The Big Banks and Commodities Future Trading Commission Conspired to Hide Speculation from Congress

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Big Banks and Government Agency Have Been Cooperating In Market Manipulation for Decades

One of our favorite topics is the many ways that big banks manipulate prices.

Last night, Rolling Stone financial writer Matt Taibbi gave some very interesting details about how the big banks have gamed commodities prices.

For 60 to 70 years, the regulations preventing speculators from betting on commodities worked pretty well. Only commodity *producers* or *buyers* – you know, the people who are supposed to set prices – could hedge their bets.

But in the early 1990s, the big financial companies starting applying to the Commodity Futures Trading Commission (CFTC) for "exemptions" … so that they could speculate on commodities.

Specifically, they asked to be artificially treated as *real* commodity producers or consumers – even though they weren't producing or buying commodities – so that they could "hedge" bets (in name only) on products they didn't even possess. (Sound familiar?)

In 1991, the CFTC started issuing exemption letters. The first letter was written to J. Aron, a subsidiary of … Goldman Sachs.

Pretty soon, *every* major bank in the U.S. was given an exemption.

Congress didn't know about the exemptions. Indeed, the House Agricultural Commission – which oversees the CFTC – didn't even find out about the exemptions until 6 years later … in 1997.

When a congressman on the Agricultural Commission asked the CFTC for a sample of one of the exemption letters, the CFTC official said he had to *ask Goldman Sachs* whether or not the CFTC could show a copy to Congress. In other words, the banks were already running D.C. by the 90s.

Commodities speculation has exploded since the exemption letters were issues.

For example, in 2003, there was only $29 billion in speculative activity in the commodities markets. By 2007-2008, there was over *$300* billion in commodities speculation.

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