Flight into hoarding signals imminent financial collapse

by Richard Freeman

"The past several months' buildup of a stampede from financial investments into hoarding of bullion, raw materials, and scarce food-supplies, signals an imminent collapse of the world's financial system," economist Lyndon LaRouche warned on Aug. 15. During the recent several months, the smart money of the world's super-wealthy families began to move out of "derivatives," i.e., speculative financial instruments, and into gold bullion, prime-quality raw materials, and scarce world food supplies. This was prompted by the recognition that a general, unstoppable collapse of the world's financial systems is in progress.

LaRouche stated, "The failure of the governments to adopt any effective plan of action for dealing with that collapse, at the recent Halifax Group of Seven monetary conference, prompted accelerated movement into hoarding. The lunatic decision of the U.S. Federal Reserve System's Alan Greenspan, among others, to adopt the same reflationary approach as the doomed Reichsmark-system adopted in 1922-23, accelerated the stampede.

"During the past two weeks, the stampede into two areas, gold bullion and metals such as tin and aluminum, broke the equivalent of the 'sound barrier' in the Tokyo and London markets. Hoarding of increasingly scarce world food supplies proceeds more quietly, but massively, through such speculators as Archer Daniel Midland's Bush ally, and Clinton adversary, Dwayne Andreas."

Stampede into gold

On Aug. 17, the Paris daily *Le Figaro,* under the headline, "Spectacular Rise of Gold Purchases in Japan," reported that in the first half of 1995, Japanese imports of gold doubled to 165.2 metric tons, compared to 85.2 metric tons in the same period last year. In the month of June alone, the Japanese purchased 27.1 tons of gold, purchases 68.9% higher than in June of last year. The Japanese economic journal *Nikkon Keizai Shimbun* has been running advertisements from metals traders, with headlines such as "The Times Are Favorable to Gold. . . . We Propose a Crisis Management by Turning to Gold."

A spokesman for the World Gold Council explained on Aug. 10 that the sharp increase in Japanese gold demand is "directly related to fears about the solvency of the Japanese financial system . . . and a desire for hard security protection . . . associated in crisis times with gold. A new investment vehicle, Gold Accumulation Plans, are being bought by private investors, creating the explosive demand for physical gold." Japan's banking system, with $7 trillion in assets and, unofficially, over $1 trillion in loan losses, is teetering.

Gold imports are exploding in the region defined as "Southeast Asia and South Korea," which includes Indonesia, the Philippines, and Thailand. Based on import figures for the first quarter of 1995—and second quarter imports undoubtedly will be higher—gold demand in this region is running at a 420 metric-ton annualized rate, 1.5 times higher than previous years' levels. Many gold importers in Asia are rich European or Asian families.

The same rush into gold is seen in the West. On Aug. 15, the head of a California-based raw materials trading firm told *EIR,* "I have been told by two sources, which I consider strongly reliable, that over the last three to four weeks, the big Swiss banks are buying gold and other precious metals." He added that other purchasers are wealthy families who buy gold for their own account.

However, during 1995, the price of gold stayed below the $390 per ounce level. There are two reasons why. First, central banks had coordinated intervention to suppress gold's price rise to preserve the appearance of the soundness of the world banking system. During the last several years, central banks sold gold whenever there was a supply shortfall, closing the gap. Apparently, now, they have abandoned this strategy: Worried about financial collapse, they want to keep gold in their vaults. After a lag, this change could allow gold prices to rise. Second, instead of buying gold bullion, some investors prefer buying gold mining company shares, which are cheaper and confer actual physical ownership of gold. This is at the center of the London oligarchy's strategy and deserves special examination.

Global gold reorganization

On Aug. 15, a European source told *EIR*, "quietly over the period since the 1987 stock crash, City of London interests have reorganized their control over strategic gold and mining interests as never before. Today, gold is a British-controlled game." The source stated that four companies, Barrick, Hanson Group, Rio Tinto Zinc (RTZ), and Newmont Mining, have developed low-cost mines around the world, including in the United States, and begun to undermine gold production in South Africa. He said, "because these companies have concentrated on low-cost [$180-$220 per ounce recovery cost] gold, significantly below present South African production costs of some $275 per ounce, they can still make a significant profit at today's prices of near $380 per ounce."

The wealthy are putting money into these companies' shares to make money and gain strategic control:

1) Barrick Gold Corp., based in Toronto, Canada, is the third largest gold producer in the world. The board of Barrick overlaps other key British companies and financial interests: Barrick chairman Peter Munk is an intimate of Windsor financial front-man George Soros. Canada's former prime minister, Brian Mulroney, who owes his career to Hollinger Corp. Chairman Conrad Black, is also a Barrick director. (Hollinger is spearheading the Whitewater attack against President Clinton.) Barrick's international advisory board includes former U.S. President George Bush. During 1989-94, the share price of Barrick's subsidiary, American Barrick, *multiplied six times*.

2) Newmont Mining, which owns a major part of Nevada's profitable Carlin Trend. Its shareholders include Lord Jacob Rothschild, Sir James Goldsmith, and Soros.

3) RTZ Corp. PLC, the world's largest mining company, and a core asset of the London-based Club of the Isles. RTZ's 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 a director of Hollinger's *Daily Telegraph*.

4) Hanson PLC, which owns the largest share of Renison Mining of Australia, is intimately tied to Baroness Margaret Thatcher. It was Thatcher who arranged to have Lord Hanson made a life peer. Simon Keswick of Jardine Matheson, the old-line China opium-running outfit, is also on Hanson's board. Hanson executive director Anthony G.L. Alexander is also a director of Inchcape PLC, the successor of the China opium-running P&O Steamship Co.

As a result of this British-run global shift over 1987-94, South Africa mine production stagnated at 600 metric tons. But under control of these companies, gold production in the United States leapt from 139 metric tons to 330 metric tons; in the British Commonwealth country of Australia, it rose from 95 tons to 250 tons. Britain's strategy: If the crash inevitably comes, strategically control the key resources.

Food and other raw materials

Like gold, silver is a precious metal. Last February, silver's price was $4.35 per troy ounce. Then, during Easter Week (April 16), an unidentified purchaser instructed Salomon Brothers' raw materials trading unit Phibro to take physical delivery of 25 million ounces of silver. This action drove the price of silver up to $5.75 per ounce at the time. The mystery purchaser sent trucks up to the New York Commodity Exchange building to load this nearly 75 tons of silver bullion and take it to banks in Delaware.

During the week of Aug. 7, another large purchaser was in the market. Because the silver supply is tight, his purchases drove the lease rate of silver—the rate at which one can borrow the metal—from the normal 1%, to 7%, pushing up the price of the metal again.

There is also the base metal group, which includes copper, aluminum, tin, nickel, zinc, lead, and iron ore. Excluding carbon-based products, these seven base metals constitute 50-60% of the weight content of all manufactured goods in the world. Thus, controlling them gives one strategic influence over industrial production. Consider what is happening to some of these metals:

Aluminum: The price of aluminum shot up 6¢ a pound in just three days, closing Aug. 15 at 89¢ a pound. Aluminum was trading at 53.3¢ a pound in 1989, when the price of aluminum was depressed, and at 65¢ a pound in 1994. The two-year rise has been spectacular.

Copper: Copper was trading on the London Metal Exchange at 86.9¢ a pound in 1993, at 101¢ a pound in 1994, and 137¢ a pound on Aug. 15.

Tin: The week of Aug. 7, tin rose to a three-year high of over $7,000 a ton, because of a large hoarding position in tin by Barclays Bank.

Food: The total world grain harvest forecast for 1995, at 1.728 billion tons, is below the level of recent harvests, and well below the 3 billion tons a year that *EIR* calculates is necessary to guarantee the necessary caloric and protein intake for every human being. Furthermore, next year, world grain reserves are projected to fall to 203 million tons, the lowest level since 1960. At the center of the grain hoarding is George Bush ally Dwayne Andreas's Archer Daniel Midland. Andreas is on the board of British Intelligence's Hollinger Corp.

Thus far this year, the price of wheat is up 40%, and corn's price is up 15%. A source at the World Bank reported on Aug. 15 that he expects the price of wheat to rise further, and the price of corn to zoom at least 20%.