windsor's raw materials cartel—Anglo American Corporation and Barrick Gold, respectively, the first and second largest gold-mining companies in the world—were completely prepared and are executing a preconceived smash and grab strategy.

Peter Munk, a personal friend of England's Prince Charles, is chairman of Barrick Gold; crack cocaine kingpin George Bush, is head of Barrick's international advisory board, a post created specifically for him in 1995, so that he could help direct Barrick's global strategy. In the 1980s, Barrick, through its dominant owner, Adnan Khashoggi, was involved in financing Iran-Contra and other dirty intelligence affairs. In 1996, in return for 10,000 hectares of gold concessions in Zaire-Congo, Barrick helped clear the way for Laurent Kabila's Nazi dictatorship.

Barely able to contain his glee, Barrick Chairman Munk told the July 10 *New York Times* that the benefit of the gold price drop is that it "would breed a Darwinian consolidation in the industry, much like an earlier shakeout in the steel industry." He added, "There is going to be a period of rapid consolidation. And it will end with a couple of really good producers," at the top. Munk also boasted to the July 8 *Wall Street Journal,* "For the next six to 12 months, there will be tremendous opportunities for companies to strengthen themselves, and there will also be a tremendous amount of losers. . . . We can carry on with our policy of acquisitions at decent prices." He asserted to the July 9 *Wall Street Journal* that he "wouldn't be surprised if gold dropped another $40 an ounce," that is, to $280 per troy ounce, lower than it has been in decades.

The talk in the press indicated that the theme of a price war-induced shakeout-consolidation had already been mak-

ing the rounds. On July 8, in an article entitled "Plummeting Prices Dig Into Gold Shares," the *Wall Street Journal* wrote, "Those investors who can stomach the possibility of lower gold prices in the coming months may reap the benefits of expected consolidation in the industry." It emphasized that the process would be "painful."

The British Commonwealth elite already had control over 59% of world gold production, but seeks control where it doesn't have it yet—in Russia and in places in Ibero-America and Africa—and to take over weaker Commonwealth producers.

Futures contracts

To show the level of preparation for the assault, Barrick and other top Commonwealth gold firms have shielded themselves against the adverse effects of the price drop. Through futures contracts, Barrick has sold future production of its gold for $420 an ounce. *Thus, regardless of whether gold falls to $320 per ounce or even $50 per ounce, Barrick is guaranteed, at the other end of the futures contract, to receive $420 an ounce for all of its 1997 gold production.* It has hedged its gold production through the year 2000.

Anglo American Corporation of South Africa has also hedged its future gold production. Anglo American, which is merged through cross-share ownership with DeBeers Diamonds and Minorco mineral company, is owned and run by the Oppenheimer family. The Oppenheimers are members of the elite 1001 Club and integrated into the House of Windsor apparatus. Anglo American is the world's largest gold and raw materials producer, and a key cog in the raw materials cartel. In addition to hedging its gold production, Anglo American has been buying into the huge Ashanti Gold Company of Ghana, which gives it two advantages: Ashanti has a low cost of production for mining gold, which makes it profitable, even with a low gold price, and it has also hedged on future sales.

But many gold-producing companies report that they didn't hedge their forward sales, because they figured that the price would bottom out at about $340 an ounce (the dumping of gold by central banks undid this calculation); now, they are vulnerable to being crushed. Leon Esterhuizen, a gold stock analyst with Société Générale Frankel Pollak in Johannesburg, South Africa, said that at $320 per troy ounce, more than half of South Africa's top gold mines are unprofitable, and at $305 per ounce, only five could stay open. Russia, the world's fifth largest producer, with the world's third largest reserves, would have to shut down most of its mines at the current gold price.

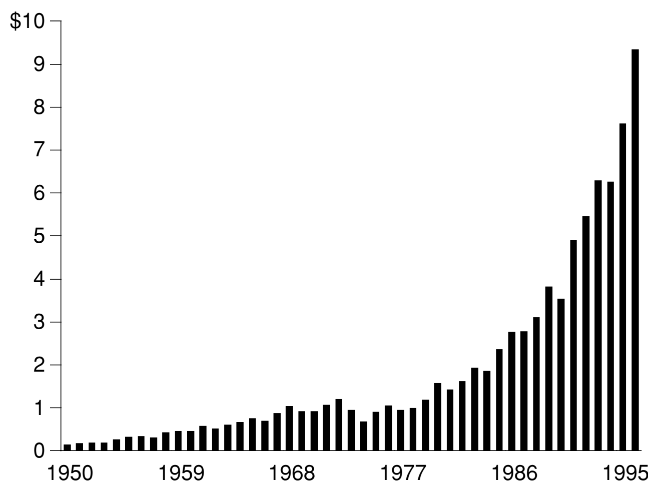
The British Commonwealth mining elites are poised to swallow up gold properties around the world, at fire-sale prices.

This extension of its control of global gold-mining properties and bullion supplies, sold by panicked investors, will give the House of Windsor raw materials cartel the power to erect a global Specie Resumption Act gold standard. An engineered short-term fall in the price of gold is a useful start, but a collapse in financial markets is required for the full strategy to be advanced.

FIGURE 2

Capitalization value of all stocks traded on U.S. stock markets, 1950-96

(trillions $)



Source: Board of Governors of the Federal Reserve System, Flow of Funds Accounts.

The September-October crash

Oblivious to reality, the ignorant sucker buys deeper into the U.S. stock market, with the illusion that he will get rich quick. But those in the know warn of an impending financial breakdown, confirming the forecast of economist LaRouche.

On July 11, a European banking source commented to *EIR* on the impending "financial earthquake." At present, the question is whether "the earthquake will precipitate an implosion of systemic dimension during the September-October period," or whether there will be an intermezzo of "feverish volatility" which will last into early 1998.

During the week of July 14, the Group of 30, a private bankers' group, issued a memorandum worked out by Lord Alexander of Weedon from London's National Westminster Bank, and John Heimann of Merrill Lynch, the world's largest stock brokerage. The memo concentrates on the problem of 60 "core" banks and global investment firms, whose failure could trigger a systemic crisis. It states, "The objective must be to eliminate systemic risk . . . to devise an international financial system that can withstand shocks without failures cascading through the system."

This warning was echoed by the July 15 lead editorial of the London *Financial Times,* the British oligarchy's mouth-

piece, titled "Global Risks in Banking." It states that steps must be taken immediately to handle burgeoning risks in the international banking system, and that if governments delay needed action, "taxpayers of the world are heavily at risk."

The U.S. stock market bubble

The senior European banker cited above, reported that a big problem is that the Japanese and other central banks are lending money at cheap interest rates—the Japanese discount rate for lending to its commercial banks is 0.75%. A sizable chunk of that money is being invested in stock markets around the world, and is one of the forces pushing them upward. However, he reported, were the U.S. Federal Reserve Board or the Bank of Japan to raise interest rates soon, and other central banks to follow, that game would be finished.

A major intersection point of the crisis is the U.S. stock market. The capitalization of the stocks traded on all U.S. stock exchanges (that is, the New York Stock Exchange, the American Stock Exchange, the NASDAQ, and so on) now exceeds $10 trillion—almost half the capitalization of all stocks in the world, and greater than the nominal U.S. Gross Domestic Product of nearly $8 trillion (capitalization is equal to the price of a share of the company's stock times the number of all shares outstanding, in this case for all stocks) (see **Figure 2**).

The price-to-earnings ratio of all U.S. stock averages almost 20:1, and for some stocks it is 30:1 to 40:1. But where are the earnings to sustain the stock price? They don't exist. Since 1970, the U.S. physical economy has been contracting at the rate of approximately 2% per year. The stock market's capitalization has grown nearly fivefold since 1985, but is based on a physical economy that has contracted.

What has sustained stock prices up to now are international hot-money flows; huge pools of mutual fund money gathered from suckers—the total valuation of all "mutual fund equity funds" surpassed $2 trillion in June of this year; and derivatives. In 1996, more than 1 billion stock-market-related derivatives contracts traded, each contract worth several thousands, up to several million dollars each, consisting of forwards, futures, options, etc., on both stocks and stock indices. These contracts have leverage of up to 50:1, each pyramided one upon another. Thus, at a point of crisis, this stock market, based on hot air and leverage, will be the victim of reverse leverage, and disintegrate literally overnight.

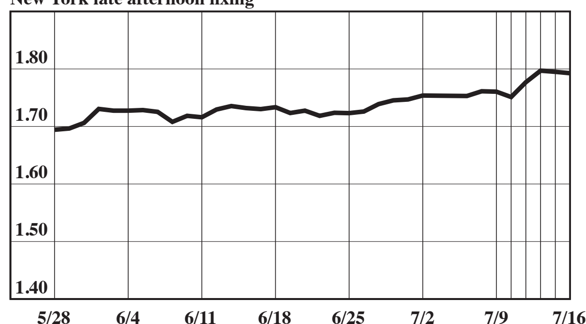
It will be a toss-up as to whether the stock market or the derivatives-soaked banking system goes first.

The British oligarchy has readied its deflationary gold standard for the blowout. The 1875-79 Specie Resumption Act, which ravaged production, is a model. This should prompt the uninformed man in the street to evaluate what is going on, and ask himself: Why is it that he flees gold and hard commodities, going into bloated stocks, while the oligarchy, with cool deliberation, moves in the opposite direction?

Currency Rates

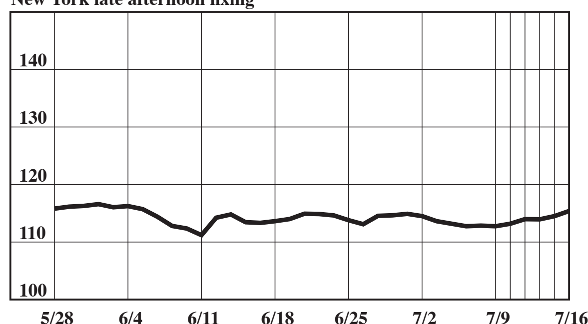
The dollar in deutschemarks

New York late afternoon fixing



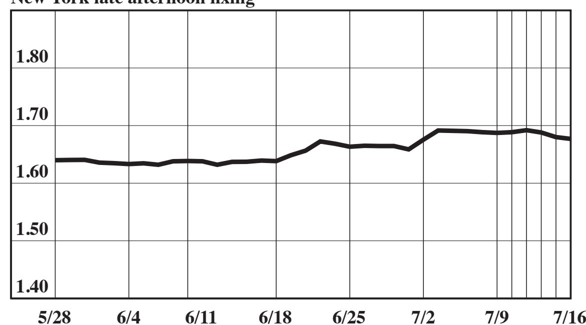
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing