

# **SILVER STORM IN WASHINGTON D.C.**

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True to form as predicted in the previous silver essay hosted here, the informational media remains as silent as a gagged man in an undiscovered cave concerning what various of them undoubtedly know is nearing---the unavoidable cataclysm in the silver market. Naked short sellers and industrial users have had their way with silver for long years, and some of them thought it could go on forever. With the COMEX, CBOT and CFTC having the attitude towards the users and the bullion bank shorts of “do what thou wilt shall be the whole of the law” they were free to raid the candy store for a generation, with the deficit covered by the central bank leasing shenanigan. Now we tell them, keep the price suppressed, if you can, when supplies of interest rate sensitive (leasable) silver are as extinct as the passenger pigeon! This arrogant band of manipulators with their egotistical attitude like the kept press, which has covered up their termite-like activities will have to send its most glib talking representatives to Congressional hearings once the Senate and House are forced to start public investigations of the silver shortages. The struggle for honest information is soon to commence. Expect the media to edit out those parts of Congressional hearings, which would depict short sellers and the users lobby association as having created the shortage. They have inexorably done so by consistently making silver mining profitless by rigging the price at fraudulently low levels. Expect also that proposals will be entertained to force Americans to sell their bullion and coin silver at a fixed price of \$5 per ounce to some Homeland Security Agency. Indeed, such a bill has probably already been drafted (in Manhattan) and ready to be launched! I propose instead, that for justice to be had, that those culpable for the shortage---naked short sellers---the CFTC and COMEX has their exact identity, and the Silver Users Association, be assessed the cost of procuring a new national strategic silver stockpile of perhaps 300 million ounces. If the price spikes to \$200 an ounce, let these entities be assessed the entire \$60 billion in costs and be forbidden to pass the loss along to consumers by elevated product prices.

Recall that Jerome Smith in his 1983 book, “The New Boom In Silver,” predicted silver would reach \$200 per ounce by 1986. What he hadn’t figured on 19 years ago was, central bank “leasing,” now over or very soon to be, with something on the order of 1 million silver ounces vanishing into the black hole of the deficit every three days! Silver leasing is an act whose time is OVER; so, I suggest we will see the \$200 price projection fulfilled on the not too distant horizon! The suggestion that the users lobby association should be compelled to answer financially for the vanished strategic stockpile---and the harm done to consumers because of raw material shortages, should produce goblin-like faces at Tiffany & Company, who will raise hell about higher silver prices, but are certainly ready to take advantage of a return to \$62,500 per carat for 1 carat D-internally flawless diamonds (come on, admit you’ve bought all you could find in Antwerp and Tel Aviv and on 47<sup>th</sup> Street

for under \$20,000 per carat.) Making big profits isn't wrong if you belong to the right association; otherwise, Congress should disallow it! Did you know that when you buy any diamond at Tiffany's you're paying some of the very highest rates in the industry? In the mid-1980's I priced a diamond necklace at one of their stores.

Though I wasn't as well connected on the supply side as they are, I determined I could have an equivalent item produced for \$24,000 versus their \$114,000. I smell hypocrisy---page 164 of Fay's book, "Beyond Greed" (mentioned in the July essay) noted Walter Hoving (then chairman of Tiffany) had a dislike for Bunker Hunt, and placed ads in the New York Times complaining about those who invested billions in silver, driving the price up. Why is it acceptable to markup jewelry as much as 5x cost (charging for an arrogant, snob name) but if someone---other than fabricators---wants to make money in silver, it's unconscionable! Some of you may recall the price of perfect diamonds spiked along with silver and gold, in 1979-1980. Reading Fay's book, realizing he was in the pay of the Astors at the time, with all his sniveling remarks as to how lovely people like Hoving and Milton Rosenthal were (then chairman of Englehard), it's a wonder he didn't say, "If the silver users and shorts continue becoming more morally and intellectually superior by the moment, why the things they could do---like maybe a GOD could do!" Then there will be those members of Congress who, believing the Federal Reserve and the Treasury to be financially god, will be wondering, with spittle dripping off their chins, why real silver doesn't come off a printing press!

## **TESTIFYING BEFORE THE FIRE ANTS!**

Here in Texas we have an unpleasant South American import, the well-known fire ant. Sometimes very large mounds of earth are seen, and the slightest disturbance to the surface of the mound instantly brings these explosive creatures boiling out, racing around by the thousands looking for something to sting. Capitol Hill, with respect to the eruption of the silver crisis, will be like a huge fire ant mound, with Congress angrily demanding answers to the shortages and soaring prices. Doubtless certain members of Congress have visited the Silver Institute website over time, and seen the figures concerning the ongoing deficit, and dismissed it without worry! Perhaps some commodity broker told them to dismiss the deficit statistics as long as the phrase "lease rates" could be found somewhere! Maybe they also figured all we need is a COT report, rather than increased mining! They've had years to intercept this situation before a shortage became unavoidable, but did nothing about it; it makes you wonder what sort of PAC money they've been accepting. Who will Congress seek to crucify when the silver storm starts? Not Bunker and Herbert Hunt---out of silver since 1986, busted, flat broke and beat! Not the silver companies, who haven't been in production at prices that would bring them losses. The only large individual holder of physical silver is, or was, Warren Buffett, and his association with the Washington Post should soften the publicity blows he takes. I assume Theodore Butler, David Morgan, and their counterparts in gold including Bill Murphy and Robert Chapman, are ready to give testimony to the Senate and House on all relevant matters. Any of these gentlemen, and any of the silver mining executives, doubtless have light to shed on these issues. If anyone wants me to speak

to any related issues, I state unambiguously that I cannot add anything to the nuts and bolts of the commentaries already posted on the web by these men. However, to say that the naked shorts and the users association are solely to blame for the silver crisis is to miss pulling down someone's pants, which desperately needs doing, and which was last attempted by a member of Congress in 1940. All things at the proper time! Remember Wright Patman (1893-1976), representative from Texarkana, Texas, who was a critic of the Mellon banking interests and for years attempted to have the Federal Reserve System audited, and could never get enough supporting votes? This is the sort of Congress we're up against.

What it comes down to is, that viewpoint will prevail which can muster controlling votes on Capitol Hill; either, make the shorts and their allies foot the bill; or, force the bill on the taxpaying public, and attempt to screw silver investors out of any profit at the same time! To be protected from rule changes on the COMEX and CBOT by not being active there may not be enough! A class action lawsuit on behalf of taxpayers may be in order, possibly certain of the law firms which litigated the tobacco industry should be interested. Such law firms must see to it that the Justice Department is forced to start punitive antitrust action (against what Butler called the Comex Silver Cartel.) In all seriousness I tell you, the same elements who crushed the Hunts 22 years ago, and who have drained the world of silver inventories at theft prices making the shortage and crisis unavoidable, are the same group who conspiratorially planned the recent series of huge corporate stock busts. These events were planned in secret for the purpose of transferring America's payrolls to a spectrum of insiders with certain skills—expendable analysts and executives selected to take the blame and punishment, while the majority of the pirated funds are retained by elitist looters. A prime example is that of recently arrested (for securities fraud) John Rigas and his two sons, founder of now bankrupt Adelphia Communications, who looted the company of close to \$1 billion, yet according to a BBC news item on July 24, total investor losses are about \$60 billion. You have to wonder about most of the rest of the remaining \$59 billion—in whose pockets does it now reside? An entirely reasonable view is—if securities fraud is punishable by jail time—commodity fraud should be as well. This applies equally to any accomplices who made fraud possible, when they could have prevented or stopped it!

## **THE BATTLE OVER SILVER LEGISLATION!**

Be assured, the octopus is ready to unleash its far-reaching tentacles! Meaning, those who have lobbied and manipulated the silver price so low for such a lengthy period of decades as to create the severe shortage the industrialized world now faces, will flex their many muscles and commission all their hatchet men to assign blame elsewhere; and to attempt to deny all profit to investors in physical silver. As far as proposals to nationalize silver mines in the U.S., this becomes trickier for as we all know by now, the two best silver companies in the world are Canadian based.

**America dare not so grievously offend a key trading partner! It seems untenable to say then that mines owned here by American based companies could be treated differently. To return to the influencing of Congress, however, where the silver storm will violently rage as to national policy on the strategic metal---begin with the desolate realization that the principal thing most Senators and Congressmen care about is---what do they have to do to be re-elected? Their political career is what they care about, not the fate of constituents as such. The battle will be decided by what type of action they perceive will get them the most support where they run for office---they must either assign blame to the shorts, or to the longs. All representatives from Congressional districts where Silver Users Association members employ thousands of workers can be anticipated to blame the longs for the crisis. All shareholders of Silver Users Association members and bullion banking giants will assail Congress to blame the longs, and to penalize them by denying them a profit from holding silver. All the media giants will echo this message. Facts and truth will be in short supply. The fact that these companies have many more shareholders and employees than those of silver companies, is not in our favor. Either the rules must be the same for shorts as for longs, or silver should be permanently delisted from trading on commodity exchanges. There was an attempt some years ago to list diamonds as tradable futures; however, the DeBeers cartel and the diamond dealers moved to squash that. And lucky for them they did so; else shorts would have conspired to deny producers profits there also. Maybe someone knows if Tiffany & Company, the big overpriced snob jeweler SUA member who won't sell items for men, was involved in the attempt to trade diamonds on the Comex.**

**One big thing we have going for us is the likes of Gates, Soros and Tisch having silver share positions. No law can be enacted saying, only if you are already very wealthy, can you be allowed to profit in this sector. Another silver forecaster from years past, Doug Clark, in "How To Survive the Money Crash" (1979) listed 34 reasons for owning silver, which are all even more to the point today, with leasing over or very soon to be.**

## **POSSIBLE ALLIES IN THE CONFLICT**

**In order that the average taxpayer and citizen not be screwed for the excesses of those who held silver prices down for so long, I urge (provide a better suggestion if you can) that certain organizations be enlisted in the struggle to assess the costs of the silver crisis where they belong---to the chronic naked short sellers and their cohorts. Innocent parties should not be made to pay for what others have done, so the following organizations properly have a concern in lobbying Congress that the average taxpayer NOT be stuck with any national silver stockpile costs---1) American Association of Retired Persons, with some 32,000,000 members. People on fixed incomes don't need to pay additional tax to make up a shortfall they had nothing to do with creating! 2) National Taxpayers Union with 300,000 members; 3) National Tax Limitation Committee with 200,000 members; and military organizations who very much to the point have a concern with security, and therefore, with silver---4) Veterans of Foreign Wars, about 2,000,000 members; 5)**

**Air Force Association, 150,000 members; 6) Fleet Reserve Association, 149,000 members; 7) Retired Enlisted Association, 85,000 members; and any others which will assist in lobbying Congress. A word about political activism---those who are active tend to have their way, those who aren't active, complain when they discover legislation has been enacted contrary to their desires. May I be blunt? Distractions are destroying Americans! While their rights are being undermined in Congress by active special interests, Americans are under the hypnosis of bottom of the barrel items, notably professional sports and television gossip shows. If people devoted one-tenth the time to lobbying Congress concerning their wishes as they do to football, baseball, basketball, golf, boxing, wrestling and auto racing; and with many of the women, soap-series and TV talk shows ("you say what" is the vacuous phrase we hear), we might actually take control of our affairs. As long as we have more concern for sports and gossip shows than the running of the government, really, there is little hope---know where your grave is, and go to it now!**

**I suggest you log onto the congress.org website where you can spend days examining the contributions of political action committees to representatives and senators. These operators aren't concerned with sweaty, overpaid, sometimes illiterate athletes---usually owned by interests they lobby for. Rather, they are concerned with getting the favors from Congress they seek. Those who are stuck with sports and gossip shows pay the costs handed to them by lobby interests. I suggest you start your search at congress.org with the Du Pont Good Government Fund based in Wilmington, Delaware, and evaluate their contributions to elected representatives. (A question---is that government good which places the cost of a new silver stockpile on the taxpayers, rather than on the industrial users who created the shortage by draining the stockpile?) Another site to look at is opensecrets.org, where you can look up information on so-called soft money contributions and individual donors. Opensecrets.org is operated by the Center for Responsive Politics, which has some directors who are members of certain closed organizations, about which they are so shy, they don't even divulge it in Who's Who! Members of Congress, apparently as corrupt as any devil in hell, pay attention to who gives them money; and their main concern is, whom do they have to please to be re-elected.**

## **TAXPAYER & INVESTOR CLASS ACTION LAWSUITS**

**Since there is a delay of up to 30 months from the time a mining project is targeted for production, to the actual start of production, we cannot count on new projects supplying the silver deficit in the interim. We may also wonder about smelting capacity. In this crisis, it won't make sense to ship mining concentrates to China, part of what Bush called the "axis of evil." Therefore, to get new silver much faster than this, the government will have to get it from, primarily, individual silver owners. Remembering the Roosevelt days when in 1934 citizens were told to turn in their non-coin silver for 50 cents per ounce, we may have a suggestion of what could**

wait ahead. If the government confiscates silver from individuals at \$5 per ounce (one low price example, the theme will be it isn't patriotic to exploit your country in time of emergency; but silver users did so for many years, leaving us where we are today); in such an event, we need to form class action lawsuits against those responsible for the shortage which caused the emergency. Aggrieved shareholders who should have bolted from hedged companies, should still have basis to sue management. Speaking of lawsuits, have you wondered why some of the silver companies haven't taken COMEX management to court for allowing excessive naked short selling? This has kept their stock price depressed for years along with the depressed silver price, and has cost many jobs also---we have financial damages. It seems especially in order that a company like Sunshine would contemplate such action, and the big Mexican based producers might join it, and explore other possible action, such as withholding silver exports in protest of the price rigging. But then, I don't know who certain of their shareholders may be. One clear reason the best-positioned silver miners haven't taken any action is, the price depressive cartel assists them in acquiring silver deposits at bargain basement prices; low prices help their negotiations and add leverage to silver.

## **VOICES TO BE HEARD FROM**

Among those asked to testify will be all the names we expect---silver company management, and of course all the industrial users insisting the problem is of someone else's making. Laid off employees of silver using industries should sue them for creating the shortage. Cap the price of anything for which demand exists, eventually shortages result. Ironically, we wouldn't be entering a market crisis had they allowed prices to rise naturally---and very gradually---all along, and guess what---silver actually wouldn't have cost them a nickel more per ounce, as costs are always passed on to consumers! Consumers groups also should sue the shorts and users over the coming disruptions. We have to wonder if the so-called bullion bankers will even be in the United States at the time. The Securities Exchange Commission recently started investigating the two main banks linked to the Enron scandal---JPMorganChase and Citigroup. We understand that substantial evidence exists to show these banks, likely the key players in the naked shorting of silver--- had a clear understanding of Enron's intention to mislead investors as to its condition. The share price of these banks has deteriorated recently and in connection with this, you should review Adam Hamilton's July 25 essay at Gold Eagle, "JPM Derivatives Monster Crashes."

Concerning the recent comments by Butler on the Commitments of Traders Report of the Comex and the increasing naked silver short position---there is more at stake than silver derivatives alone. They know if silver soars, it will set gold free, and the gold derivatives positions of these banks could be wiped out along with so-called miners like mega-hedger Barrick. Hamilton mentions Linda Thomsen, who last January 23 was appointed deputy director, division of enforcement of the SEC, as saying criminal charges may be necessary to get someone's attention concerning

**Enron and falsifications fed to sacrificial investors. What I noticed about Ms. Thomsen was that she was previously with Davis, Polk & Wardwell, probably among the four most powerful law firms in the world, and that it was the primary law firm of JP Morgan & Company before the \$38.6 billion merger with Chase Manhattan Bank. A current Davis Polk & Wardwell partner represents interests against securities class action litigation, grand jury investigations, insider trading charges, antitrust violations, and other financial crimes. Still another law partner there became advisor in 1992 to JP Morgan's Corsair Private Equity Group (recall that corsair is another word meaning "pirate!") Other partners do work for and advise the likes of DuPont and Citigroup, and interestingly, Soros Fund Management; and represent financial institutions in investigations and proceedings before the SEC and the CFTC. Still another partner advises JP Morgan and Morgan Stanley concerning "structuring equity derivatives and other synthetic products" (this 7 word phrase is verbatim!) Considering whom Davis Polk & Wardwell represent, and the fact of Ms. Thomsen being a former employee or associate of the firm, does she really mean what she says, or is it just drum-beating and bravado?**

**Along with the silver company managements, a very likely voice to be heard from will be the Canadian Ambassador to the U.S., Michael Kergin. Significantly, he was mentioned in the Wall Street Journal, May 15, 2002, as saying (on the subject of natural gas exported by Canada to the U.S.), that his conviction is the free marketplace, not government regulation, should set the tone for prices. Governors of provinces in nations south of here where silver mines have been idle for years due to low prices, have higher unemployment because of this, and additionally cannot receive mining royalties, should be heard from, and not only a whining procession of bankrupted shorts and industrial users who can no longer flout the law of supply and demand because a severe shortage exists.**

## **WHAT WILL REGULATORS AND OFFICIALS SAY?**

**Millions of angry investors (and even members of Congress) have recently called for the resignation of Harvey Pitt, head of the Securities Exchange Commission (SEC), one of our so-called regulatory agencies, which failed to protect the public from scandals including Enron, Global Crossing, WorldCom and others which brought so many retirement accounts down to ruin. Stocks like these have palpably functioned as a means of seizing payrolls and savings from Americans---transferring hard earned money to those who knew to sell while the price was high, and many of those who knew to short the stocks. Yes, there is a network with a pipeline of information to members, which exists to impoverish the middle class; and to draw in new rich, or crush them. Consider what happened to Howard Hughes and who broke him as well as two Hunts. There is talk---and I don't wonder why, about class action lawsuits against big Wall Street brokerages that hyped these booby-trapped**

stocks! Many seniors will have to seek out minimum wage jobs to earn a subsistence survival income. What a sickening manipulation---wresting funds from the hard working for the benefit of the overbloated, so many seniors can look forward to passing away on the job, rather than at home! Come on, American Association of Retired Persons---jump on this and vote out any Congressmen who won't help. I have a friend at work who was telemarketed by a broker to buy WorldCom at \$90 a share, we just saw it slump to six cents; fortunately I had already convinced her to buy silver shares while they were very low priced in 2001, so that the recent whipsawing by the naked shorts on the COMEX still leaves her in a nice gain. And unlike other shares, silver shares will return when silver moves up. So to Larry Edelson, the strange gold bull who's bearish on silver, I say, laugh neither too hard nor too long about the recent silver decline. Those who bought shares at twice current levels will soon be in a big profit as they wait for the shorts to crash and burn. When silver reaches \$5.30 a well known issue will hit \$10 and a similar one will reach \$8. The silver chart peaks have dipped sharply whenever the Comex naked shorts unleash more of their disease. What was it the corrupt punk said in "The Mummy" about how it's better to be at the devil's right hand, than in his path? Be warned; the rewarding game of selling into silver rises then buying more shares on dips when the shorts flush their toilet, is now over, or close to over. You risk being shut out if you continue to rely on their hellish ability to wither the silver price!

If there are still any "Ken Roberts" traders out there (have you seen his offer for a commodity trading course?) tired of seeing their money expire worthless in silver options, I suggest you sagely move into silver shares---unexpiring calls on the silver price. Even though silver will get out of control to the upside this year, you can forget about having options and pyramiding on the Comex. Rule changes will be made to deny you any profit. This is your last chance to profit in silver---don't be caught in the Comex when silver skyrockets. Don't let your 23-year wait for a silver bull market go for nothing! The concern of exchange officials and regulators is solely for the benefit of the shorts. There is a long history of this. Remember Mr. Fay's book, "Beyond Greed," mentioned in the July article here? Page 71 notes how the CFTC took notice of the Hunts beginning in 1976, which was concerned about (get this) the concentration of "so much silver in so few hands." Lately we have an unbacked short position of over twice as much silver as the Hunts were long, and this in a world in which silver demand is over twice that of 1979-1980; stockpiles are far, far smaller (in fact, now almost gone); and yet Ted Butler makes run after run at the CFTC to do something about it, and they stall, ignore, disregard, and take no action. It isn't that their intellect is deficient---when the red light turns green in traffic, they aren't stuck to know how to react to it! Be certain, however, they're fidgeting and sweating. Maybe they'd like to have Wendy Gramm come back, and turn the rumbling volcano over to her. Whistleblowers need not appeal to the CFTC and less still to Comex management, because the entire panorama has been rigged by the shorts for enough years to add growth rings to a 4,000 year old bristlecone pine in the high Sierras! The outlook on silver is so pathetically biased, so far, only short sellers have rights, and longs are subhuman freaks who should be



gunned down by ex-East German border guards, then their cadavers dissected by medical students in training. In January 1980 Walter Frankland of the Silver Users Association visited the Justice Department to try and get the Hunts indicted under the Sherman Antitrust Act, and also visited the Treasury, where he tried to get 40 million ounces of silver dumped on the market to bring the price down. With so little silver left above ground, and demand rising, the only way the users can hold the price low would be by armed invasions of silver producing nations, and by slave labor at the mines. I believe their influence, though it has been fantastic, will fall far short of such outrages.

This widespread stock price devastation scenario indicates, things will become most uncomfortable for James Newsome, head of the Commodity Futures Trading Commission (CFTC), and Vincent Viola, chairman of the NYMEX/COMEX (New York Mercantile Exchange/Commodity Exchange) when the silver scandal busts wide open. In fact, it will be hotter for them than for Harvey Pitt, because of Butler's internet published letters to Newsome and Viola; whereas, to my knowledge, there are no corresponding warnings to Mr. Pitt, before the fact, concerning huge companies which went broke. If you have warnings given to you of serious problems, and you fail to act on these---the culpability is more severe than with those to whom no warnings were given. If Harvey Pitt should have known of, and intervened in, the Enron and other corporate scandals before they became public knowledge, how much more should Newsome and Viola have known about silver, when they are essentially insiders in that market with respect to information available to them, and Butler is an outsider, an onlooker? The indication is that awareness is there, but with refusal to act---this strongly suggests complicity. So, how will they respond? One thing we want to know about these regulators and exchange officials is, which people do they know, and on what basis have they known them? Bring all the skeletons out of the closet! In the event of any resignations, it's always instructive to observe which institution or corporation takes them in afterwards; which foundations they become trustees of. The poet's salvo---

We gnawed away at silver till there was none left,  
We rigged the market and capped the price for years,  
Socially pedigreed, we deserve to get away with theft,  
Ripping you off for generations, Wall Street financiers!

Trying to shield us, congressional committees on Capitol Hill,  
Media refusing coverage to testimony we wish to suppress,  
Our PACS have distributed many a hundred dollar bill!  
Blame naked shorts? We'd rather wear a fancy dress!

Have Butler and Morgan testify, are you really serious?  
Consider the extreme embarrassment this could cause!  
We're corrupt to the genes, it would leave us delirious!  
Such voices leave us in fear, as a tiger with claws!

**America must have a new strategic silver stockpile,  
So let's make the guiltless pay the entire cost!  
Are we at the center of the world's most corrupt square mile?  
Testimony by short sellers is like deadly exhaust!**

**Contemplation of silver investors profiting puts us in pain,  
We'd rather see ten thousand boxers killed at the fights!  
But now silver is unstoppable like a freight train,  
Cursing we say, only naked shorts should have rights!**

**When silver exploded, gold also zoomed!  
Now we have to investigate all of GATA's claims,  
Let the bullion banks and shorts be doomed!  
Testifying before the Senate and House, we name names!**

**Greenspan wilts, looking at Soros, Buffett and Gates,  
The paper machine creates no true treasure!  
Federal Reserve notes are now in desperate straits!  
Considering funny money, we react with displeasure!**

**Two silver miners based in British Columbia, it's ironic,  
Now have hegemony over the District of Columbia, we're dumbstruck!  
While the naked shorts are sucked into a pit hot and demonic—  
We are your Congress---stop us or we'll pass the buck!**

**We know the shorts are the Lee Oswalds of the silver scene,  
With this and their other deeds, the financial world is in flames!  
Omitted forever from the CFTC and COMEX regulatory routine,  
For lying, fraud, and cover-up, this is the Olympic Games!**