



Federal Reserve Minutes Document Gold Market Manipulation

By Adrian Douglas

The Federal Reserve's Federal Open Market Committee (FOMC) meets eight times per year to discuss and set interest rate policy. The minutes of these meetings are only released five years after the meeting. This more or less guarantees that very few people will ever read them. Furthermore, the minutes are heavily redacted and edited.

Robert Auerbach, in his 2008 book "Deception and Abuse at the Fed" documents how Fed officials perjured themselves when they lied to Congress about the existence of verbatim transcripts of FOMC meetings. The Sunshine Act of 1976 required all "agencies" to promptly make available to the public transcripts, recordings or minutes of discussions in official meetings. For 17 years Fed Officials misled Congress in denying that verbatim transcripts or tape recordings existed. They claimed that recordings were taped over and transcripts were destroyed leaving only the redacted and edited minutes in their archives. However, in very direct questioning by Henry Gonzalez before the House Banking Committee in 1993, it became clear the Fed had been lying. Shortly thereafter Greenspan ordered tapes and transcripts to be destroyed.

It is clear from such actions that the information contained in those transcripts must be very damaging or incriminating to the Federal Reserve.

After reading Auerbach's book I was inspired to dredge through the published FOMC minutes. My thinking was that if an organization is so inept at covering up the fact that detailed transcripts were retained, then perhaps it is also inept at completely redacting sensitive and incriminating information. What I found is quite astounding and serves as documented evidence by the Federal Reserve itself that it manipulates the gold market.

In the March 21, 1978 FOMC meeting the following exchange took place

<http://www.federalreserve.gov/monetarypolicy/files/FOMC19780321meeting.pdf>

QUOTE

CHAIRMAN MILLER. The Treasury has severe reservations about it. Originally, two weeks ago, they were taking the position that they would not be in favor of it - that it raised too many problems for them. Since then I think they have become a little more open minded about it.

However, I think the first avenue is apt to be the sale of gold. Sales of gold were under consideration and were deferred partly because of the French elections, which are now over. So I think it's likely that the Treasury will start a program of selling gold, which I personally would favor. There are a lot of advantages in using gold because at least then we don't end up with debt and the currency risks that go with it. So I think that's an avenue that should be pursued. There has been a discussion about the level of gold sales that are possible--what the market can absorb and that sort of thing. Henry can correct me, but I believe the Treasury feels that they could sell about 300,000 ounces a month.

MR. WALLICH. That would be a very moderate amount--something like less than 60 million. And bear in mind that unless they can develop a means of selling the gold for foreign currency in a way that doesn't cause holders of dollars to buy that foreign currency in order to buy the gold, it could be completely counterproductive. Then there isn't going to be much of a net effect. There is some because after all we are importers of gold, which may reduce the imports of gold and may make the trade balance look a little better. There is some portfolio shift when there is gold in portfolios instead of dollars, so I wouldn't say it's without effect but there are lots of qualifications on the possible success.

CHAIRMAN MILLER. The nice thing about this problem is that it's surrounded by dilemmas! Everything you do has an adverse effect on something else. Nothing is ideal. I might add that we live in a situation where the market is very realistic, very factual. That's why the possibility that gold would be sold caused the gold price to drop by \$5. You don't have to sell gold, you just have to breathe [that you may] one day.

END

The last sentence by Chairman William Miller (Fed Chairman 1978-1979) telling the committee that the gold market can be manipulated by propaganda is very significant. This would certainly make Joseph Goebbels very proud! This manipulative deception has been played out time and time again since then. This is why official gold sales are always announced in advance, and the announcements are repeated many times as happened with the IMF gold sales.

At the FOMC meeting of July 9, 1980, the following discussion took place

<http://www.federalreserve.gov/monetarypolicy/files/FOMC19800709meeting.pdf>

QUOTE

MR. BAUGHMAN. Is it considered a political no-no to sell gold in the current environment?

CHAIRMAN VOLCKER. Oh, I don't think so, necessarily. I don't think it's a political problem in the sense that you may be suggesting. It's a question of whether it's very useful or desirable at this stage. [If we sold gold], we'd have to do it alone; I think that's pretty clear. It isn't anything that's ruled out a priori, but it's a practical matter of whether it's a good idea.

MR. BAUGHMAN. Well, it's between selling assets and borrowing money. That seems to me the significant difference.

VICE CHAIRMAN SOLOMON. The psychology, Ernie, is that [selling gold] seems to be much more effective if it's a component of an overall package of forceful measures than if it is done by itself. In the present climate it would look like a major act of weakness. And that might spur some additional dollar selling unless we did it on an enormously massive scale, not just the levels that we have before.

On the other hand, if the situation gets to a point where once again we have to begin thinking carefully of a package, then along with some monetary policy measures it would be appropriate and add to the effectiveness--this is my own personal feeling--to do some substantial gold selling. And in that situation I think the Congress would understand that. We'd have less of a political problem also. So I think both factors operate.

CHAIRMAN VOLCKER. I should say, in connection with the political problem, that I don't think there are any great political constraints so far as the thinking in the Administration is concerned.

There are politicians who would make a noise that would reflect upon the credibility of the action. If we sell some gold and then immediately get some congressional opposition, the market would say:

"Well, they're not going to sell very much because there's too much opposition." And, therefore, it might not be very productive in terms of the impact we'd want to achieve.

MR. BAUGHMAN. There would be some grass roots opposition to it. I can report that, but I don't have any impression—

CHAIRMAN VOLCKER. Perhaps I spoke a little misleadingly because that kind of opposition, I think, does reflect on the credibility of the action. It raises questions about whether it could be sustained and what the [total] amount would be and whether it's really an accepted technique or not, even though in some

sense I think it's not a political deal for the Administration except in terms of appraising that reaction. I can't quite see the Congress opposing it in a formal sense but there would be a lot of noise by these limited groups.

We have to ratify these transactions.

MR. SCHULTZ. So moved.
END

What is noteworthy is the comment by Vice Chairman Solomon when he says *"[selling gold] seems to be much more effective if it's a component of an overall package of forceful measures than if it is done by itself. In the present climate it would look like a major act of weakness. And that might spur some additional dollar selling unless we did it on an enormously massive scale, not just the levels that we have before"*

This is without a doubt a proposal to undertake gold market manipulation and what's more it is proposed to be on an *"an enormously massive scale"*. This is not a discussion about selling gold based on a motivation to maximize the profit from such sales. Furthermore, the Vice Chairman admits to previous gold market intervention when he recommends increased selling of gold that is *"not just the levels that we have before"*

What is shocking is the apparent cavalier approach to breaking the law. Volcker says *"I should say, in connection with the political problem, that I don't think there are any great political constraints so far as the thinking in the Administration is concerned."*

There are politicians who would make a noise that would reflect upon the credibility of the action. If we sell some gold and then immediately get some congressional opposition..."

Note that the proposal implies that gold sales would occur without congressional approval as required by law.

The "Strong Dollar Policy" was concocted by Robert Rubin in 1995. However, the mechanism by which such a policy could be implemented in a supposedly free market was never explained. GATA has long maintained that the policy involved the suppression of the gold price. In December 1994 this exchange took place at the FOMC meeting...

<http://www.federalreserve.gov/monetarypolicy/files/FOMC19941220meeting.pdf>

CHAIRMAN GREENSPAN. President Jordan.

MR. JORDAN. I think the main part of our problem right now is inflation psychology. It certainly reflects the lack of a nominal anchor. It suggests that it would be helpful to have a politically supported mandate to attain and maintain a stable value of the dollar.

If somehow we could achieve the conditions of a true gold standard-- without gold but the steady purchasing power of money in the minds of people--over time it would make some of these short-term things that we go through a lot easier to deal with.

END

Well how about that? Achieving the conditions of a true gold standard without gold? Does that sound like a confidence trick? (It should be noted that the last sentence has been redacted. It would be extremely interesting to know the full extent of the discussion).

Alan Greenspan confirmed in response to a question posed by Rep. Ron Paul in testimony before congress in 2005 that this financial wizardry has actually been implemented.

<http://www.lewrockwell.com/paul/paul267.html>

QUOTE

MR. GREENSPAN: So that the question is: Would there be any advantage, at this particular stage, in going back to the gold standard?

And the answer is: I don't think so, because we're acting as though we were there.

Would it have been a question at least open in 1981, as you put it? And the answer is yes.

Remember, the gold price was \$800 an ounce. We were dealing with extraordinary imbalances, interest rates were up sharply, the system looked to be highly unstable – and we needed to do something.

Now, we did something. The United States – Paul Volcker, as you may recall, in 1979 came into office and put a very severe clamp on the expansion of credit, and that led to a long sequence of events here, which we are benefiting from up to this date.

So I think central banking, I believe, has learned the dangers of fiat money, and I think, as a consequence of that, we've behaved as though there are, indeed, real reserves underneath the system.

END

The last sentence is exactly what Mr. Jordan was pondering in the FOMC meeting of December 1994. How to have a gold standard without using gold! Greenspan says they “behaved as though there are, indeed, real reserves underneath the system”.

I think it is safe to say there is some financial wizardry that is apparent by implication. One either has real reserves or one doesn't, to behave as if there are when there are not is a confidence trick which is doomed to fail at some stage.

In an FOMC meeting of Dec 22, 1992 the FED Governors reveled in the fact that accounting errors in gold shipments could improve the USA balance of trade numbers...

<http://www.federalreserve.gov/monetarypolicy/files/FOMC19921222meeting.pdf>

QUOTE

CHAIRMAN GREENSPAN. Did I hear you correctly when you said that the gold exports in October appear to have come from the coffers of the Federal Reserve Bank of New York? Has anyone looked lately?

MR. TRUMAN. Well, I didn't want to tell too many secrets in this temple!

VICE CHAIRMAN CORRIGAN. Obviously, we knew what happened to the gold, but I don't think we knew what it did to exports.

MR. TRUMAN. What happens in the Census data is that the Federal Reserve Bank of New York is treated as a foreign country. [Laughter] And when a real foreign country takes some of the gold out of New York and ships it abroad, it counts first as imports and then as exports. However, the import side is not picked up in the Census data. So there you get the export side of it.

MR. LAWARE. Great accounting!

MR. BOEHNE. Great confidence building!

MR. TRUMAN. That's because you haven't been filling out your import documents!

MR. ANGELL. Let me run this by again. You mean a country owns gold and has it stored in the Federal Reserve Bank of New York and if they ship it out, that's an export?

MR. TRUMAN. And in the balance of payments accounts it also counts as an import, so it washes out.

CHAIRMAN GREENSPAN. The Federal Reserve Bank's basement is a foreign country. When they move it out of the basement into the United States, it's an import. Then, when they ship it out again, it's an export.

MR. ANGELL. That makes sense!

MR. TRUMAN. And sometimes when they sell the gold, it might be sold into the United States, so it should count as an import. It doesn't necessarily always show up as an export.

MR. BOEHNE. That really clarifies it!

MR. KELLEY. Does it have to get out of your vault at all in order to be considered an import and an export?

VICE CHAIRMAN CORRIGAN. Well, I'm not even going to try to answer that. In this particular case I know what happened, so I think...
END

The most intriguing part of this discussion is the question by Kelley *"Does it have to get out of your vault at all in order to be considered an import and an export"*

While there is no explanation of the thinking behind Kelley's question (it was probably redacted) it is reasonable to extrapolate the inference that "ledger entries" for gold movements could be made to the import or export accounts without any gold having been physically moved.

In a May 18th, 1993 FOMC meeting there was much discussion how gold influences public attitude toward inflation. There were discussions about interfering in the gold market to change the public's expectation of inflation, and such postulated interference was even regarded as amusing by the FOMC:

<http://www.federalreserve.gov/monetarypolicy/files/FOMC19930518meeting.pdf>

QUOTE

MR. ANGELL. Here's what I think would happen. I don't think we should increase interest rates by 300 basis points but, if we did, I'm quite certain the price of gold would immediately begin a [sharp], quick [drop]. It would happen so fast you'd just have to go and watch it on the screen. If we made a 100 basis point increase in the fed funds rate, the price of gold surely would turn back down unless the situation is worse than I anticipate. If we made a 50 basis point increase in the fed funds rate, I don't know what would happen to the price of gold but I'd sure like to find out! [Laughter]...People can talk about gold's price being due to what the Chinese are buying; that's the silliest nonsense that ever was. The price of gold is largely determined by what people who do not have trust in fiat money system want to use for an escape out of any currency, and they want to gain

security through owning gold. Now, if annual gold production and consumption amount to 2 percent of the world's stock, a change of 10 percent in the amount produced or consumed is not going to change the price very much. But attitudes about inflation will change it.”

Later in the same meeting Greenspan took up on this line of thinking....

QUOTE

ALAN GREENSPAN: I have one other issue I'd like to throw on the table. I hesitate to do it, but let me tell you some of the issues that are involved here. If we are dealing with psychology, then the thermometers one uses to measure it have an effect. I was raising the question on the side with Governor Mullins of what would happen if the Treasury sold a little gold in this market. There's an interesting question here because if the gold price broke in that context, the thermometer would not be just a measuring tool. It would basically affect the underlying psychology. Now, we don't have the legal right to sell gold but I'm just frankly curious about what people's views are on situations of this nature because something unusual is involved in policy here. We're not just going through the standard policy where the money supply is expanding, the economy is expanding, and the Fed tightens. This is a wholly different thing. Anyway, I'm most curious to get your views in these various respects, so please don't be afraid to throw things out on the table.

END

Greenspan proposed that if the gold price could be significantly depressed then the public's inflation expectations could be radically altered.

In an FOMC meeting in January, 1995, Virgil Mattingly, General Counsel, said the following...

<http://www.federalreserve.gov/monetarypolicy/files/FOMC19950201meeting.pdf>

QUOTE

MR. MATTINGLY. It's pretty clear that these ESF operations are authorized. I don't think there is a legal problem in terms of the authority. The statute is very broadly worded in terms of words like "credit"--it has covered things like the gold swaps--and it confers broad authority. Counsel at the White House called the Treasury's General Counsel today and asked "Are you sure?" And the Treasury's General Counsel said "I am sure." Everyone is satisfied that a legal issue is not involved, if that helps.

END

This comment suggests that the US gold stock has been mobilized in the market. When GATA lobbied Senator Jim Bunning to pursue this matter with Greenspan Mattingly responded:

<http://www.gata.org/node/1181>

QUOTE

These inquiries focus primarily on a statement attributed to me that appears on Page 69 of the published transcript of the January 31-February 1, 1995, FOMC meeting to the effect that the Exchange Stabilization Fund ("ESF") has engaged in "gold swaps." Given the passage of time, some six years, I have no clear recollection of exactly what I said that day but I can confirm that I have no knowledge of any "gold swaps" by either the Federal Reserve or the ESF. I believe that my remarks, which were intended as a general description of the authority possessed by the Secretary of the Treasury to utilize the ESF, were transcribed inaccurately or otherwise became garbled.

END

That doesn't pass the smell test! His comments "were transcribed inaccurately or otherwise became garbled"! This is the same organization that lied to Congress for 17 years about the existence of any transcripts or recordings of the FOMC meetings. So do we believe him?

Notice the very clever inference "I can confirm that I have no knowledge of any "gold swaps" by either the Federal Reserve or the ESF". He doesn't specify what type of "knowledge" he is talking about. Is it knowledge that any swaps were ever made or is it knowledge of the details of swap arrangements that were made? In any case he is professing not to know, he is not denying that any swaps have occurred.

In the July 1991 meeting of the FOMC the following discussion took place:

<http://www.federalreserve.gov/monetarypolicy/files/FOMC19910703meeting.pdf>

QUOTE

ALAN GREENSPAN: Why have commodity prices failed to decline as much as they ordinarily would during recession periods? Now, it also looks as if commodity prices are not spiking upward in a recovery like they ordinarily would. So, we have a different picture in commodity prices than I've seen in a recession and, frankly, I'm very puzzled by it. At the same time that commodity prices do not show the extent of the recovery, I think it's somewhat strange that gold prices failed to move down. Given central banks' reduced willingness to own gold, or given what I see as a reluctance in the foreign central banks and others to hold as large gold stocks, given countries in southeast Asia who have changed their attitudes [toward gold], and given the Soviet Union [sales], I don't understand why gold prices do not come down. It suggests to me that there may be some what we call "crazies" out there who believe that gold is a good [inflation hedge]. And I guess I think that [inflation concern] is in the long bond.

END

Alan Greenspan labels as “crazies” those investors who want to protect their wealth against the promiscuous money creation of his Federal Reserve. In 1966 Greenspan wrote an article titled “Gold and Economic Freedom” in which he recognized the unique properties of gold as an inflation hedge:

<http://www.321gold.com/fed/greenspan/1966.html>

QUOTE

In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value. If there were, the government would have to make its holding illegal, as was done in the case of gold. If everyone decided, for example, to convert all his bank deposits to silver or copper or any other good, and thereafter declined to accept checks as payment for goods, bank deposits would lose their purchasing power and government-created bank credit would be worthless as a claim on goods. The financial policy of the welfare state requires that there be no way for the owners of wealth to protect themselves.

This is the shabby secret of the welfare statist's tirades against gold. Deficit spending is simply a scheme for the confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasps this, one has no difficulty in understanding the statist's antagonism toward the gold standard.

END

And clearly once Greenspan had sold his soul to the devil and become a “statist” he joined the antagonists of gold.

The following is a very enlightening discussion in the July 1995 FOMC meeting.

<http://www.federalreserve.gov/monetarypolicy/files/FOMC19950706meeting.pdf>

QUOTE

CHAIRMAN GREENSPAN. I think I've got it! [Laughter] You are telling me that the SDR certificate comes out of the Treasury and we cancel the Treasury obligation and it is wholly an asset swap so that the debt to the public of the U.S. Treasury goes down by that amount. Is that what happens? That solves President Jordan's problem too! [Laughter]

MR. JORDAN. Can I follow up on that? The same thing happened when we changed the price of an ounce of gold from \$35 to \$38 and then to \$42.22. The Treasury got a windfall of about \$1 billion to \$1.2 billion in both of those so-called devaluations. So an issue on this is: What was the dollar price of SDRs that we monetized? You say I have an asset on my balance sheet and I don't know what the value of it is.

CHAIRMAN GREENSPAN. It's about \$42.

MR. TRUMAN. It's \$42.22; it's equivalent to the official price of gold.

MR. JORDAN. We do this at the official U.S. Treasury price of gold?

CHAIRMAN GREENSPAN. Do you mean that we can lower the debt to the public by moving the price of gold up to the market price? That could cut the debt back by a not insignificant amount!

MR. JORDAN. I have been trying not to mention that publicly for fear that someone might want to do it.

CHAIRMAN GREENSPAN. It's probably too late; we just mentioned it.

MR. JORDAN. It will become known five years from now!

MR. LINDSEY. Five years from now, it will be read in the transcript for this meeting.

MR. BLINDER. By which time it already will have been done.
END

This exchange is extremely significant because it recognizes that external debt of the USA will eventually have to be balanced with the amount of gold claimed to be held by the Treasury. Interestingly enough the Fed doesn't want this information to be known as this would essentially devalue the dollar overnight and give instant hyperinflation. But as Greenspan points out it would inflate away the debt.

It should also be noted that the five year delay in releasing information to the public is clearly viewed by the Fed as a way to disadvantage the public. When the Fed/Treasury is forced by market conditions to balance its debt with its gold holdings the dollar will be massively devalued and gold will be multiples of its current price. This would certainly make it advantageous to be one of the "crazies", as Greenspan affectionately refers to gold investors, when that comes to pass!

I think the true "crazies" will be shown to be those people who have drunk the kool-aid that a currency can maintain its purchasing power when the Central Bank confesses to employing a confidence trick that they "behave" as if there were real reserves underneath the currency system!

What can be concluded from these insights into the deliberations of the FOMC?

- The Fed has on several occasions discussed targeting gold prices with their policies
- They admit that propaganda is effective against gold investors in that just mentioning the possibility of selling gold can drive down prices
- They contemplated interfering in the gold market, even on a massive scale. They admit that they have sold gold in the past with the intention of bringing down gold prices.
- The record shows that the Fed opined that the statutes of the ESF have covered “the gold swaps”. Despite claims that this statement has been inaccurately transcribed or garbled recent information suggests otherwise. In response to GATA’s request to the Fed for information under the FOIA regarding gold swaps, Fed Governor Kevin M. Warsh confirmed that the Fed does indeed have gold swap agreements.

<http://www.gata.org/node/7819>

- The Fed does not want it to be publicly known that the external debt could be substantially reduced by revaluing official gold at the market price, in case some one wants to do it! This is an admission that the official price of gold of \$42.22/oz is smoke and mirrors. The ability of the Fed/Treasury to create money is linked to the only liquid collateral they have which is gold. The gold price that is required to make the value of the US gold equal to the dollars issued is multiples of the current price, and is heavily dependent on how much unencumbered gold the Treasury still holds.
- The Fed expressed the utility of having the virtues of a gold standard without using gold! Greenspan later confirmed that the Fed was behaving as if it were on a gold standard, as if there were real reserves underneath the system. This supports GATA’s claims that the gold price has been suppressed by an increase in the supply of “paper gold”; gold that investors believe they have bought and own but the only thing they hold is a certificate that says they own the gold. This is the case with the LBMA unallocated gold accounts, unbacked ETF’s, pool accounts and gold derivatives. The demand for real physical gold bullion is surging in the face of an impending daisy-chain of sovereign debt defaults. This threatens to expose the confidence trick that much more gold has been sold than exists in the world. I have explained this in a previous article “The Tiny Market that is the World’s Biggest”

<http://www.gata.org/node/8248>

The Federal Reserve can “behave” as if there are real reserves under the US dollar, but the reality is there are none. A study of the heavily redacted and edited minutes of the FOMC meetings reveal a penchant for targeting and manipulating gold prices, and deceiving Congress and the general public.

The words of Alan Greenspan from his 1966 article “Gold and Economic Freedom” could not be more relevant

“This is the shabby secret of the welfare statist's tirades against gold. Deficit spending is simply a scheme for the confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasps this, one has no difficulty in understanding the statist's antagonism toward the gold standard.”

Like clowns at a rodeo, there are too many academics creating a distraction discussing whether we will have deflation or inflation. We are now in an era of unprecedented deficit spending. Which means confiscation of wealth will also be unprecedented. One of the most prolific money creators of all time has told us what to do to prevent it. Buy gold! But buy real physical gold, not a gold receivable.

Adrian Douglas

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