

'Smart money' is fleeing into commodities

by Richard Freeman

The pace of moves by the House of Windsor-aligned oligarchy into raw materials hoarding, especially precious metals, food, and metals required for manufacturing, is accelerating. This is occurring against the backdrop of the most dramatic ratings lowering ever issued by Moody's Investors Service, of Japanese banks, and the continued rapid deterioration of the French banking system. While the oligarchs are deserting the collapsing international financial system, they are urging the public to stay aboard.

Prompting the stampede into hoarding is the recognition by the better-informed super-wealthy families of the imminent, unstoppable disintegration of the financial markets. A City of London merchant banker told *EIR* on Aug. 23, "People here in London are starting to talk in terms of an 'October crash.' But in my view, it won't hold beyond mid-September, when the grim reality of the world grain harvest is finally out in the open." The *casino mondiale* is going: The smart money is cashing in its chips in the rotted speculative markets. It is either buying up hoards of hard physical goods, or shares in companies that produce either gold, nickel, oil, or key food commodities. The oligarchy is strengthening its grip over the 35-40 commodities most crucial to supporting human existence.

The squeeze in the precious metal silver market exemplifies the rush to hoard, and also the positioning of wealthy families for future benefits. On Aug. 21, the London *Financial Times*, in an article headlined "All Eyes Centre on Silver," reported that "at the London bullion market this morning all eyes are likely to be on silver prices. . . . Stocks of the metal are reported to be tightly held by one or two financial institutions, with the supposed intention of 'squeezing' prices to a level at which they can cash in substantial profits. That resulted in the silver price gaining 39¢ last week to \$5.66

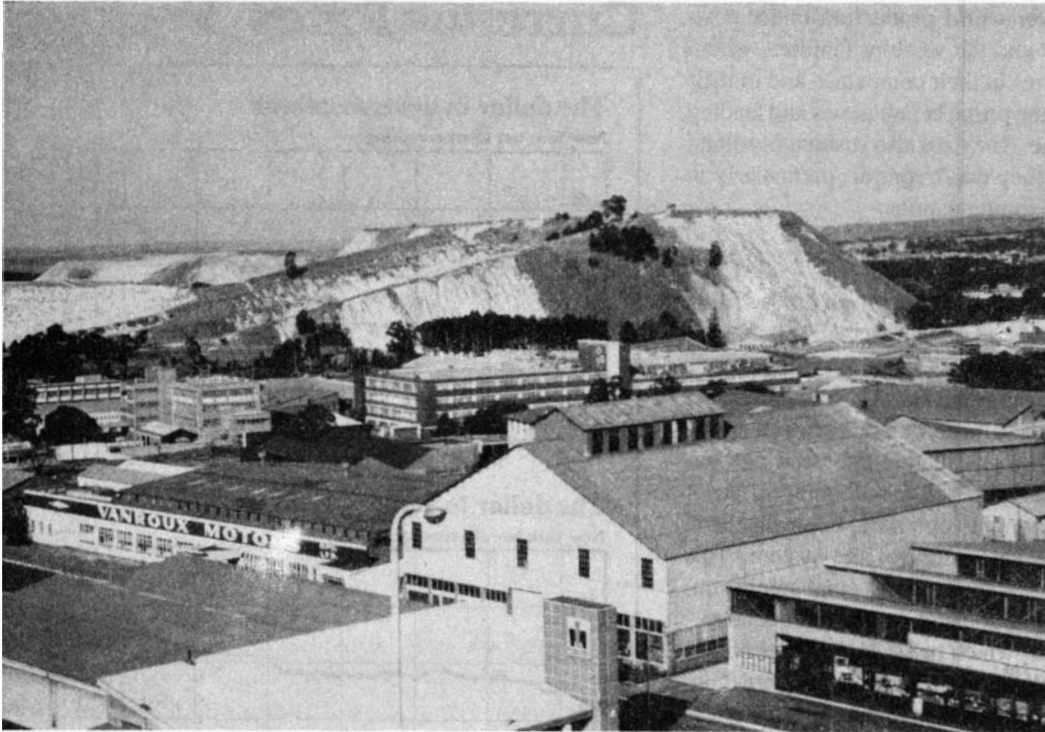
one-half a troy ounce," an increase of 7% in one week.

Silver's price has been manipulated upward by successive waves of organized "squeezes." During Easter Week of this year, one individual cornered and took physical delivery of 25 million troy ounces of silver, sending the price up more than \$1 per ounce over a few weeks. On Aug. 23, a member of the New York Commodity Exchange identified that individual as Marc Rich, who is a fugitive from U.S. justice, and operates from his Glencore company headquarters in Zug, Switzerland. Rich, who buys on behalf of the Rothschilds and certain Swiss families, has been buying goods for these families. But it's not just metals. In the case of Argentina, one of the world's major wheat producers, a Marc Rich company has developed a corner on the grain market, leaping into first place as the largest trader of Argentine wheat, surpassing the grain cartels.

In the case of platinum, another precious metal, the price has shot up from \$370 per ounce in 1993 to \$426 today. A Wall Street metals analyst told *EIR* on Aug. 21, "There is a sympathy among the precious metals. If the price of silver and platinum move up, then it's possible the price of gold can be made to follow. Those who are playing the silver market may be positioning themselves to benefit in the gold market."

As spectacular as these recent price increases have been—for example, the price of tin has more than doubled in three years—they are but a fraction of the increases that will occur when the financial markets collapse. The \$800 per ounce price for gold, in 1980, or the \$37 price per barrel of oil, in 1979, both of which occurred during periods of turmoil, will seem small potatoes compared to what will occur.

Part of the oligarchy's strategy is to reap super-profits (although one might, with equal justice, call it a strategy to



Gold mining in South Africa. Prices for precious metals and raw materials are soaring, as the oligarchy maneuvers to avoid being wiped out in the coming crash of the financial markets.

avoid super-losses). During a crash, a commodity's price increases not because of something intrinsic to the commodity, but because of something negative—the disintegration of paper values. If in the United States there is a misguided hyperinflationary printing of dollars to bail out the financial system, the dollar could fall by a multiple of 50 times relative to gold or oil. Those commodities' prices may rise, conversely, by that multiple.

Strategic control

The second objective to the oligarchy's strategy, every bit as important as making profits, is exercising strategic control of the world. During a crash, ownership of commodities, or of mines and farms, confers two advantages. First, they are assets against which some new credit can be issued, a very important power. Second, the oligarchy can strangle any part of production, cutting back what commodities are allowed to be used, and thus forcing society back into bestialization, a new Dark Age.

The Anglo-Dutch oligarchy, grouped around the House of Windsor, holds control over a greater percentage of raw materials and food stuffs than did Rome during the height of the Roman Empire.

EIR is currently calculating the percentage of the world's output of raw materials, energy, and food that London- and British Commonwealth-based firms control. But an indication of the extent of this control can be gleaned from the pedigree and output of the two largest raw materials mining

companies in the world: Anglo-American Corp., based in Johannesburg, South Africa, and Rio Tinto Zinc (RTZ) Corp. of London. Anglo-American was formed in 1915 with money from Morgan Bank in the United States, the Rothschild Bank, and various London and German banks. It owns a large chunk of DeBeers Diamonds. One Anglo-American board member, Nicholas Oppenheimer, is a descendant of the company's founding chairman, Ernest Oppenheimer. Another, is Rupert Hambros, the head of Hambros merchant bank. Hambros is also a director the *Telegraph*, the flagship London newspaper of British intelligence's Hollinger Corp.

RTZ was formed in the 1870s by Hugh Matheson, the head of the Hongkong-based Jardine Matheson opium trading firm. More recently, RTZ was under the overall direction of Sir Mark Turner, who, during World War II, was head of Britain's Department of Economic Warfare. RTZ's major stockholders reportedly include the queen of England. RTZ's deputy chairman, Sir Martin Wakefield Jacomb, a director of the Bank of England until late last year, is also a director of the Hollinger Corp.

Between them, Anglo-American and RTZ account for the following percentages of the world's key minerals and metals output: antimony, 19.6%; bauxite, 9.7%; chromite, 15%; cobalt, 19.2%; copper, 12.2%; ferrochrome, 13.6%; metallurgical diamonds, 48.7%; gold, 25.6%; iron ore, 9.5%; nickel, 8.3%; palladium, 38.7%; platinum, 45%; rhodium, 41.3%; titanium, 31.2%; tungsten, 17.6%; uranium, 8.1%; and zirconium, 22.7%.

These levels of concentration would give the Windsor crowd a vise-like grip over world production under post-collapse conditions. They and the wealthy families, whom they allow to invest in shares in their companies and in their manipulated markets, are the prime beneficiaries and leading lights of the hoarding game. They are also rushing headlong to grab the raw materials they don't control, particularly in eastern Europe and in developing nations.

Buying control cheap

One must look at how the oligarchs set up the hoarding strategy, which is part and parcel of the speculative bubble of the last 35 years. Starting in late 1993, and accelerating this year, they started buying up physical assets at greatly reduced prices, either the physical good itself, or a share in a company that produces the good. The speculative bubble which has grown over the last 35 years, caused a ballooning of paper values, but forced the economy to operate at below the level necessary to maintain the net energy of the system. This caused disinvestment, causing farming and many mining enterprises to operate below the societal cost of reproduction.

Take the case of wheat, which at \$4.71-5.00 per bushel today, depending on whether it is spring wheat or hard Kansas City wheat, is more than 15% above the range of prices for wheat last year. But it is still well below the prices, which ranged from \$5-7.50 per bushel, that obtained in 1973. Today's wheat price is even further below the parity price required to cover the farmer's costs of production, plus provide a reasonable profit, which is needed to keep farmers farming. The same process exists for metals: Today, aluminum's price, at 88.25¢ per pound, while above the level of the last few years, is below its 1988 price of 110¢ per pound. For many other commodities, deflating them by the 1967 inflation index leaves them below prices of 30 years ago. Thus, prices are spiking up rapidly, making money for those with speculative hoards; but for most, though not all commodities, this is a local phenomenon. By historical standards, the oligarchy is taking advantage of looting of the economy to get commodities dirt cheap.

Financial end-game

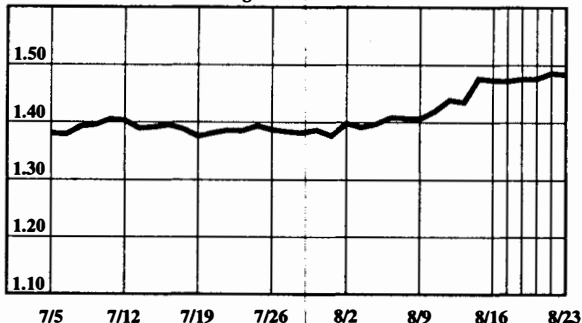
Meanwhile, on Aug. 21, Moody's invented a new form of grading the "financial" strength of banks, and slapped Japan's 50 leading banks with terrible grades. In its review, Moody's has given an "E" rating to three banks, which is defined as "in need of outside assistance," i.e., a bailout, and an "E+" rating to seven others. Of the banks given an "E+" rating, the Norinchukin Bank is the world's second largest agricultural bank.

In France, the Aug. 22 *Le Monde* reported that, in addition to the well-publicized problems of the Crédit Lyonnais bank, Banque Commerciale Privée, Pallas Stern, and Compagnie du BTP are in trouble. Japan and France have the world's first and sixth largest banking systems, respectively.

Currency Rates

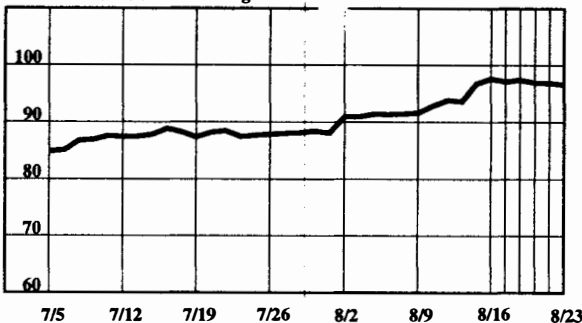
The dollar in deutschemarks

New York late afternoon fixing



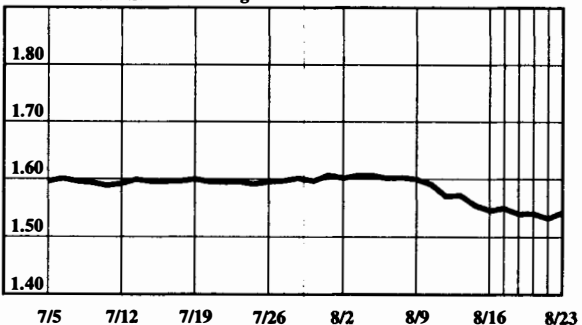
The dollar in yen

New York late afternoon fixing



The British pound in dollars

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The dollar in Swiss francs

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