

## Gold Wars

### Kelly Mitchell's Pathbreaking Book

By [Dr. Paul Craig Roberts](#)

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Region: [USA](#)

Theme: [Global Economy](#)

*I do not know what role facts, evidence, or a desire to know the truth any longer play in American lives. [This article](#) confirms my experience as a scholar, journalist, public policy maker, and corporate director. The vast majority of people believe what they want to believe. Facts and evidence have little to do with it. People believe what serves their hopes and self-interests as they perceive their interests (often incorrectly) and what validates their emotional commitments. A select few can think independently, but their voices are usually drowned out.*

*To help those who are capable of independent thought, I am posting with permission the Introduction to a new book, GOLD WARS by Kelly Mitchell, from Clarity Press.*

<http://www.claritypress.com/Mitchell.html>

*I encourage you to order this book and to study it. American institutions are so corrupted that no leadership can rise from the political parties, media, corporations, or universities. We are on a many-faceted course of destruction. Leadership will have to come from non-traditional sources. Perhaps those who can think independently can produce the needed leadership.*

*The economics profession, Wall Street, and the financial media are committed to maintaining the status quo. There is no independent thought there. The voices maintaining the Matrix in which we live are far more numerous and loud than my voice and the voices of Michael Hudson, Herman Daly, John Williams ([shadowstats.com](http://shadowstats.com)), Mike Whitney, Nomi Prins, Pam Martens, Matt Taibbi, Gerald Celente, Dave Kranzler and the few others who endeavor to break people free of the false consciousness that blinds them to reality. "Free market" economists pretend that financial markets are efficient and do not need to be regulated. Kelly Mitchell shows us that financial markets are manipulated and serve narrow private interests at the expense of society.*

**Paul Craig Robert**

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**Gold Wars**

**by Kelly Mitchell**

**published by Clarity Press**

## **Introduction**



*The world will soon wake up to the reality that everyone is broke and can collect nothing from the bankrupt, who are owed unlimited amounts by the insolvent, who are attempting to make late payments on a bank holiday in the wrong country, with an unacceptable currency, against defaulted collateral, of which nobody is sure who holds title - anonymous*

At opening bell of April 30, 2012, an anonymous player sold short \$1.24 billion worth of gold. At three quarters of a million ounces, the sale slammed through over 1000 bids, up to 8400 ounces apiece in a fraction of a second. Even the Wall Street Journal ran an article on manipulation - the dump exceeded an entire average day's trading. The perpetrator broke the law and took rapid losses of \$75 million as the gold price reasserted itself in a few hours.

The WSJ failed to note that these contracts were not longs liquidating, but naked shorts - a party selling gold they did not have. These are done without posting margin. The activity is blatantly illegal.

Nonetheless, sells of this type (though not this size) are fairly common. Many occur in a thinly traded period of the day - 3am - making it doubly suspect from a profit point of view. Without multiple buy orders to hold up the price, the seller gets less and less money with each bid filled. No trader would do this for profit - if they were seeking a profit, they would have parceled it out over a period to avoid dropping the price.

The Fat Finger has been offered as an explanation. A trader could have keyed in an extra zero after the number of contracts. While this is possible, it's highly unlikely that a sophisticated trader or trading system would have no safeguards against hundred million dollar losses because of a single accidental keystroke. The accident theory is implausible. The move more or less screams manipulation. Somebody controlling a lot of money wanted to slam the price of gold and could afford to take a sizeable loss. But why do it?

One potential seller works at the Bank for International Settlements (BIS). Mikael Charozé's bio at the BIS listed "interventions [and]... proprietary positions on all currencies including gold," until the Zerohedge website posted it. A few days later, those parts of his job description had been removed from the BIS site. It cannot be proved, of course, because everything lies under layers of what seems to be intentional confusion. And central banks have a wall of silent policy against any criticism, especially from the people they claim to serve. It's all part of the gold wars.

The logic is simple enough from the bird's eye view. A swiftly rising gold price reveals the mismanagement of the currency, like the expiring canary in the mine. Therefore it is suppressed surreptitiously. Because paper currencies rely totally on faith, central bankers take it as part of their duty to manage that faith and maintain confidence in the currency. If gold shot up to \$10,000, world banks and investors would become very, very concerned about their dollar holdings. Most other items are openly managed - food and oil prices

(through subsidies and reserves), inflation, inflation perception, interest rates, money supply and financial risk. Those who question the manipulation of gold should be asking the polar opposite question: why wouldn't it be manipulated? It's the key metric of faith-based currencies. Managing the gold price is a central banker's job.

The gold wars are the cornerstone of a much larger overall context – currency, trade and actual wars. As part of the gold wars presentation, it's important to establish that the financial system is secretive, corrupt and highly beneficial to a few. In short, it's rigged. To prove this contention, it's necessary to establish motive, means, and escape. The motive here is to preserve a failing system, the means is control of regulators, and escape from public detection is through control of public perception – the cover-up. People never know what really happened. The MF Global fiasco and other financial crimes that we will explore are an easy way to prove corruption and elite benefit. The Petrodollar/ global reserve currency system and its stunning hegemony over world politics is the principal motive. The primary means is by control of the currency. The secondary means include repeal of the Glass-Steagall Act, emplacement of corporate execs into regulatory bodies, the entrenchment of too big to fail notions and policies, and countless other methods. The escape vehicles include the loss of independent media, consolidation of media into a few companies, ignoring the public, foot-dragging investigations, obfuscation, ridicule of opposition, and secrecy by claiming national security interests. These are among the topics to be covered.

The diminishing marginal productivity of debt in the US is scary. Around 1965, the debt to GDP ratio crossed 1:1. Before then, a dollar of debt created at least a dollar of GDP increase. That's sustainable. Since then, the long-term chart is vicious and steadily downward. In 2010, it crossed the zero bound – more debt created no GDP increase. It's actually been forced to occur sooner because of the enormous extent of monetary creation since 2008. The sharp jag below zero is clear and striking. Debt saturation is in full swing. Incomes have not kept pace – they can no longer service the debt. It's tough to say what happens now, but probably (and strangely) new debt will contract GDP. As the zero bound is more clearly left behind, economic dislocations become more and more violent. Volatility goes haywire. The debt creation becomes a black hole. As this book shows, we're already there.

The central economic problem in the world today is debt saturation. This is a direct offshoot of the current monetary system – fractional reserve banking. The public has almost no understanding of how money is created and that's extremely unfortunate. "It is well enough that people of the nation do not understand our banking and money system," Henry Ford said. "For if they did, I believe there would be a revolution before tomorrow morning." Money, in today's world, is created from debt. All money is created when a bank loans it into existence. It is extinguished when the loan is paid off, but sufficient money to also pay the interest (bank profit) is not created. Consequently, there is always much more debt than money to pay it – scarcity is built in to the system. Numerous problems result, some obvious, some not. We will explore this strange system in much greater detail, but one salient fact is most disturbing. It requires perpetual growth at an increasing rate to sustain the system without implosion because of the inbuilt shortages of money. It inevitably leads to a debt crisis, as Ludwig von Mises postulated six decades ago. He called it a systemic crack-up – a global reset. Leaders have greatly increased sovereign debt in response, but the solution to debt is not more debt. It is default. What cannot go on forever not only must but will end.

In the past, money was directly issued and backed by precious metals. Or it was coinage. This required no debt and no perpetual growth. It was stable. Gold systems are not perfect – no system is. However, they have proved far more durable and self-sustaining than debt based money. True gold standard economies do not need to be centrally planned – they have built in self-corrections to prevent modern excesses. Central bankers express great disdain for such systems publicly because they prevent excesses. Gold is the mortal enemy of modern money.

Without the gold anchor, the world economy has become seriously unbalanced. Greek one-year debt hit a high of 140% interest in 2011. Under Generally Accepted Accounting Principles, the 2011 US deficit exceeds \$5 trillion – far more than the government-accounted \$1.5 trillion. The entire US obligations would be \$60 to \$200 trillion, depending on who did the estimating. The total of accounted for derivatives is \$600 trillion by BIS measures and undisclosed bets might easily double that total to over a quadrillion – twenty times the world’s economy. Central bank balance sheets are bleeding red from buying worthless paper to prop up failing banks. Financial giants are leveraged at many times their reserve assets, making them insolvent in even a slight downdraft. The Federal Reserve has issued \$23 trillion in zero interest loans since 2008. Something is seriously wrong. The global economic system is dying and the illness is being hidden from view.

Trust is one of the great missing elements of today’s system. That lack is a primary reason that precious metals will continue to steepen in demand –they alone require no trust. There are many components of trust necessary for a strongly functioning economic system. Virtually all of these components are now AWOL. A citizenry must believe that its leadership has their best interests at heart, even if the actions taken are less than perfect. If the leaders are seen not as flawed, but as corrupt, deeply self-interested, or worse, tyrannical, then many decades of trust will evaporate in a few years. We are close to that point.

Likewise, the citizens must believe the banks are functional utilities serving a basic societal need rather than profit-driven entities focused on investment and returns. Today, most people think that banks are wildly speculative enterprises, risking the nation’s very health. The truth is less important than the perception. Some make the case that in actuality leadership and finance have been utterly self-interested for a very long time and have simply managed to disguise that fact from the public through skillful and extensive PR. Because the increasing systemic strains are making it impossible to paper over, the truth is emerging. The evidence of long-scale deception is an interesting topic we will address.

One very strange lacuna in our civilization is the lack of monetary knowledge. In a well-educated system which prides itself on fundamental capitalist values, a knowledge of money would seem to be de rigeur. America lives and breathes money: it “makes the world go ‘round.” Yet mysteriously, almost no one understands this most basic and essential fact of our lives. What is money? Where does it come from? The old saw that money does not grow on trees is no longer true – money is paper. Gold has been de-monetized. It is less than paper in the case of electronic money – it is just a number in a computer.

Why the ignorance? It seems fair to blame the educational system. According to John Taylor Gatto, the missing substance is deliberate. Gatto, named Teacher of the Year, the highest honor in education, condemned the system in his acceptance speech. He roundly criticized it for deliberate mal- education of the entire population. The Department of Education was more or less designed by large private endowments. Big capital, Gatto claimed, wants a society of citizens poorly informed about many things, especially money creation and its link

to their exploitation and manipulation. Citizens are kept more compliant due to their ignorance and far less willing to question the system of big capital presently in place, or who benefits. This is breeding a society of workers, not entrepreneurs capable of innovative and nimble planning, whether on a micro scale suited to meager resources, or larger. We have a system of unbridled paper money creation, a citizenry totally ignorant of its mechanics, and a deliberate veiling of the powers that actually control it. If money is power, then the government-given authority to create it affords the exponential manifestation of that power. Keeping citizens uninformed safeguards the power holders from revolution - or at least, revolution directed at them. Cattle are easy to control.

The deeper implications of these facts are frightening when fully understood, and history bears this out many times over. Governments with too much centralized power - whether from misguided public trust or harsh repression - inevitably abuse the privilege of unbacked currencies. We'll get into some instances in the hyperinflation section. The warfare/welfare state is as old as repressive government. Rome achieved citizen compliance through a system of public dole and extravaganzas, featuring slaughter of undesirables; historians called it 'bread and circuses.' Politicians buy loyalty or enforce obedience. Both are extraordinarily expensive, beyond a sound currency's ability to support. Paper (or digital) currencies permit terrible abuses, including unrestrained war, and tyranny because there is no check on spending (or rather, printing.) The current system is out of all control. Black Swan events are causing bouts of alternating debt deflation and the policy response of firehose monetary inflation. The real economy is being destroyed by the far larger speculative economy. Short term solutions are only making the long-term problems worse.

There is now a tremendous amount of confusion, complexity, and uncertainty in the financial system. It might even be described as chaos. New terms are emerging - debt holocaust, Europocalypse, and financial Armageddon. Phrases such as "uncharted territory," "never before seen conditions," seem to be popping up all over the net and even in the mainstream. No one fully comprehends the depth and breadth of the issues - it's too vast. Therefore no one can create a real solution to save the existing mechanisms. Indeed, no solution may be possible. The reset button has been hit before - four times in the twentieth century. But this time the problems are much larger and aggravated by real resource constraints. The planet is tapped out. Growth is at its maximum. The wall is right in front of us and we are flying towards it at full speed. The system may somehow muddle through, but fools ignore these problems at their peril. In such situations, vast wealth has a historical tendency to disappear. That's because this paper-based wealth is largely illusory.

Some wealth denominators, like derivatives, are far more insubstantial than others, like the value of precious metals. Derivatives require trust in the system and the organizations holding the other end of the contracts. The system must hold fast the value of the currency, the other party must honor the letter and intent of a complex contract, a regulatory agency might be needed to enforce it, that agency must not be compromised, and the other institution must have both the solvency and liquidity to back it up. That's actually a lot of links requiring trust. It's been taken for granted - up to now. We will examine recent events that have shaken the system upside down. Hordes of honest investors and deep pockets are jumping out of major markets. They cite manipulation, lack of confidence, and even fear of outright theft.

Precious metals (PMs), held in one's own possession, require very little trust. Gold is corruption insurance. It has no counterparty obligation. There is no other entity required to uphold the value of PMs - society as a whole is the guarantor of value (though a concern



remains re their market manipulation). Metals have retained value for thousands of years – their manipulation is only short-term, and largely unsustainable. Unlike paper, gold never goes to zero. Other than that, the only risk is theft of actual physical holdings – a relatively low risk, especially if holdings are kept secret and are well-secured. In times of massive distrust, fear, and economic corruption, gold and silver become highly valued for many reasons. Systems which seek power and control hate gold. The gold wars are not new. In ancient China, people were put to death for refusing the paper currency and demanding gold. Likewise in 18th Century France. Examples are plentiful and we will cover some very instructive ones.

Nowadays, serious problems, even crises, are popping up more frequently. Fear and suspicion reign. Class war is raising its head. According to Warren Buffet, class war is already ongoing and his class, the wealthy, is winning. That's because only the wealthy understand the need to pay attention to economics. This failure by the middle class is already destroying it. People who are otherwise well educated have lost their life savings in a puff of rehypothecated smoke. Today's financial markets are little more than casinos. The long cold trade war between the uneasy great power allies – China and the US – is heating up. It is becoming a currency war. Bank runs are already happening silently (because uncovered by the mainstream media) in southern Europe. The Greek government has failed. Portugal, Spain, and even Italy are teetering on the cliff of default. The derivatives based on their sovereign bonds number in the hundreds of trillions of dollars – they're like quicksand under the global banking system. Sovereign debt is going parabolic – rising at an ever-increasing rate. Realistic unemployment numbers are approaching Great Depression levels. Tent cities are appearing nationwide. Municipalities are going bankrupt. Bizarre crime is escalating.

States are beginning to rise against the Federal government. Federal laws like Obamacare and NDAA are being rejected by state governments as unconstitutional. Some even declare a right and intent to arrest federal agents enforcing unconstitutional laws. Ron Paul made a serious run at the presidency by bucking the establishment. He fathered a groundswell of public outcry to audit the Federal Reserve, even shut it down. Occupy Wall Street became a global movement against the bankers. Particularly targeted is Goldman Sachs, which has or has had former executives as head of the European Central Bank, the Federal Reserve, the Bank of Canada, the NY Fed, the US Treasury, and in line for the Bank of England, as well as serving as unelected prime ministers of Greece and Italy, and as creators of the Euro currency. GSax has a less flattering moniker – the great vampire squid with its tentacles sucking blood from the world economy. The policy of too big to fail has created moral hazard on a scale that threatens the world's financial system.

The drums of war beat louder every day against the oil-rich Middle East and especially Iran to forestall or divert attention from financial collapse. Bizarre political issues arise, such as birthers questioning Obama's natural born citizenship status and claiming he is thereby an unconstitutional president. Meanwhile, the executive branch conducts wars without Congressional approval, burdening the nation with out-of-control debt. The world grows increasingly skeptical of US good intentions and perhaps more worrying for its leadership, of its capacity to enforce its will, leading to increasingly open hostility towards the United States. No one trusts anyone anymore. Amidst these situations, the idea of the world economy erupting in flames appears not only more and more possible. To those paying attention, it's already happening.

*And here is former Goldman Sachs executive Pam Martens on the impunity of the financial*

gangsters:

<http://wallstreetonparade.com/2013/09/jpmorgan-found-to-have-violated-both-banking-and-securities-laws-in-920-million-settlement/>

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### **About the author:**

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