

THE DOUBLE WHAMMY OF GEOPOLITICAL GLOBAL GOLD GAMES

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Even the most rabid silver bugs admit the possibility that the Chinese are the Big Silver Shorts. This suggests that the Big Gold Shorts are also governments. Neither are naked by any stretch of the imagination. The double whammy of gold and silver accumulation by unnamed governments is the big puzzle of the present financial crisis in the world as it holds the key to the resolution.

For a better understanding of the Chinese silver picture you have to know a little background of the role of silver in China. The facts are as follows. China has been on a silver standard since time immemorial. China stayed on the silver standard after other trading nations of the world demonetized silver and embraced the gold standard at the end of the 19th century. China's external trade was insignificant, but the volume of silver currency for domestic use must have been enormous. In addition, there was an avalanche of silver from abroad raining on China. As the silver price fell over 75 percent from \$1.29 in 1873 to \$0.25 by 1932 (with a brief spike back to \$1.29 at the end of World War I), other governments were dumping silver on China mercilessly. China was the only country on the silver standard and the Chinese central bank had to take all the silver offered to it at a fixed price. This situation lasted right up to 1949 when the Communists took over the government. In fact, several Western historians blame the Communist victory on the unprecedented silver inflation that Western governments inflicted on the Chinese economy by their insane silver dumping policy before World War II.

Nobody knows how much silver the Chinese Communists found in bank vaults and in the safe deposit boxes of Chinese merchants who fled the country, when they took over the mainland. Nobody knows how much silver is still hidden in the mattresses of Chinese peasants. The amounts must be enormous. The best estimate is that most of that silver has never been consumed and still exists in monetary form. China's primitive economy under Mao was in no position to put that silver to industrial use. All that silver is now at the disposal of the Chinese government that could easily buy up silver coins scattered around the cities and in the countryside, at the present rising price of silver.

China is the only country in the world that has consistently run trade surpluses since 1950. As far as it is known, silver never figured in China's exports (except re-exporting foreign-owned refined silver.) Why should the Chinese export silver, when they could export almost anything else? Silver to the Chinese mind is money. You don't export money unless you are forced to cover your trade deficit, of which China has none. China has always paid for its imports with exports, a smart thing to do, too.

The Chinese are alive to the fact that escaped the silver bugs in the West, that you can derive a silver income from your pile of silver by covered short selling, *even while retaining physical control of your silver hoard*. **THIS IS AN UNPRECEDENTED BONANZA IN THE HISTORY OF MONEY.** It has never before happened that you earn interest while retaining physical control of your money. Typically you have to release control of money in order to earn interest income, that is, you have to assume risk. Lending money necessarily involves risks: the borrower may default. But if you don't give up physical control, then you will escape the monetary debacle unscathed. Because of the imbecility of the managers of the paper dollar standard there exist durable risk-free profit opportunities in holding monetary metals in the balance sheet. The trick is: covered selling. That's possible because the price of monetary metals has been allowed to fluctuate. The price fluctuation of a monetary metal, like the flow-and-ebb of the oceans, represents energy. Energy that can be harnessed. Energy that can be harnessed only by those who understand monetary economics.

The Chinese are not stupid. They looked askance at the silver and gold demonetization farce perpetrated on a gullible world by Western governments. (Gold was demonetized 100 years after silver had been, in 1973.) They are not falling for the cheap trick. They hang on to their silver. They make most of the stupidity of their adversaries. Nor are they in a hurry to push the silver price to three or four digits in order to sell their silver for a quick profit in irredeemable dollars (which is what the get-rich-quick crowd plans to do). Rather, it is in their interest to derive constant and consistent income in silver from covered writing, or using other dynamic hedging strategies. Why should they trade their silver for dollars, when they have far more dollars already than they want?

From the point of view of the Chinese, a slow rise in the silver price (and a gradual rather than an abrupt depreciation of the irredeemable paper dollar) appears more desirable than an overnight jump in the silver price to three digits that would put an end to their lucrative silver income from covered writing. They certainly have the clout to dictate the pace of silver price appreciation, and probably also of paper dollar depreciation.

The Chinese are inscrutable. They don't show you their blueprint for the new international monetary system which they plan to impose on the world after the inglorious end of the paper dollar era. It may be a born-again silver standard. The Chinese are using their cash silver and the silver income derived from covered writing as a hedge for their exposure to irredeemable paper dollars to the tune of \$1.3 trillion, by far the largest accumulation of dollars the world has ever seen. What they will lose on their paper portfolio they will gain on their cash silver position. They will probably gain much more. While the finance-capital of the world denominated as it is in paper dollars is programmed to self-destruct, the Chinese will control much of the liquid capital in the world after the dollar-debacle. They will be a great source of capital exports, if you can pay their price, that is.

The Chinese can earn their way in the world. They can work when work is necessary, and they can save when saving is called for. They are doing fine, thank you very much. You need not worry about the Chinese losing their kitty of \$1.3 trillion invested in U.S. T-bills and T-bonds.

However, you had better start worrying about America which is no longer in control of its economic and financial destiny. It has let world monetary leadership slip out of its hands. America's industrial capital is in shambles. From the largest creditor it turned itself into the largest debtor. The light has gone out at the great American universities as far as monetary science is concerned. Through bribe, blackmail, and attrition all upright and serious monetary economists were bumped from their academic chairs. The Great Chinese Cultural Revolution was a picnic in comparison to the Great American Cultural Revolution eliminating monetary economics from the curriculum. Courses on money presently taught consist of pure Keynesian and Friedmanite bunk.

It is a farce to blame the present financial crisis on lax lending standards and rogue traders. What we see is the return of the chickens to roost. This crisis has been in the making for over a century, involving the so-called demonetization of both monetary metals. The move was inspired and led by the United States. In particular, the so-called demonetization of gold was designed to camouflage the default of the U.S. Treasury on its gold-obligations. The industrial nations of the West did not even say 'ouch' when America's default caused them losses measured in hundreds of billions on their holdings of dollars in 1971. They became accomplices eager to start milking their own savers and producers by joining the paper-money farce. The day of reckoning dawns.

America's plight is self-inflicted. Yet America could still turn the train of monetary events to its advantage, reclaiming monetary leadership, if it opened the U.S. Mint to gold and silver. It should do it before China or Russia opened theirs. Unfortunately, there does not seem to exist one grain of wisdom in Washington to see this, let alone to do this. It would take the election victory of the maverick candidate, Dr. Ron Paul, Minority of One in the House of Representatives, to pull it off. It is certainly a proof of the American genius that great crises produce great men who are capable of dealing with them. If the Chinese beat America to the finish line by opening their Mint to silver, then the silky metal would be the international currency of the future.

Next to the Chinese the Russians are the most inscrutable players, ganging up against America's monetary hegemony. Their turf is gold. Perhaps it will be the Russians who will beat America to the finish line by opening the Russian Mint to gold, even before the Chinese open theirs to silver. Either way, America would be left in the lurch, denuded of its industrial capital, its savings, but left with a pile of worthless paper, and paper-worshippers in charge of the Treasury, and in charge of teaching monetary economics at all levels.

America can then embark on the arduous path to accumulate capital from scratch, while Russian and Chinese capitalists will be producing goods in spanking new plants, aided by spanking new equipment, complemented by shiny gold and silver pieces to trade their products world wide.

It is past wake-up call. To save itself, America had better listen to the message of Ron Paul who, in a counter double whammy, would open the U.S. Mint to *both* gold and silver if elected President.

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