

Gold by Alice Roth

Is Nelson Bunker Hunt a sucker?

The silver price has shot down, and gold looks sure to go up, which could leave a certain British-linked consortium holding the bag.

The coincidence of the collapse of the silver price March 28 to \$11.50 an ounce, and Nelson Bunker Hunt's announcement of a consortium with 200 million ounces of silver and plans to issue securities against it, raises a question. Is Hunt the world's biggest swindle victim? He and his partners, who include two Saudi princes, have "tested the waters" for a longstanding British plan for commodity-reserve credits, floated over the past several months variously by *Financial Times* of London columnist Samuel Brittan, Bank of England advisor Sir George Boulton, and others. The test appears to have been a failure. It has cost the consortium \$2 billion in the worth of their holdings over the past 48 hours.

Of course, under certain circumstances, the venture could still work. The flaw in the scheme is that if the European Monetary System or its constituent countries float gold-backed securities on the prestige of EMS gold holdings, the paper of private operators will trade at a sharp discount.

One silver analyst, the New York-based broker Andrew Racz, has suggested that, in issuing silver-backed securities, the Hunt-Abdullah consortium hopes to raise funds at a six percent interest rate and relend the monies at prevailing dollar sector rates of 19-20 percent. The marketability of such bonds rests on the high probability that Volcker's credit policies will fail. Wall Street insiders fear that

Volcker has little choice but to 1) keep his foot on the credit brakes to the point that major corporations and banks go under, triggering a financial panic, or 2) reverse policy and print paper like mad, allowing the dollar to crumble on world markets. In either case, precious metals will go through the roof and the holder of silver-backed instruments should expect to profit.

Certain City of London factions (for example, Sir George Bolton, Lonhro director and close associate of British Industry Minister Keith Joseph) have long advocated the dethronement of the U.S. dollar and its replacement by a commodity-based monetary system, which would greatly enhance the power of the British Commonwealth. Hunt's plan has a "designed in Britain" feel to it.

However, France is in an infinitely stronger position. During his tour of Middle East capitals in

March, Giscard discussed with Arab OPEC governments, including Abdullah's factional rivals in Riyadh, the question of how the \$120 billion petrodollar surplus is to be recycled. According to one account, Giscard offered the Arabs gold guarantees in return for their agreement to channel the bulk of the petrodollars through continental European banks.

London's fears concerning Giscard's monetary initiative were aired last week by the *London Economist* in a special "international banking" survey. One article in this survey reports that the U.S. Treasury has "stopped trying" to demonetize gold.

The result could be a major contraction in available gold supplies. While the Treasury has sold no gold since its November auction, the IMF sales are also due to end this spring. The Soviet Union may not sell much gold this year since it possesses ample foreign exchange reserves (ironically buoyed by its inability to spend them on U.S. grain). Dresdner Bank managing director Hans-Joachim Schreiber is predicting that the gold supply shortfall will push gold back up to \$850 an ounce before year-end.

