

sion. Almost all of the gold mines had previously attempted to secure themselves against a drop in gold prices with deals on the futures markets, which usually resulted in a more rapid fall in the price of gold. The effect of this signal of a sudden reversal of policy on the part of gold producers unleashed a rush into gold, so that the price of gold rose sharply. A number of banks and hedge funds, which had bet on the previous trend of falling gold prices, were suddenly caught on the wrong foot. To limit their losses on derivatives contracts, these investors had to cover themselves as quickly as possible with gold. As a result of this panic buying, the gold price rose still further, from \$285 to \$320 within a few days. Since the financial bets on a falling price of gold involve a volume of several thousand tons of gold, an additional increase in the gold price could bring disastrous losses for the banks involved.

There has been upward pressure for about one year in the prices for precious metals such as platinum, palladium, and rhodium, all of which are needed for the production of catalytic converters in the automobile industry. The reason usually cited is the contracted exports of the dominant producer, Russia. In January 2000, there was an acceleration of the price rises. The price for palladium shot over the threshold of \$500 an ounce, the highest mark of all time, in comparison to \$300 a year earlier. At the beginning of February, the \$600 mark

was reached, and on Feb. 17, the \$700 threshold was broken. At the same time, platinum prices reached a nine-year high. Rhodium prices doubled from December 1999 to the beginning of February 2000, to more than \$2,000 an ounce. Nickel reached a four-year high in February.

In the meantime, the price for crude oil went over \$30 a barrel for the first time since the Gulf War in January 1991. At the end of 1998, the price of crude oil had sometimes dropped below \$10 a barrel.

Even the retiring Managing Director of the International Monetary Fund (IMF), Michael Camdessus, is suddenly seeing dark clouds gathering for the future of the financial system. It is high time, he now says, to sound the "alarm bells" among IMF member-nations, and they should prepare themselves as quickly as possible for a new financial crisis. There are "reasons for concern" everywhere in the world, especially on the U.S. financial markets. The world economy has entered a "dangerous period of twilight."

Camdessus, who bears considerable responsibility for the regrettable condition of the world economy, ought to know what he's talking about.

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## Commentaries

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### Warnings of coming crash proliferate

**Günther Robol and Helmut Kartner, founding members of the "Föhrenberg Circle" in Austria, *Die Presse*, Feb. 15, 2000.**

We are very close to an "inevitable financial crash," as the derivatives market is fully out of control, Robol and Kartner said at a public event sponsored by the Vienna "Economic Publishers Club" on Feb. 14. It's only a matter of time as to when the speculative bubbles will burst. Alarm signals can no longer be overlooked, such as the decoupling of the financial sphere from the real economy, the increase of financial income versus labor income, and the explosive growth of the derivatives market. There is only one alternative, they stated, which is "a controlled elimination of financial assets." They also called for the introduction of a global tax on speculative stock trading and on derivatives transactions.

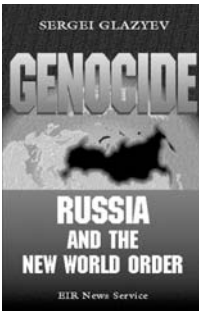
**Frank Mella, the inventor of the German stock market index DAX, in an editorial for the German daily *Die Welt*, Feb. 14, 2000.**

"I will now sell my stocks," wrote financial expert Mella. He stressed the likelihood of a "sharp, perhaps crash-like correction on the stock market," which would trigger a flight into investments, which are being perceived as being more safe than stocks. Once Wall Street is hit, European stock markets

# GENOCIDE


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will crash as well. The “landing” of the U.S. economy could become “very hard.”

**Sy Harding’s *Street Smart Report*, as quoted in the *Washington Times* “Investor’s Notebook,” Feb. 16, 2000.**

“The most troubling aspect of the stock market’s current condition is the almost unprecedented negative divergence between the majority of stocks and the popular indexes. . . . With 67% of stocks in a bear market (down an average of 20% from April 1998), investors continue to pile into a few overpriced stocks that dominate the indexes, holding them up, and leaving the impression that everything is okay.”

**Michel Camdessus, Managing Director, International Monetary Fund, as reported in the *International Herald Tribune (Europe)*, Feb. 14, 2000.**

In an interview immediately following his last official speech as IMF managing director, Camdessus noted at the UNCTAD conference in Bangkok that the world economy has now entered a “dangerous period of twilight,” characterized by excess euphoria, and complacency, while a faulty global financial architecture is still in place. The world economy is now showing many symptoms similar to those seen in East Asia before the region was hit by economic crisis. One of these symptoms, said Camdessus, is the failure to take note of the reality of the situation. He added, “Of course, things never reproduce in an identical way. But I am ringing the alarm bell to our member countries to tell them that we run the risk of a new financial crisis.” Camdessus pointed to problems in the U.S. economy, such as “the low savings rate, the rapidly growing current-account deficit and the high stock prices.” But, “there are also worrying vulnerabilities in other parts of the world.”

Otherwise, Camdessus again dismissed criticism, that the “IMF kills babies,” and instead asserted that the IMF and World Bank are those institutions “which best serve the children of the world.” It seems that Camdessus, after being hit in his face by a puffy cream pie stuffed with red fruit paste, is now trying to cover his ass.

**John Humphrys, commentary entitled “One Day Soon, the Magic of that Little Dot Will Fade,” *London Sunday Times*, Feb. 13, 2000.**

Internet investors should read *Gulliver’s Travels* to understand what Yahoos are all about, says Humphrys, who compares the present hype about Internet companies like Yahoo! with earlier bubbles in history which all finally burst. Examples are the “Australian gold rush of 1968 when shares in companies such as Poseidon rocketed from 6d—that’s old pence—to £120 and fell again just as fast.” Another example was the “tulip bulb” frenzy. Today, people are again selling their house in order to invest all the money into the stock market.

Humphrys notes: “Professional gamblers know when to get out. My stockbroking friend and every City expert I have spoken to tells me that the present bubble will burst. It is simply inconceivable that all these new wonder stocks with

no profits and no assets can survive. If anything is guaranteed to end in tears, it is this. So instead of reading *The Mirror* for its City Slickers, it might be a good idea to read *Gulliver’s Travels*. The last creatures Gulliver met where the Yahoos, who seemed human enough at first glance but lacked any rationality. It was their horses who were wise. In our strange world of cyber-attacks on Yahoo! and dodgy dot.coms and instant fortunes, somebody, somewhere, is being taken for a ride.”

**Former U.S. Treasury Secretary Robert Rubin, address to the London School of Economics, Feb. 2, 2000.**

After warning his audience that his comments “may seem a bit dour,” former U.S. Treasury Secretary Robert Rubin warned of “serious and continuing risks” that threaten the global economy.

Rubin recounted some of the recent years’ crises, and warned about complacency. “With each successfully averted crises, with each near miss, the certainty that things will always work out seems to grow, and with it the likelihood of unsound decisions in the public and private sector,” Rubin said. “And the risk is that, at some point, the excesses may simply become too great, and the inevitable consequences follow.”

Some people “see a new paradigm that renders irrelevant so many traditional concerns about downturns, risk, and sound policy,” Rubin said. “I profoundly disagree with this view. This view of the economy is contrary to all of human history with respect to markets and economies, and that should be a sobering caution.”

“What has struck me since returning to New York is how all aspects of financial life are pervaded with the assumption that all will always be well, and that any interruptions will be temporary and mild at worst—solvable, most likely, by the Federal Reserve Board, and in any case quickly overcome by a renewed focus on the promise of the long term,” Rubin said. “Record trade deficits, tight labor markets, exceedingly low personal savings rates, and stock valuations dramatically high by any conventional measures, are all dismissed as minor caveats to the positive outlook of the U.S. and global economies, instead of being seen as possible—not certain, but possible—excesses and imbalances that may pose real risk to our economic well being.”

Rubin pointed to the global financial crisis of 1997-98, plus the collapse of the Mexican peso in 1995, and said, “I have no question that they posed a real danger to the stability of the world economy.” He also pointed to the fall of 1998, “when liquidity dried up, spreads of all sorts of securities against U.S. Treasuries exploded, and fear threatened global gridlock.”

There still exists the possibility of further disruptions in the years ahead, Rubin said, and he warned that “the more we forget that the underlying factors that contributed to the recent disruptions still exist, the greater the likelihood of future disruptions.”