Written by **Alex Newman** on May 6, 2010

Manipulation of Precious-metals Market Under Fire

The banking cartel's manipulation of supposedly "free" markets is coming under increasing fire as a broad coalition of activists, legislators, and non-profit groups target the Federal Reserve System with lawsuits, investigations, criminal complaints, and federal transparency legislation. Now whistleblowers, and even some government officials, are also taking aim at "irregularities" in the precious-metals market being orchestrated by the banking cartel and its government allies.

In a recent article entitled "Fed Facing Lawsuits, Criminal Complaints Over Market Manipulation," *The New American* reported on the central bank's blatant activities distorting the real-estate and the stock markets, as well as various efforts aimed at discovering details and restoring accountability. But the manipulation of precious-metals prices is just as serious, and equally secretive.

After being denied information about the Fed's gold-swap agreements under a Freedom of Information Act request, the Gold Anti-Trust Action Committee filed a lawsuit against the central bank in federal court. "[The Fed] came back and said they didn't have to tell us anything — that they were exempt from telling us and that it was secret information," GATA Chairman Bill Murphy told *The New American* in a telephone interview. "So then, we filed a suit in District Court in Washington to compel them to give us the information." The suit is in progress, and GATA has high hopes about it.

Murphy said his organization wants to find out exactly what the Fed and the Treasury have done with America's gold. "It's the people's gold, not their gold," he said. The manipulation of gold prices is very serious and is part of the U.S. "strong dollar policy," Murphy explained, pointing to the relationship between gold and interest rates.

"By suppressing the gold price, they can keep the dollar stronger than it would be and keep interest rates less than they would have been," he said, noting that this manipulation played a pivotal role in the current economic meltdown. "What happens is every time gold prices soar, what do you hear? Too much inflation? Crisis? It's always bad for the Wall Street crowd and the incumbent politicians.… If the gold price had been allowed to trade freely, interest rates wouldn't have been kept too low for too long," and the natural warning system would have kicked in.

And indeed, the allegations of gold price suppression seem to have been confirmed by the Fed itself. "Central banks stand ready to lease gold in increasing quantities, should the price of gold rise," former Fed boss Alan Greenspan told the House Banking Committee in 1998. In other words, if gold prices go up, the Fed will make sure they come back down.

Even before Greenspan's infamous admission, a "confidential" Fed document dated April 5, 1961, available in the Federal Reserve Bank of St. Louis' archives revealed the central bank's hand in the metals market. "Monetary authorities in the United States … have maintained the stability (and primacy) of the dollar in the international currency structure by standing ready to buy gold from, and sell it to, foreign monetary authorities who either need or acquire dollars for exchange purposes," reads the paper, entitled "U.S. Foreign Exchange Operations: Needs and Methods."

The process today works something like this: When gold goes up in value relative to Federal Reserve Notes (what Americans today call "dollars") and other fiat currencies, the central bank "leases" out some of its holdings to other institutions at a relatively low interest rate. These firms then sell the borrowed gold, driving down the price of the metal relative to fiat money. The companies then invest the cash into other assets with a higher rate of return, allowing the Fed to keep gold prices down while providing banks with an opportunity to earn more money.

The price manipulation process involves a number of players. "It's not only bullion banks like Goldman Sachs and JP Morgan Chase and HSBC, but also — we call it a gold cartel — it's also the Fed, the Treasury, the U.S. government, and the [central] Bank of England," Murphy explained. These suspicions have also been recently confirmed by whistleblowers within the system.

An ex-Goldman Sachs employee and veteran metals trader in London shocked the world last month when he went public with startling revelations. "JPMorgan acts as an agent for the Federal Reserve; they act to halt the rise of gold and silver against the US dollar. JPMorgan is insulated from potential losses [on their short positions] by the Fed and/or the US taxpayer," Andrew Maguire told the *New York Post*.

After sharing information with government investigators and accurately predicting events in the metals market, Maguire was supposed to testify before the U.S. Commodities Futures Trade Commission. But at the last minute, he was prevented from doing so. A few days after his identity was revealed, Maguire and his wife were struck by a car in a hit-and-run accident. Details about any investigations into the event have not been made public yet, sparking a tornado of conspiracy theories.

But the recent CFTC hearing on precious-metals market manipulation did include other speakers with similarly powerful accusations in addition to GATA's Bill Murphy (the TV feed for cameras suddenly stopped during Murphy's testimony, another oddity which has sparked a flurry of theories). CPM Group founder Jeff Christian, for example, revealed that bullion banks had leveraged their physical metals by as much as 100 to 1, essentially selling 100 times the amount of actual bullion they possessed, a fraudulent process known as "naked short selling."

Morgan Stanley was sued for similarly fraudulent activities in 2007 by clients who were led to believe that the institution had purchased and stored bullion on their behalf. The clients even paid storage fees, only to discover later that their alleged bullion did not even exist. Morgan Stanley settled the multi-million dollar class-action suit "to avoid the cost and distraction of continued litigation," it claimed in a statement.

But despite the deliberate suppression of gold and precious-metals prices, their value continues to rise as the Fed adds trillions of new dollars to the money supply. "Gold measures the value of currencies. And right now gold is telling us, in spite of the fact that the gold price is rigged by central banks and various entities, gold is telling us that the dollar is in danger – great danger," explained Fed foe Representative Ron Paul during a recent interview with CNBC. "We're in worse shape then we were in the 70s, and it was rather chaotic then. So we're moving into a very dangerous era according to what the gold price is telling us."

There are signs that some minimal government action is finally being taken regarding manipulation of metals and commodities markets. The CTFC last week, for example, slapped multi-million dollar fines on Morgan Stanley and a large hedge fund for just such activities. Various news reports also claim the Department of Justice's anti-trust division is looking into alleged silver price manipulation by JP Morgan Chase.

The major players in these schemes — most notably the Fed — are being targeted with lawsuits, criminal complaints and congressional legislation which would finally audit the central bank. And the pressure is building for at least some transparency as America's largest labor unions recently joined forces with hundreds of public interest groups and a significant bipartisan majority in Congress to find out what has been going on behind closed doors at the Fed for decades. But with the economy in shambles and inflation rapidly destroying the U.S. dollar, the time for action to rein in these abuses is rapidly dwindling.