Gold market manipulation: Why, how, and how long?

Remarks by Chris Powell, Secretary/Treasurer
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German Precious Metal Society and the Foundation for Liberty and Ratio

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Thank you for coming here tonight even though I can speak only English. I'm afraid that when it comes to German I don't know *scheisse.*

Maybe I have an excuse. Mark Twain tried very hard to learn German and wrote afterward that German should be classified with the dead languages because only the dead had the time to learn it.

Still, I'm really glad to be here, since at least many of you speak English as well as German and since I've just come from London, where *hardly anyone* speaks English.

For the first 48 hours I was in London the only person I heard speaking English was the hotel desk clerk, and she didn't seem too happy about it. The first time I heard English on the street it was from a guy who recognized me as an American rube and asked me for money.

Yes, in London only *the panhandlers* speak English.

But seriously, folks -- You didn't come here for my travelogue. So here goes.* * *

Most financial journalism and most academic teaching maintain that gold is at best a quaint antique. But gold not only remains money but may again become the best and most important money. Even more than this, gold is in fact the secret knowledge of the financial universe, a secret desperately concealed by central banks.

Gold already is so important that Western central banks -- particularly the U.S. Treasury and its Exchange Stabilization Fund, the Federal Reserve, and allied central banks -- rig the gold market every day, even hour by hour, to control and usually suppress gold's price.

Why do Western central banks rig the gold market?

It's because gold is a powerful competitive international currency that, if allowed to function in a free market, will determine the value of other currencies, the level of interest rates, and the value of government bonds. Gold's performance is usually the opposite of the performance of government currencies and bonds. So central banks fight gold to defend their currencies and bonds.

The problem is that the tactics of central banks in their war against gold affect far more than gold; they affect markets generally and eventually *destroy* markets generally. This destruction of markets now has a name, a name used even by former members of the U.S. Federal Reserve Board. That name is "financial repression."

There is much academic literature confirming gold's influence on currencies, interest rates, and government bonds throughout history. Prominent in this literature is the study written by Harvard University economics professor Lawrence Summers and University of Michigan economics professor Robert Barsky and published in August 1985 by the National Bureau of Economic Research, a study titled "Gibson's Paradox and the Gold Standard." As with all the documents I'll cite today, the Summers and Barsky study is posted at my organization's Internet site, GATA.org:

http://www.gata.org/node/1373 [2]

Summers went on to become deputy treasury secretary and then treasury secretary of the United States and president of Harvard University and recently almost became chairman of the Federal Reserve Board, so his study with Barsky about gold's influence on currencies, interest rates, and bond prices may be good authority. The Summers and Barsky study implied that governments could achieve their ideal of low interest rates and strong government bond prices by controlling the price of gold.

As it turns out, controlling the currency markets long has been the most efficient mechanism of imperialism. There is much history of this as well.

Rigging the currency markets was the primary mechanism by which Nazi Germany expropriated occupied Europe during World War II. Expropriation by force of arms was actually only a small part of the Nazi conquest.

The rigging of the currency markets -- that is, the gross distortion of exchange rates in Nazi Germany's favor -- turned every citizen of an occupied country into an agent of the occupation every time he used money. This currency market rigging directed all production in the occupied countries into Nazi Germany and blocked any return flow of production. It enabled Nazi Germany to run without consequence the same sort of fantastic trade deficit run in recent years by the United States.

The United States learned all about the Nazi expropriation of Europe through currency market rigging because it was documented by the November 1943 edition of the U.S. War Department's monthly intelligence letter, Tactical and Technical Trends:

http://www.gata.org/node/10457 [3]

Nazi Germany's manipulation of currency markets is also described in detail in the 2005 history "Hitler's Beneficiaries" by Gotz Aly:

https://www.amazon.com/Hitlers-Beneficiaries-Plunder-Racial-Welfare-eboo... [4]

How do Western central banks and particularly the U.S. government rig the gold market?

They used to do it conventionally and in the open by dishoarding their gold reserves at strategic moments, and then by dishoarding their gold reserves regularly, more often, even every day, as the United States, United Kingdom, and seven of their Western European allies did during the 1960s through a public operation called the London Gold Pool. The London Gold Pool held the gold price at $35 per ounce until it collapsed in March 1968 under rising demand that drained the U.S. gold reserve from 25,000 tonnes down closer to the 8,133 tonnes officially reported today:

http://en.wikipedia.org/wiki/London_Gold_Pool [5]

After the collapse of the London Gold Pool the United States and its allies regrouped to decide how to rig the gold market *surreptitiously* -- not just with dishoarding but also with the so-called leasing of gold; with the purchase and sale of gold derivatives, including futures and options; and, more recently, with high-frequency trading undertaken through investment houses that are happy to serve as government's intermediaries in the gold market, since they can front-run government trades. When the rigging is done surreptitiously like this, much less central bank gold has to be dishoarded and the dishoarding that is done has far more suppressive influence on the price.

But Western central bank market rigging goes far beyond gold.

In an essay published in 2001 and titled "The Debasement of World Currency -- It Is Inflation, But Not as We Know It" --

http://www.gata.org/node/8303 [6]

-- the British economist Peter Warburton discerned that central banks were using investment banks to issue derivatives throughout the commodity futures markets to siphon away money that was seeking a hedge against inflation. That is, derivatives divert money from the hoarding of real goods, hoarding that would drive up consumer price indexes and make inflation even more obvious to the markets and the public. Most of these derivatives are essentially naked short positions that cannot be covered.

Warburton concluded that the prerequisite of a hedge against monetary debasement would have to be some asset that was not attached to a futures market, since anyone with access to enough money can control *any* futures market, and central banks have access to infinite money. Inflation hedges Warburton suggested included farmland and clean water supplies. For as the saying goes: "The futures markets are not manipulated; the futures markets *are* the manipulation."

This market rigging by central banks and their agents explains the great disparagement of gold today: that, despite its tremendous price increase over the last 15 years, gold has not kept up with inflation since the metal's last great rise around 1980. Somehow no one who disparages gold asks *why* it has not kept up with inflation. The answer is that gold derivatives have created a vast imaginary supply of gold for which delivery has not been demanded, since most gold investors choose to leave their gold purchases on deposit with the bullion banks that sold them the imaginary gold.

As a result the world now has a fractional-reserve gold banking system that is leveraged in the extreme.

Yes, all commodity futures markets have created paper promises of supply that could not be covered by real product and have been settled in cash. But most commodity markets are for goods that eventually *are* delivered and consumed to a great extent.

Gold is different, for gold is not consumed but rather hoarded, as a means of exchange, as money, even as most gold purchased in the futures markets is never delivered at all but rather left on deposit with those financial institutions that purport to sell it.

This system has produced a very disproportionate amount of imaginary, elastic, but undeliverable supply, even as people buy gold precisely because they assume that its supply is *not* elastic, that its supply is limited to total past production plus annual mine production.

That assumption is a terrible mistake.

While the principle of most gold investment analysis is "You can't print gold," "paper gold" *can* be printed to infinity just like regular government currency -- and indeed it has been printed practically to infinity.

You can get an idea of the vast imaginary supply of gold by reviewing the incomprehensibly huge gold and interest rate derivative positions attributed to the U.S. investment bank JPMorganChase in the reports of the U.S. Comptroller of the Currency.

These derivative positions are almost certainly not JPMorganChase's own positions at all but, as GATA consultant Rob Kirby of Kirby Analytics in Toronto has written, rather U.S. government positions arranged through MorganChase:

http://news.goldseek.com/GoldSeek/1249407911.php [7]

As John Hathaway, manager of the Tocqueville Gold Fund, wrote last month:

http://www.tocqueville.com/insights/monetary-tectonics [8]

"The modern-day central banker trades with counterparties that are giant commercial banks with derivative books of disturbing scale and complexity. It seems impossible that these commercial exposures could be constructed and maintained without the knowledge and complicity of the official sector. For example, Deutsche Bank, already a defendant in a thousand lawsuits, claims derivative exposure that is 20 times the gross domestic product of Germany and five times that of the entire Eurozone. It is not a great leap to suggest that central bank traders and their megabank opposites -- spawn of the same gene pool, schooled in the same institutions, career paths intertwined, frequenters of the same conferences, and just a speed-dial away -- are ideologically indistinguishable and intellectually and morally corrupt in equal proportion."

After all, the U.S. Treasury Department's Exchange Stabilization Fund is expressly authorized by law, the Gold Reserve Act of 1934, as amended, to trade secretly in *all* markets, including the gold market, on the U.S. government's behalf. And the law expressly exempts the ESF from answering to anyone but the treasury secretary and the president:

http://www.treasury.gov/resource-center/international/ESF/Pages/esf-inde... [9]

Gold market expert Jeffrey Christian of CPM Group testified to a hearing of the U.S. Commodity Futures Trading Commission on March 25, 2010, that the ratio of "paper gold" to real metal in the so-called London physical market may be as high as 100 to 1:

http://www.gata.org/node/8478 [10]

In January 2013 a report by the Reserve Bank of India estimated the ratio of paper gold to real gold at 92 to 1:

http://www.gata.org/node/12088 [11]

CPM Group's Christian described the manufacture of "paper gold" in his essay "Bullion Banking Explained" published in 2000:

http://www.gata.org/node/8627 [12]

Some international investment houses are on the short end of this enormous leverage and are existentially vulnerable to a short squeeze. It is not likely that they would put themselves in such a position without assurances of emergency support from central banks -- and indeed the investment houses *have* received such assurances many times in public statements by central bankers.

For there are many official admissions of gold market rigging.

These include statements by four former chairmen of the U.S. Federal Reserve Board (Alan Greenspan, Paul Volcker, Arthur Burns, and William McChesney Martin); the minutes of the Federal Open Market Committee; declassified U.S. Central Intelligence Agency and State Department records, including one that cites the necessity for the U.S. government to remain "the masters of gold"

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http://www.zerohedge.com/article/declassified-state-dept-data-highlights... [13]

http://www.scribd.com/doc/20215562/Gold-Telegram [14]

-- statements by central bankers from other countries, including three officials of the Bank for International Settlements; and documents from the BIS and the International Monetary Fund.

For example:

-- In testimony to Congress in July 1998, Federal Reserve Chairman Alan Greenspan declared that "central banks stand ready to lease gold in increasing quantities should the price rise." Thus Greenspan confirmed that the purpose of gold leasing was not what was usually claimed -- to earn central banks a little money on their supposedly dead asset in their vaults -- but rather to suppress the monetary metal's price:

http://www.federalreserve.gov/boarddocs/testimony/1998/19980724.htm [15]

-- In January 2012 former Federal Reserve Chairman Paul Volcker admitted to the German financial journalist Lars Schall, who is here tonight, that central banks need to suppress the gold price to stabilize exchange rates at what he called a "critical point":

http://www.gata.org/node/10923 [16]

Volcker already had written in his memoirs that in 1973 as a U.S. Treasury Department official he advocated gold price suppression:

http://www.gata.org/node/8209 [17]

http://www.gata.org/files/VolckerMemoirs.pdf [18]

-- In 2009 a remarkable 16-page memorandum was discovered in the archive of the late Federal Reserve Chairman William McChesney Martin. The memorandum is dated April 5, 1961, and is titled "U.S. Foreign Exchange Operations: Needs and Methods." The memo is a detailed plan of surreptitious intervention by the U.S. government to rig the currency and gold markets to support the U.S. dollar and to conceal, obscure, or even falsify U.S. government records and reports so that the rigging might not be discovered. This document remains on the Internet site of the Federal Reserve Bank of St. Louis:

http://fraser.stlouisfed.org/docs/historical/martin/23_06_19610405.pdf [19]

For safety's sake it is also posted at GATA's Internet site:

http://www.gata.org/files/Martin-WilliamMcChesny-MarketManipulationPlan.... [20]

-- In a letter to President Gerald Ford in June 1975, Federal Reserve Chairman Arthur Burns reported a secret agreement with the German Bundesbank to obstruct market pricing for gold. Burns wrote to the president: "I have a secret understanding in writing with the Bundesbank, concurred in by Mr. Schmidt" -- Helmut Schmidt, West Germany's chancellor at the time -- "that Germany will not buy gold, either from the market or from another government, at a price above the official price of $42.22 per ounce."

Burns added, "I am convinced that by far the best position for us to take at this time is to resist arrangements that provide wide latitude for central banks and governments to purchase gold at a market-related price."

The Burns letter is posted at GATA's Internet site here:

http://www.gata.org/files/ArthurBurnsLetterToPresidentFord-June1975.pdf [21]

-- In June 2004 the deputy chairman of the Bank of Russia, Oleg Mozhaiskov, told a conference of the London Bullion Market Association in Moscow that he suspected the United States of suppressing the gold price. Mozhaiskov mentioned the Gold Anti-Trust Action Committee, the only words he spoke in English, though at that time GATA had never knowingly had any contact with anyone in Russia:

http://www.gata.org/node/11723 [22]

-- A president of the Netherlands Central Bank who was also president of the Bank for International Settlements, Jelle Zijlstra, wrote in his memoirs in 1992 that the gold price was suppressed at the behest of the United States:

http://www.gata.org/node/11304 [23]

-- William R. White, the director of the monetary and economic department of the Bank for International Settlements, the central bank of the central banks, told a BIS conference in Basel, Switzerland, in June 2005 that a primary purpose of international central bank cooperation is "the provision of international credits and joint efforts to influence asset prices (especially gold and foreign exchange) in circumstances where this might be thought useful":

http://www.gata.org/node/4279 [24]

-- The Bank for International Settlements actually *advertises* to potential central bank members that its services include secret interventions in the gold market. Here's a slide from a PowerPoint presentation the bank made to prospective central bank members in at BIS headquarters in Basel in June 2008:

http://www.gata.org/node/11012 [25]

http://www.gata.org/files/BISAdvertisesGoldInterventions.pdf [26]

-- Indeed, according to its annual report last year, the BIS functions largely as a gold banking and gold market intervention service for its member central banks. On Page 110 of the report the BIS says: "The bank transacts foreign exchange and gold on behalf of its customers, thereby providing access to a large liquidity base in the context of, for example, regular rebalancing of reserve portfolios or major changes in reserve currency allocations. The foreign exchange services of the bank encompass spot transactions in major currencies and Special Drawing Rights (SDR) as well as swaps, outright forwards, options, and dual currency deposits (DCDs). In addition, the bank provides gold services such as buying and selling, sight accounts, fixed-term deposits, earmarked accounts, upgrading and refining, and location exchanges."

The only point of central banks trading in gold derivatives is to affect the price. See:

http://www.gata.org/node/12717 [27]

-- Secret gold market interventions by the BIS have been going on for a long time. A long article in Harper's magazine in 1983, based on a seemingly unprecedented interview with BIS officials, disclosed that the BIS was constantly intervening in the gold market in secret:

http://www.gata.org/node/8773 [28]

-- Perhaps most incriminating is the secret March 1999 staff report of the International Monetary Fund that GATA obtained in December 2012. The secret IMF report says Western central banks conceal their gold swaps and loans to facilitate their secret interventions in the gold and currency markets:

http://www.gata.org/node/12016 [29]

http://www.gata.org/files/IMFGoldDataMemo--3-10-1999.pdf [30]

Some records of surreptitious intervention in the gold market by Western central banks are quite current. The director of market operations for the Banque de France, Alexandre Gautier, told the London Bullion Market Association's meeting in Rome in September 2013 that the French central bank trades gold for its own account "nearly on a daily basis" and is "active in the gold market for other central banks and official institutions."

http://www.gata.org/node/13373 [31]

Speaking again to the LBMA, meeting last month in Lima, Peru, Gautier said central banks lately have been managing their gold reserves "more actively," and the slides he presented indicated that this more active management is undertaken mainly through gold swaps, a mechanism of surreptitious market intervention. In what appeared to be a reference to the recent clamor for gold repatriation in Germany and Switzerland, Gautier cautioned his co-conspirators at the LBMA that what he called "auditability" is "becoming a crucial issue" for central bank gold reserves.

http://gata.org/node/14716 [32]

-- The recent participation of the United States in gold market manipulation was confirmed by a member of the Board of Governors of the Federal Reserve System, Kevin M. Warsh, in a letter written in September 2009 denying GATA's request for access to the Fed's gold records. Warsh wrote that among the records the Fed was refusing to show GATA were records of gold swap arrangements between the Fed and foreign banks:

http://www.gata.org/node/7819 [33]

http://www.gata.org/files/GATAFedResponse-09-17-2009.pdf [34]

In commentary published in The Wall Street Journal in December 2011 Warsh wrote about what he called "financial repression" by governments. "Policy makers," Warsh wrote, "are finding it tempting to pursue 'financial repression' -- suppressing market prices that they don't like." Warsh added, "Efforts to manage and manipulate asset prices are not new."

http://www.gata.org/node/10839 [35]

I later reached Warsh by e-mail and asked him if he had learned about "financial repression" through his service on the Federal Reserve Board. I also asked him if he would identify the asset prices under manipulation by policy makers. He cordially wished me a nice day.

The government of China knows all about the gold price suppression scheme and isn't afraid to talk about it.

The U.S. State Department diplomatic cables obtained by the Wikileaks organization and published in 2011 included cables from the U.S. embassy in Beijing to the State Department in Washington that were translations of reports from the Chinese government-controlled news media. These translations included stories and commentaries about gold price suppression by the United States.

For example, the Chinese newspaper World News Journal wrote: "The United States and Europe have always suppressed the rising price of gold. They intend to weaken gold's function as an international reserve currency. They don't want to see other countries turning to gold reserves instead of the U.S. dollar or euro. Therefore, suppressing the price of gold is very beneficial for the United

States in maintaining the U.S. dollar's role as the international reserve currency. China's increased gold reserves will thus act as a model and lead other countries toward reserving more gold. Large gold reserves are also beneficial in promoting the internationalization of the renminbi."

So not only does the Chinese government know all about the gold price suppression scheme -- the U.S. government knows that China knows:

http://www.gata.org/node/10380 [36]

http://www.gata.org/node/10416 [37]

Many people in the gold business in China also know about gold price suppression by the U.S. government and its allies.

For example, thanks to GATA consultant Koos Jansen, now market analyst for Bullion Star in Singapore, last January GATA published the remarks of the president of China's gold mining association, Sun Zhaoxue, to a financial conference in Shanghai, in which he said gold price suppression is U.S. government policy to maintain the dominance of the U.S. dollar in the ongoing international currency war:

http://www.gata.org/node/13446 [38]

And last December GATA distributed commentary by Zhang Jie, deputy editor of the Chinese publication Global Finance and a consultant to the China Gold Association, who said the U.S. Federal Reserve manipulates the gold market to protect the U.S. dollar's standing as the world reserve currency. Zhang said:

"Through continuous gold leasing the gold in the market can be circulated and produce derivatives, creating more and more paper gold. This is very significant for the United States. Gold leasing is a major tool for the Federal Reserve and other central banks in the West to secretly control and regulate the gold market, creating gold credit derivatives and global credit conflict":

http://www.gata.org/node/13314 [39]

The U.S. government's public archives are actually *full* of records documenting the government's longstanding objective of removing gold from the world financial system to maintain the dominance of the U.S. dollar as the world reserve currency.

Perhaps most descriptive are the minutes of a meeting at the U.S. State Department in April 1974 between Secretary of State Henry Kissinger and his assistant undersecretary of state for economic and business affairs, Thomas O. Enders.

The meeting addresses the growing desire among Western European countries to revalue their gold reserves upward, thereby increasing gold's role in the international financial system and threatening the dollar's status:

http://www.gata.org/node/13310 [40]

Secretary Kissinger asks: "Why is it against our interest to have gold in the system?"

Assistant Undersecretary Enders answers him.

Mr. Enders: It's against our interest to have gold in the system because for it to remain there it would result in it being evaluated periodically. Although we have still some substantial gold holdings -- about $11 billion -- a larger part of the official gold in the world is concentrated in Western Europe. This gives them the dominant position in world reserves and the dominant means of creating reserves. We've been trying to get away from that into a system in which we can control. ...

Secretary Kissinger: But that's a balance-of-payments problem.

Mr. Enders: Yes, but it's a question of who has the most leverage internationally. If they have the reserve-creating instrument, by having the largest amount of gold and the ability to change its price periodically, they have a position relative to ours of considerable power. For a long time we had a position relative to theirs of considerable power because we could change gold almost at will. This is no longer possible -- no longer acceptable. Therefore, we have gone to Special Drawing Rights, which is also equitable and could take account of some of the less-developed-country interests and which spreads the power away from Europe. And it's more rational in ...

Secretary Kissinger: "More rational" being defined as being more in our interests or what?

Mr. Enders: More rational in the sense of more responsive to worldwide needs -- but also more in our interest. ...

So there you have it. Whoever has the most gold can control its valuation -- and implicitly the valuation of every currency -- and thereby create the most "reserves," the most money.

Of course money is power and infinite money is infinite power. The interest of the United States, at least as it was perceived at that meeting at the State Department in April 1974, was to dominate the world through the power over money creation and currency valuation.

Documentation continues to be discovered. A few weeks ago the founder of the market research company Nanex in Illinois, Eric Scott Hunsader, called attention to documents filed with the U.S. Commodity Futures Trading Commission and the U.S. Securities and Exchange Commission by CME Group, operator of the major futures exchanges in the United States.

In its filing with the CFTC, the CME Group reports that it is giving volume trading discounts to central banks for trading all major futures contracts in the United States -- financial futures, metal futures, and agricultural futures:

http://www.gata.org/node/14385 [41]

In its filing with the SEC the CME Group reports that its customers include "governments and central banks":

http://www.gata.org/node/14411 [42]

The CME Group letter to the CFTC justifies secret futures trading by central banks throughout the currency and commodity markets as a matter of adding "liquidity" that will benefit all traders. But "liquidity" here is actually an ocean, for central banks can create infinite money, and no ordinary investor can trade against a central bank.

That central banks and governments are secretly trading all major futures markets in the United States signifies that central bank intervention in markets is now likely *comprehensive* -- that there really are *no* markets anymore, just interventions, that the main objective of central banking now is *to prevent markets from happening at all,* and that the market economy that has been the engine of progress and democracy has been destroyed.

This is the financial news story of the century.

GATA has sent all these documents to major financial news organizations throughout the world. But no mainstream financial news organization has yet reported about them and what they mean.

There are many, many more records about the Western government policy of gold price suppression. They are posted in the "Documentation" section of GATA's Internet site --

http://www.gata.org/taxonomy/term/21 [43]

-- but the records located by GATA are almost certainly only a small fraction of the documents that exist.

These records are not mere speculation and "conspiracy theory." They are the records of decades-long Western government policy conducted almost entirely in secret.

But there is nothing wrong with the word "conspiracy" here.

Conspiracy occurs when people meet in secret to decide and pursue a course of action.

For example, it was conspiracy when the central bank members of the European Central Bank met secretly over the last 15 years to formulate all four editions of their Central Bank Gold Agreement and said they would continue to meet secretly to plot their policy toward gold:

http://www.ecb.europa.eu/press/pr/date/2014/html/pr140519.en.html [44]

It also was conspiracy when the G-10 Gold and Foreign Exchange Committee, consisting of representatives of the central banks and treasury departments of the major industrial nations, met secretly in April 1997 at the BIS in Switzerland to coordinate *their* secret policies toward the gold market:

http://www.gata.org/node/9623 [45]

Indeed, even in nominally democratic countries, government itself is *often* conspiracy. Government is conspiracy whenever it functions in secret. How can any serious market analyst or journalist disparage the term?

Then there is the evidence of market action itself.

GATA also has exposed gold market manipulation by examining trading data, most notably in a study by our late board member and market analyst Adrian Douglas showing that the gold price during trading in the London market went down steadily for 10 years even as the world gold price went up steadily in that time. Anyone buying gold on the opening of the London market and selling it on the close every day over the last decade would have lost a huge amount of money even as the gold price rose steadily:

http://www.gata.org/node/8918 [46]

GATA consultant Dimitri Speck, who is here tonight, has written a whole book compiling the data of gold market manipulation, "Secret Gold Policy":

http://www.geheime-goldpolitik.de/english/ [47]

That is, the London Gold Pool of the 1960s suppressing the price continues to operate today, only with different mechanisms.

In the last several years attacks on the gold price have become frequent and obvious, like the strange dumping of paper gold in the futures markets on April 12 and 15, 2013, where the nominal equivalent of maybe a quarter of annual gold mine production was sold in two days even though there was no special gold-related news. Many similar dumps are undertaken at particularly illiquid times as some entity with access to seemingly infinite money tries to pound the gold price down for psychological effect.

Even on October 1, 2013, as the U.S. dollar index broke below 80 and the government of the world's only superpower, the issuer of the world reserve currency, was incapacitated and half shut down by political turmoil, the gold price suddenly fell by 5 percent under an avalanche of futures selling, sometimes at a rate of many thousands of contracts per second.

These overwhelming attacks on the gold market out of the blue are almost certainly incidents of government intervention. Nothing else can plausibly explain them.

Indeed, central banks refuse to explain their involvement in the gold market.

In 2009 GATA sued the Federal Reserve in U.S. District Court for the District of Columbia seeking access to the Fed's gold records. Technically we won the case in 2011, as the court ordered the Fed to disclose one record, the minutes of that G-10 Gold and Foreign Exchange Committee meeting in April 1997.

The Fed was ordered to pay GATA court costs, which it did.

But the court allowed the Fed to conceal all its other gold records:

http://www.gata.org/node/9917 [48]

Since that time GATA has peppered Western central banks with specific questions about their gold activities, which is something financial journalism, mining companies, or any ordinary investor could do. The central banks largely maintain a guilty silence.

For example, in July 2013 the Bank of England reported on its Internet site that it was vaulting about 1,200 tonnes of gold less than it had listed in the bank's annual report in February. GoldMoney research director Alasdair Macleod called attention to this. It raised suspicion that the departed gold had been used in the smashing of the gold price three months earlier. So GATA asked the Bank of England to explain the discrepancy.

The Bank of England replied only that the data posted on its Internet site for the public was "deliberately non-specific." But that data *had* been fairly specific, and had given a number vastly different from the number published in the bank's annual report. Sensing its vulnerability, the Bank of England concluded its brief statement arrogantly and defensively: "The bank will not be offering any further comment on this matter." See:

http://www.gata.org/node/12859 [49]

The specific questions that GATA has put to central banks without receiving answers are posted at our Internet site and remain available to any serious financial journalist or gold investor:

http://www.gata.org/node/11661 [50]

http://www.gata.org/node/14606 [51]

As long as central banks refuse to answer some basic questions about their involvement in the gold market, it must be concluded that they have much to hide.

Why does all this matter? How might it end?

It matters because the rigging of the gold market is the rigging that facilitates the rigging of *all* markets -- part of a much broader scheme by which a secretive and unelected elite in the United States and Western Europe controls the value of all capital, labor, goods, and services in the world -- controls the value of *everything* and thereby impairs or destroys all markets and democracy itself everywhere and obstructs humanity's progress.

This is an utterly totalitarian and parasitic system. It is also just the latest manifestation of the everlasting war of the financial class against the producing class, only it is hidden well enough that the producing class hasn't yet figured it out.

This system might end in various ways.

First it's a question of world politics at the highest levels.

The system may end at the insistence of the developing world with an official worldwide revaluation of gold and gold's formal restoration to the international monetary system and the demotion of the U.S. dollar.

The system may end when one country pulls the plug on it, exchanging U.S. dollars and government bonds for more gold -- real metal -- than is available, or when ordinary investor demand exhausts supply, which is more or less how the London Gold Pool ended in 1968.

Or the system may end as part of a plan by the major central banks to avert the catastrophic debt deflation that now threatens the world.

For example, a study in 2006 by the Scottish economist Peter Millar concluded that to avert such a catastrophic debt deflation, central banks would need to raise the gold price by a factor of seven to 20 times in order to reliquefy themselves and devalue their currencies and society's debts generally:

http://www.gata.org/node/4843 [52]

In May 2012 the U.S. economists and investment fund managers Lee Quaintance and Paul Brodsky published a report speculating that central banks likely are already redistributing gold reserves among themselves in preparation for just such an upward revaluation of gold and gold's return as formal backing for currencies:

http://www.gata.org/node/11373 [53]

The current system's end is an arithmetical question, a question of how much real gold is retained by the central banks participating in the price suppression scheme. Some metal is always draining away to support the gold derivatives system, and it seems lately that more is draining away every year than is being mined. How much do the gold-suppressing central banks really still have left? How much gold has been put into the market through swaps and leases?

Central banks refuse to say. For since the control of gold is the control of markets and the control of the valuation of everything, the amount, location, and disposition of central bank gold reserves are state secrets far more sensitive than the amount, location, and disposition of nuclear weapons.

The end of central bank market rigging is a question of education and publicity, a question of whether central banks that are not part of the gold price suppression scheme and investors alike will ever realize that as much as 90 percent of the world's investment gold, supposedly being held in trust for its owners, has been, to put it politely, oversubscribed. That is, the gold may not exist. If there is ever such a realization and delivery is demanded, gold will rise to multiples of its current price.

While that prospect excites gold investors, will governments let them keep the resulting extraordinary gains, or will governments impose windfall profits taxes or even try to confiscate gold?

If the gold price soars, will governments let mining companies keep taking metal out of the ground at current royalty rates? Will governments even let private companies keep mining gold at all?

On the other hand, if there is no general realization of the fraud of "paper gold" and central bank intervention in markets, gold price suppression and the destruction of markets generally may go on *forever.*

Central banks are formidable enemies because of their power to create infinite money and debt. But that power is not their biggest advantage in the gold suppression scheme and the scheme to defeat markets and democracy generally.

For the scheme cannot work without deception, surreptitiousness, and misunderstanding.

And therefore to be overthrown the scheme needs only to be exposed, since when people realize that a market is rigged, they will not take the losing side of the trade.

That's why the biggest advantage of central banks here is not their power of money and debt creation but rather the complicity of the financial news media and the gold mining industry itself.

Mainstream financial journalists will not press the vital questions. Indeed, the first rule of mainstream financial journalism is: *Never put a critical question to a central bank and report the inadequate answer.* The second rule of mainstream financial journalism is that the first rule goes double in regard to gold.

The journalistic questions for central banks could begin very simply:

1) Are central banks trading secretly in the gold market and other markets, directly or through intermediaries, or not?

2) If central banks are secretly trading in the gold market and other markets, directly or through intermediaries, does this trading have policy purposes or is it just for fun?

3) And if this secret trading does have policy purposes, what are they and why are they too being kept secret?

Then the answers from central banks could be compared with the documentation GATA has compiled.

As for the gold mining industry, it seems unaware of the monetary nature of its product and the way the price of its product is suppressed. Further, the gold mining industry has been intimidated by its governments and its bankers, all agents of central banks, and has consented to die quietly.

Will any of this ever really change?

I think it will eventually. Some central banks are growing suspicious of what presents itself as the gold market and are steadily accumulating gold reserves. And of course here in Germany your citizens campaign has induced the Bundesbank at least to claim that it is gradually repatriating your national gold reserves. Your citizens campaign has caused enormous trouble and embarrassment for the bad guys and has inspired similar movements in other countries. I salute you.

But will any of us live to see the defeat of totalitarian central banking as it is now practiced? I don't know. Sometimes I can only get apocalyptic about it, with a little help from the American abolitionist poet James Russell Lowell:

Truth forever on the scaffold,
Wrong forever on the throne,
Yet that scaffold sways the future,
And, behind the dim unknown,
Standeth God within the shadow
Keeping watch above His own.

In this struggle we are up against nearly all the money and power in the world. But the Ascent of Man should continue, and if we're doing the right thing we can hasten that ascent a little. We are all working to advance the ideals of democratic, transparent, and limited government, of fair dealing among nations and people, and, really, to advance individual liberty and the brotherhood of man, which, in the end, are what the monetary metals are about.

If you'd like more information about this issue or help in locating any of the documents I've mentioned, please e-mail me at CPowell@GATA.org [54].

Thanks for your kind attention.

* * *

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