



Written by [Alex Newman](#) on April 16, 2013

## After Gold Crash, Experts Point to Central Bank Manipulation

In the wake of gold prices cratering in recent days, more than a few prominent experts have already started pinning the blame on Western central banks — especially the Federal Reserve and the European Central Bank (ECB). According to numerous analysts, the central bankers are desperate to salvage their fiat currencies and eliminate competition as “monetary authorities” continue to create ever-greater quantities of euros and dollars out of thin air.



Some experts, whistleblowers, traders, and former officials say the Fed dumped as much as 400 or even 500 tons of “paper gold” on the market — metals that it might not even have — as part of a naked short sale aimed at driving down the prices. Other analysts, especially among the establishment, pointed to the ECB chief’s recent suggestion that struggling European authorities in countries such as Cyprus would have to sell their precious metals to keep receiving bailouts.

Gold prices plummeted from above \$1,550 an ounce on April 11 to below \$1,400 by Tuesday, with April 15, seeing the biggest single-day drop in some three decades. Prices for silver witnessed similarly massive declines, dropping to below \$24 from around \$28 less than a week ago. Analysts referred to the plunges as a “blood bath” that triggered even more sell orders.

However, all of the economic fundamentals that sent gold soaring from about \$400 an ounce a decade ago to more than \$1,900 an ounce — [wild currency-printing binges by privately owned central banks such as the Fed](#), for example — remain in play. Indeed, monetary authorities in the West have actually expanded their unprecedented so-called quantitative easing (QE) programs in recent years amid a supposed effort to revive the economy.

Economist Dr. Paul Craig Roberts, assistant treasury secretary during the Reagan administration and former editor of the *Wall Street Journal*, is one of many experts who argue that the recent collapse in gold and silver prices was carefully orchestrated by the Fed and a coalition of allied mega-banks. In a widely cited analysis of the recent plunge in precious metals entitled “[Assault On Gold Update](#),” he said the U.S. central bank was “rigging all markets” — bond prices, interest rates, and of course, the bullion market.

The purpose, Roberts argued, is to protect the value of the dollar while the Fed continues adding to the supply of fiat U.S. currency faster than demand increases. If the dollar’s exchange rate were to fall, prices would rise, the Fed would lose control over interest rates, the bond market would collapse, and turmoil would reign in the financial system, Roberts noted. So, the U.S. central bank had to act. According to Roberts and other experts, it did so by selling “paper” gold that may not even really exist — naked short selling, in other words.

“Rapidly rising bullion prices were an indication of loss of confidence in the dollar and were signaling a



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drop in the dollar's exchange rate," Roberts explained. "The Fed used naked shorts in the paper gold market to offset the price effect of a rising demand for bullion possession. Short sales that drive down the price trigger stop-loss orders that automatically lead to individual sales of bullion holdings once their loss limits are reached."

Ex-Goldman Sachs employee and veteran London metals trader Andrew Maguire, who [soared to prominence after blowing the whistle on the Fed's manipulation of gold and silver prices](#), offered a stunning analysis of what happened in the bullion markets in recent days as well. In an interview with King World News, Maguire said that more than 500 tons of "paper gold" had been dumped on the market on April 12 — the day gold prices started dramatically tumbling.

"It just amazes me how people concentrate on what's happening in one paper market," Maguire explained, adding that he expected a rebound in prices as shortages develop in the physical gold market amid massive central bank purchases out of countries like China, Russia, Brazil, and India. "I think we've reached a point of capitulation. I cannot see how the central bank buying cannot overwhelm all of these short sales, despite the leverage."

Former U.S. Treasury policy chief Roberts cited Maguire and agreed, pointing to "powerful" circumstantial evidence of Fed intervention in the gold market. However, despite dramatic central bank manipulation, the scam could be on the verge of coming apart at the seams, Roberts explained, citing strong signals that the Fed would not be able to come up with the physical supply on demand.

"Unless the authorities have the actual metal with which to back up the short selling, they could be met with demands for deliveries," Roberts noted, pointing to the Fed's bizarre decision not to send Germany's gold after it was formally requested. "Unable to cover the shorts with real metal, the scheme would be exposed."

So what does it all mean? "I see the orchestrated effort to suppress the price of gold and silver as a sign that the authorities are frightened that trouble is brewing that they cannot control unless there is strong confidence in the dollar," Roberts concluded. "Otherwise, what is the point of the heavy short selling and orchestrated announcements of gold sales in advance of the sales?"

Of course, Roberts is hardly the only prominent expert expressing deep suspicion about what is going on in the bullion markets. Robert Fitzwilson, founder of the investment management and financial advisory firm The Portola Group, argues that what is happening is essentially a heist aimed at looting the wealth of innocent people worldwide — indeed, an act of "terrorism" perpetrated by the establishment against unsuspecting victims.

"It is a robbery," he explained matter-of-factly. "It is about taking that person's money or other valuable items. The purpose of Friday's mugging was not to send a message. It was about confiscating wealth through fear, and it worked beautifully. Untold billions of real wealth was forcibly transferred to concentrated positions at certain institutions and countries through this act of financial terrorism. It is not personal. It is simply about taking your wealth."

James West, publisher of the influential investment-focused Midas Letter, [argued](#) that the recent collapse in metals prices was actually the best example yet of how the Fed-sponsored "American Syndicate of Collusion and Manipulation (AMSCAM)" operates. "It's as plain as the false U.S. economic recovery, and anybody who can't see it should consider a lobotomy," he wrote.

Simplified, West said, the scam works through an unholy alliance of mega-banks such as Goldman Sachs building up massive short contract positions in the futures market without executing the trades,



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putting up only five percent of the cash for the contracts. The Fed-backed bankers then get the establishment press to encourage shorting gold, pointing to an alleged “recovery” in the U.S. economy. Finally, the trade is executed; sending prices plummeting and encouraging holders of physical gold to start selling while the bankers “mop up” as the market craters. “Rinse and repeat,” West wrote of the scam.

“The sheer intensity of the Friday gold assault is indicative of the depth of commitment by the members of AmScam’s group to the destruction of gold’s price correlation to economic and currency health,” he added. “This latest attack on gold is a direct response to the Japanese launch of its intensified \$1.4 trillion asset purchase program. The move by the Japanese has notched up the currency devaluation competition, and AMSCAM realized that this move would drive investors away from currencies generally and into precious metals. This is a bald-faced attempt to destroy the appeal of gold as a safe haven against debased fiat currencies.”

Even as much of the “establishment” gloats about the crashing of gold prices — *The New York Times*’ discredited Keynesian “economist” Paul Krugman was quick to celebrate the news as a vindication of his radical theories — [countless experts say now may be a good time to buy more physical metals](#) at a discount. This writer attempted to purchase some today; the little store was packed and most of the bullion was sold out, including silver that had not even arrived yet. Indeed, the fundamentals have not changed: central banks are ramping up the currency printing, none of the systemic problems that led to the recent financial crisis has actually been addressed, and the economy has hardly entered a true, sustainable “recovery.”

“It seems to me that what is intact at the moment is the determination of central banks to print their way out of trouble, which is terrifically bullish for gold over the long term,” James Grant, publisher of *Grant’s Interest Rate Observer*, [told](#) Bloomberg in a TV interview about the recent crash in prices. “Gold is not so much a hedge against inflation as it is against monetary disorder.... I am indeed bullish on the stuff — bullish but chagrined.”

Citing a wide array of experts, *The New American* magazine [explained in detail how the Fed was manipulating markets](#), including gold and silver prices, in a 2010 report about how monetary authorities have essentially rigged markets in everything from stocks and bonds to bullion. “Central banks stand ready to lease gold in increasing quantities, should the price of gold rise,” then-Fed boss Alan Greenspan told the House Banking Committee in 1998. In other words, if gold prices go up, the central bank will make sure they come back down. The Fed has publicly admitted as much.

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 minutes from Fed “Open Market Committee” meetings showed the central bankers jubilantly admitting that even mentioning a possible gold sale would drive the price down. The Fed, of course, also admits that it is a privately owned institution.

As of noon Eastern Time on April 16, gold had rebounded by about \$40, though even the most determined bulls say the price could go even lower. Still, numerous experts say it may be a good time to buy — especially if there really is a shortage in the physical market developing, as evidence and



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analysts suggest. Meanwhile, as *The New American* reported in February, [2012 saw a record demand for gold, with much of it coming from central bankers](#) in BRICS countries.

“On the other end of this ripple [caused by the Fed dumping gold], almost the same amount of gold is being purchased by the Chinese,” [explained](#) CEO Art Thompson with The John Birch Society, a conservative organization and affiliate of this magazine that follows the issue closely. “Those that have the gold rule; that’s the way it is. Follow the flow of gold, you can see the flow of power — that is an ancient reality.” He added that the establishment media was also pumping out articles aimed at getting average people to sell their precious metals, but the reality of what is going on is not being addressed.

The socialist and communist-minded regimes ruling the BRICS countries, meanwhile, recently [signed their latest declaration](#) calling for a [global currency managed by the International Monetary Fund](#) (IMF) that would presumably replace the U.S. dollar as the world reserve eventually. They also called for Third World rulers to have a larger role in the international monetary system. As they continue [gobbling up gold](#) at what strongly appear to be artificially depressed prices, the BRICS rulers may ultimately get what they want — at least if and when the dollar finally loses its prized status as the global reserve, forcing a complete redesign of the global system. In the end, if nothing is done, Americans will likely end up among the biggest losers.

*Alex Newman is a correspondent for The New American, covering economics, politics, and more. He can be reached at [anewman@thenewamerican.com](mailto:anewman@thenewamerican.com).*

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