

Editorial

Bankrupt the gold speculators

Hedge fund speculators, backed by the British financier-oligarchy, are betting on declines in the price of gold, shattering the gold market, causing suckers to dump their gold. In addition, the speculators are attempting to block the realization of a gold-based, fixed-exchange-rate New Bretton Woods monetary system, such as Lyndon LaRouche has proposed. As a result, on Dec. 9, gold fell to an 18-year low, closing at \$282.75 per troy ounce in trading in New York City. On Jan. 1, 1997, gold's price was still \$365 per troy ounce, and it traded at \$320 per troy ounce on July 17. Thus, in less than 12 months, it has fallen 23.5% in value. Up until the beginning of this year, gold's price usually hovered at \$400 per ounce or above.

It is time to wipe out the hedge fund operators. What if a number of governments were to get together to drive the price of gold back up? Let's say that Russia were to tax gold exports, preventing gold from freely leaving the country, to be used in speculative ventures. Let's say further, that Switzerland were to announce that it will not sell any of its gold reserves. A few well-timed moves by governments, and the price of gold would swiftly rise to \$325 or \$350 an ounce, bankrupting the hedge fund operators. The speculators would be caught short: They sell gold through forward hedge contracts, anticipating that they can buy it at a lower price, when it comes time to deliver the metal to fulfill the contract.

Now is the time for nations—instead of passively watching the speculators' attack against their gold, their currencies, and their national sovereignty—to finally stand up and use the sovereign powers that inhere in them as nation-states, to put these speculative criminals out of existence permanently.

There is no reason that, with the biggest financial disintegration in 650 years, the gold price should fall. This is a rigged market.

The oligarchy of the British Commonwealth's raw materials cartel anticipates the seismic collapse of the world financial system, in which the value of financial paper, including derivatives, rapidly approaches zero. This oligarchy has been stampeding out of financial

instruments into hoarding precious metals, strategic metals, energy supplies, and increasingly scarce food supplies. The raw materials cartel includes such mining giants as Anglo American, Sir George Bush's Barrick Gold, and Rio Tinto. The cartel intends, when the smoke from a crash clears, to own and control the production process of 80% of the goods upon which human existence depends. It will have finger-tip control, to squeeze off the flow of these goods, reducing populations and crushing nations.

The hedge funds are the oligarchy's attack dogs. By driving down the price of gold, they bankrupt many gold producers who can not remain profitable at a price below \$320 per ounce. The large cartel companies will snap up these bankrupted producers for a song. Barrick Gold Chairman Peter 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. There is going to be a . . . rapid consolidation."

Furthermore, the fall in the gold price hoodwinks the suckers into getting out of gold and other hard commodities, and, instead, into the very bloated financial paper, from which the oligarchy is fleeing.

In a discussion with *EIR* on Dec. 11, an officer of the World Gold Council, which accounts for about 80% of world gold production, said, "Objectively, were normal supply-demand in effect, there would be no reason for the fall in the price of gold. For the third quarter, world gold demand reached 707 tons, which is a record. The reason the price is falling, is the hedge funds. They borrow gold and then sell it, which is putting a large amount of gold onto the market. They are forcing the price down, and making profits from it. They have targeted a price of \$285 per ounce, which they achieved."

The criminal hedge funds have made normal physical production almost impossible. Sovereign governments, starting with the actions suggested here for Russia and Switzerland, but involving the United States as well, can crush the hedge fund operators. They have the power; now, they should use it.