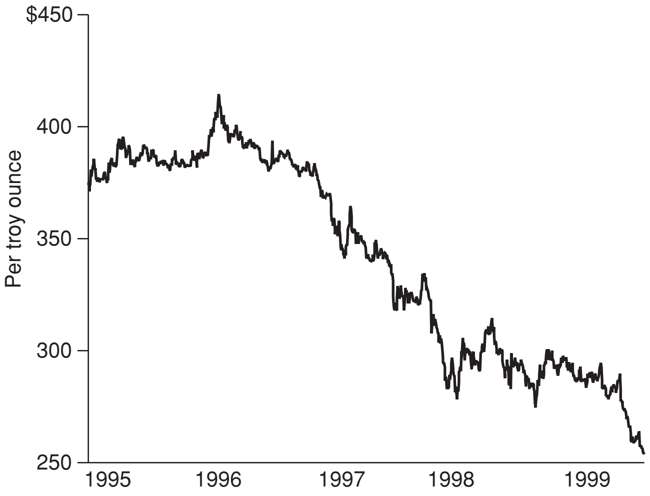
FIGURE 2
The price of gold, 1995-99
(New York Comex daily gold closing price per troy ounce)



Source: New York Commodity Exchange.

ca's gold mining is uneconomical, and another 80,000 mineworkers could lose their jobs. The Motlatsi-Godsell statement said, "Our industry is under attack. This is a time for all South Africans, indeed all Africans, to stand together in defense of gold and the industry it supports." The loss of 183,000 mining jobs in South Africa's already fragile economy, whose official unemployment rate is 30% with the real rate much higher, is overwhelming.

Despite a trip to London by Motlatsi and Godsell to meet with members of the government of Prime Minister Tony Blair to ask them to halt England's gold sales, Blair has defiantly said that he will not alter policy. On July 14, Blair said, "We did this on technical advice from the Bank of England." He called the policy "entirely sensible."

Further, mineworkers from other countries work in South Africa: Mozambican miners working in South African mines send $50 million home to their families in Mozambique; each miner has more than five dependents, and the salary sent home may feed as many as 20 people. Ghana's largest mining company, Ashanti Goldfields Corp., announced on July 20 that it plans to lay off 2,500 workers because of the gold price fall.

But George's thieving of Britain's official gold supplies, on behalf of his oligarchical friends, signals the contempt with which George and his banker friends hold the world's people. They are openly stealing the gold, and look upon any protest as in vain, because they don't expect their own global financial system will last much longer. They are positioning themselves for a post-collapse world.

Central banks rescued sinking Tiger Fund

As of June, the global financial system has been brought to the brink of a new meltdown, for the second time since the collapse of the Long Term Capital Management (LTCM) hedge fund on Sept. 23, 1998. At the center of attention is the huge $13 billion Tiger Management LP, and the episode is not over.

On June 11, Tiger was the subject of emergency talks at the New York Federal Reserve, which feared that the fund was nearly insolvent. Tiger is the world's second-largest hedge fund, after George Soros's Quantum Group, and typically leverages its speculation through borrowed money, to *50 times its capital*. Thus $650 billion could have been at stake.

Tiger denied the rumors of insolvency outright. The same day, the New York Treasury bond market underwent a mini-collapse, pushing interest rates on 30-year bonds to 6.14%, and threatening a crash the following Monday, June 14.

Careful scrutiny of the actions of the Bank of Japan, the U.S. Federal Reserve, the European Central Bank and relevant G-7 governments, shows that, during the weekend of June 12-13, the leading governments of the G-7, meeting in Frankfurt, Germany, agreed to another system bailout (this time covert), to prevent a repeat of the October 1998 LTCM meltdown, or worse. Curiously, press reports of troubles in major hedge funds disappeared that same June 12 weekend. Reports to *EIR* from senior City of London sources indicate that G-7 central bankers let it be known discreetly through their market and media contacts that reports of the Tiger fund crisis were not to be printed or broadcast.

The following is the chronology of events in this latest international bailout attempt, which continue up through July.

February 1999: Bank of Japan brings interest rates effectively to zero.

April-May: Hedge funds, led by the $13 billion Tiger Fund Group of Julian Robertson, decide to risk new yen borrowings in order to speculate in U.S. and European markets using the ultra-cheap yen loans. By May 19, the Japanese estimate the "yen carry trade" is up to $8 billion. These loans make sense only if the yen does not rise against the dollar. The bleak Japan economic outlook make a weak yen seem "certain."

June 10: The Japanese government's Economic Planning Agency releases astonishingly good GDP data for the first quarter, showing that the economy grew at an 8% annual pace. Immediately, a rush of ordinary mutual fund and pension fund investment pushes the yen sharply higher on June 10-11.

June 11: A Reuters wire is put out that Tiger Fund, hit with $3 billion in redemptions, is illiquid; the wire refers to an emergency meeting on the situation at the New York Federal Reserve. The same day, the U.S. Treasury bond market goes into a tailspin, pushing interest rates on 30-year bonds to 6.14%. Reportedly the Tiger Fund is forced to liquidate U.S. and European Union bonds to raise cash and try to close yen positions. Market traders say that, had the U.S. bond rate continued to rise on Monday June 14, above 6.2%, it could have triggered a new "Black Monday" stock crash globally.

June 12: Group of Seven finance ministers meet in Frankfurt, Germany. Press reports on the fate of the Tiger Fund are ordered blacked out.

June 15: The Bank of Japan makes an unprecedented currency intervention, selling $10 billion of yen for dollars and $3 billion for euros to "help Japan's exports." Since export surpluses in Japan are not at all weak, this is clearly a red-herring.

June 30: Recent data show for all June, the Bank of Japan has intervened to the tune of $22 billion in foreign exchange. The assumption is that it is part of a coordinated G-7 attempt to bail out Tiger and other hedge funds exposed in the yen carry trade, in order to avoid a new eruption of the global crisis. Assuming Tiger's $13 billion in assets are leveraged with borrowed money by a factor of 50, about $650 billion in paper titles are at immediate risk.

June 29-30: The Federal Reserve's Federal Open Market Committee meets and announces a "market calming." There is a ¼% rate rise, but with it a return to a "neutral" position respecting further rate hikes. U.S. stock markets soar to record highs.

July 20: On this day—as at points since the beginning of the month—the Bank of Japan continues to intervene to depress the yen. On July 20, the Federal Reserve sells yen in New York, acting as agent for the Bank of Japan, which also sells yen in Tokyo. The dollar temporarily reaches a high of 119.66 yen, but then falls back.

July 16: Tiger Management spokesmen say, in a notice to the London Stock Exchange, that the firm has halved its 6% stake in the Royal Bank of Scotland, down to 2.99%. In October 1998, The imminence of such a reduction, at the height of the hedge fund crisis after LCTM's insolvency, was denied by the Royal Bank of Scotland.

July 21: City of London sources report that a major hedge fund—said to be Tiger—is being forced to liquidate a large holding of U.K. bonds, or gilts. As a senior bond strategist puts it to *EIR,* "The name everyone mentions is the same Tiger Group which had big troubles in Japan last month. In their gilts positions, they bet wrong, and the banks which had lent to them, ordered the fund to come up with cash, forcing them to sell, in the process making their problem even worse. It is a huge move under way in gilts today, and some of it could be spilling into the euro."

Bill Gates, the bubble baron of Mircosoft

Microsoft Corp., far and away the world's most valuable corporation as measured by market capitalization, became the first company ever to break the $500 billion barrier on Friday, July 16, ending the day with a market cap of $507 billion. That puts Microsoft well ahead of second-place General Electric's $389 billion. By way of comparison, Microsoft's market capitalization is higher than the Gross Domestic Product of all but nine or ten countries in the world, and is higher than the total U.S. currency supply of $485 billion; the company is also "worth"—we use the term in the virtual sense only—477 times more than Bethlehem Steel.

Microsoft's capitalization is three times higher than that of Citigroup (a mere $166 billion) and more than the combined $494 billion of five top commercial and investment banks (Citicorp, BankAmerica, Chase, Bank One and Morgan Stanley Dean Witter, ranked by market capitalization); and it is nearly twice the combined market capitalization of Ford, Du Pont, General Motors, Boeing, and Caterpillar. Microsoft is worth 47 times the combined market cap of steel companies USX-Steel, Nucor, Bethlehem, LTV, AK Steel and Armco (and, in an educated rough guess, something like five to ten times the entire world steel industry).

Bill Gates owns just under 20% of Microsoft, putting his net worth at about $100 billion, just a bit less than Ford ($61.6 billion) and General Motors ($44.8 billion) combined. By way of further comparison, poor Warren Buffett is worth only about $34 billion, and Fidelity, the giant mutual fund manager, in mid-July became the first fund to have $100 billion under management.

And some people say the U.S. economy is in trouble.

—John Hoefle