Gold by Alice Roth

The new bi-metalism

There is a broader economic design—and a cartel—behind the sudden run-up in the price of silver, and it has thrown a new light on the run-up in the price of gold.

Since the London *Times* called for a return to the gold standard on December 12, both gold and silver prices have behaved "as if someone had cornered the market," market sources relate. In the estimation of this journalist, the decision has been made at the highest levels of the City of London banking circles, including the Bank of England, to index the major international currencies to the prices of these two precious metals and reorganize the world economy under the leadership of the Thatcher regime and a regenerated British Commonwealth.

This scenario was developed by Sir George Bolton, the former chairman of the Bank of London and South America (BOLSA), in a series of memos to the Bank of England over the past year and a half.

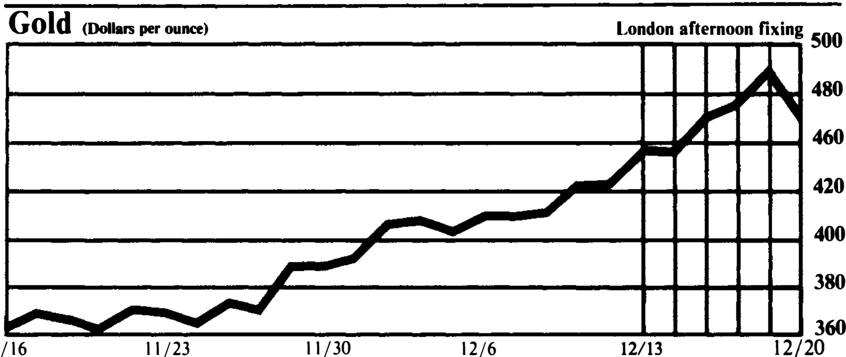
The evidence of an emerging gold "corner" by London is as follows: On Dec. 18, James Sinclair and Company, the New York-based precious metals trader, reported that the London and Swiss dealers in physical gold had "overpowered" the U.S. futures market. While American futures traders had for several days running attempted to beat the price down, they were met each morning with a powerful surge of buying in London. On Dec. 19, the gold price broke all previously-existing barriers to a record $496 an ounce.

Sinclair, and other market sources, also reported that a substantial portion of the orders placed in London represented Arab money being parked in gold on a more or less permanent basis.

This reflects a major reversal in the previous pattern of last summer where Arab gold orders were being channeled primarily through West Germany's number two bank, the Dresdner Bank. We analyzed that pattern then as part of the Giscard-led effort to establish a "Euro-Arab dialogue," which would culminate in an agreement to funnel OPEC petrodollars through the European Monetary Fund, establishing a gold-backed system of credits for world development. With the threatened loss of Persian Gulf oil supplies due to Washington and London's "Iran crisis," top French and West German policy-makers have retreated from this gold-backed EMF perspective. Some private French and West German banks have even refused to accept OPEC dollar deposits. This Franco-German capitulation has once again placed London and, secondarily, Switzerland, in a commanding position on world gold markets.

The silver "corner" actually began to take shape in late August when British and Swiss interests decided to bull the market to divert attention from Dresdner's gold operations and the threatened Arab-EMF link-up. In August and September, dealers in physical silver like N. M. Rothschild, Mocatta and Goldsmid, and Engelhard's Phillips division, which usually sell silver futures short in order to hedge their inventories, suddenly dropped out of the market. At the same time, the Dallas-based Hunt family and Norton Waltuch of Continental Grain's Conti-Commodities subsidiary took up massive "long" positions. (Waltuch manages an offshore fund for Saudi investors.)

As a result, silver rose even more than gold and the historic gold-silver ratio was shifted. While this ratio has been at roughly 32.5:1 for most of this century, it has fallen this year to about 21:1. According to Paul Sarnoff of ContiCommodities, the Hunt family expects the gold-silver ratio to decline to 5:1. This is certainly not based on any anticipation of a gold price fall.



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