

Gold by Alice Roth

England's new 'metallic standard'

Behind the ceiling-high prices of gold and silver are some interests known in the trade as the "silver cartel."

A few months ago, British and Swiss bullion interests joined forces with a group of Kuwaiti investors and the Texas-based Hunt family to create an artificial silver shortage which caught many small American investors short and provoked an investigation by U.S. commodity regulatory authorities. Last week, this same "silver cartel," as it is known in the trade, was at it again, bidding up both gold and silver to new historic highs.

Despite impressions created by U.S. financial media, the "silver cartel" is no mere assemblage of faceless gnomes but is coordinating closely with the Bank of England in pursuit of two objectives:

First, the British central bank hopes to terminate the U.S. dollar's reserve currency role and replace it with a new currency system indexed to the prices of certain strategically important metals and raw materials.

Second, the metals speculation is intended to discredit French and West German efforts to build a stable, gold-based dollar credit system by creating excessive volatility in world gold markets and focusing attention on silver at the expense of gold. Between Nov. 23 and Dec. 3, spot silver prices jumped nearly 25 percent (from \$16.28 an ounce to about \$20.00), compared to a gold price increase of only 12.8 percent (from \$392.00 an ounce to \$442).

In what was widely regarded as a "trial balloon" for a commodity-based system, the *Financial Times* of London revealed last week that the Hunt family's Sunshine Mining company was arranging a highly unusual silver-indexed \$300 million private placement with unidentified investors in London. Principal payments for this loan are to be indexed to the market price of silver.

This news followed reports that

several members of the Hunt family, who are related to the late Texas oil billionaire H.L. Hunt, had been interviewed by the U.S. Commodity Futures Trading Commission in connection with the CFTC's investigations of the earlier silver market squeeze. Hunt family silver holdings are rumored to have amounted at one point to more than 75 percent of all outstanding futures contracts.

As part of its investigation, the CFTC on Dec. 3 filed a complaint against a Swiss bank, Banque Populaire Suisse, which had refused to name clients for whom it had placed large orders for silver futures.

Although the cartel has placed primary emphasis on silver, market experts say that Swiss banks are also behind the latest gold price run-up above the \$400 level, often placing their orders in the highly anonymous Hong Kong Market. Charles Stahl, a well-known gold analyst who is tied to the Anglo-Swiss circuit, recently characterized the new gold rush as a "disorderly diversification of the dollar" which had been necessitated by European governments' refusal to permit an "orderly" dollar phase-out.

Gold London afternoon fixing

