Mark Perlstein — Black Star

HUNT FOR SILVER

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■ NELSON BUNKER HUNT, fabled son of the legendary billionaire H.L. Hunt of Texas, has been called "Silverfinger" by financial journalists eager to dramatize his silver investments in the purple ad hominems of a James Bond novel. Hunt is neither an eccentric villain out of James Bond nor a sinister schemer in the mold of J.R. Ewing of the "Dallas" television series. He is, in fact, a happy combination of sober realist and idealistic visionary. He is a sober realist because he understands the perilous direction in which our civilization has been headed — the political instability, the civil turmoil, the financial catastrophe of hyperinflation and moral bankruptcy. And he is an idealistic visionary because he is

The miners at right help to deliver annual world production of silver that for twenty years has been in the neighborhood of 300 million ounces. Meanwhile, silver consumption is running at 500 million ounces a year. The Hunts realized that as available reserves are consumed the price of the metal must rise.

working for a better world in which the people govern themselves and their economy without being victimized by a paper aristocracy which profits by manipulating government and inflating currencies.

Mr. Hunt is a faithful Christian, friendly, unassuming, and temperate. He refrains from both liquor and tobacco, flies tourist class on commercial airlines, and dresses simply. A member of the National Council of The John Birch Society, he is a determined patriot and a formidable opponent of Establishment *Insiders* who seek to make America one more colony in a New World Order.

Earlier this year, Bunker Hunt and his brother Herbert were targets of one of the most spectacular swindles in financial history. This was marked by the now-infamous silver crash that culminated on March 27, 1980. But before we describe this biggest holdup since the Brinks job, let's examine some of the reasons the Texas billionaire set out to acquire one hundred million ounces of silver rather than, say, a million pounds of kumquats.

It has been alleged by the usual Establishment propagandists that the Hunt brothers were irresponsible "speculators" in silver and that it was their actions that produced the silver debacle. But Bunker Hunt was not a speculator in silver. Speculators are short-term players. They do not buy their holdings to keep, as Hunt was doing and continues to do. People gamble on the future price of pork bellies to make money in a relatively short period — not as a long-term investment. With gold and silver, on the other hand, there are many who — like the Hunts — see the metals as cash and prefer them to paper money. They are investors for the long term. Thus Bunker Hunt put a fortune in silver for three reasons:

(1.) Mr. Hunt is aware that for the past twenty years world production of silver has been in the neighborhood of 300 million ounces annually while consumption has been about 500 million ounces. This means that every year the world comes up short on silver by about 200 million ounces. This "shortfall" has been made up from silver mined and stored over hundreds of years. Since about a third of the world's silver is in the form of jewelry in India — and is locked up there because of the Indian Government's prohibition of its export — Bunker Hunt quickly calculated that the "shortfall" would soon consume all the available reserves of silver and produce a price squeeze. The price of silver was bound to rise dramatically.

(2.) Most people still listen to

Wickelsberg — Liaison

Bunker Hunt (left) and his brother Herbert (right) testify in Washington about silver. Hearings have turned up substantial evidence suggesting a plot to cheat the Hunts through commodity rules changes by persons who were holding short positions that would have required delivery of silver worth $1.9 billion.

Walter Cronkite telling them that inflation is rising prices. But Mr. Hunt knows that rising prices are the *effect* of inflation and that the cause is huge federal deficits that are spun out into the economy as fiat credit and currency. Bunker believes that the politicians will continue to pump money into the economy, in effect buying votes from the unproductive to be paid for by reducing the value of the savings of the productive. Deficit money takes on value only by diluting the purchasing power of all the money that is already in circulation. Mr. Hunt realizes that this process might continue until it takes a wheelbarrow full of Washingtons and Lincolns to buy a Big Mac.

(3.) Should the purchasing power of our currency approach zero in a hyperinflationary nightmare, the people would demand a more stable means of exchange. At that time, gold would be too precious to be used in the everyday monetary transactions of the average citizen and silver coins would once again become a means of exchange. But it will not be the face value that is stamped on the coin which is important (*i.e.*, ten cents, twenty-five cents, fifty cents), but the silver content of the coins. A dime might have the same purchasing power as ten dollars in currency.

For these three reasons the Hunts began buying silver in the 1970s as a hedge against inflation and political chaos — an investment which had to increase in value due to the increasingly short supply in comparison to the increasing world demand on the metal. Nonetheless, some have accused the Hunts of trying to "corner" the silver market. To "corner" a market one would have to acquire enough of an essential commodity to obtain a virtual monopoly in it and be able arbitrarily to set the price. That was not the Hunt objective. As Alan Trustman observes in the September issue of *Atlantic*:

". . . Their behavior was not typical of that of cornerers. In the first place, they told *everybody* who would listen what they were doing; they were big, big buyers and intended to buy more and more. A cornerer operates in secret until he owns substantially the entire available supply, and then he squeezes the surprised innocents who have sold short and must buy in higher.

"You would have to have been belligerently deaf and disbelieving and anything but innocent to sell short and then be caught surprised if Nelson Bunker and William Herbert had cornered silver and demanded that you deliver. Everybody knew they were buying and willing to pay a higher price.

Walker — Liaison

"In the second place, they never tried to squeeze anyone. They took their deliveries slowly, over many months, even accepted in settlement of some of their contracts non-certified silver not on deposit with the exchanges, and gracefully rolled the bulk of their futures forward into later and later months so as *not* to squeeze the sellers. Cornerers? Not quite."

While it is true that the Hunts wished to acquire large quantities of silver, as we have noted, they had the soundest of reasons for doing so. Which is why they went into the futures markets. As silver's price continued to go up, the value of the Hunt silver futures rose rapidly, and those paper profits were used to borrow more money with which to buy more silver futures positions.*

As this mountain of silver grew with the rise in price, the "shorts" who had agreed to deliver silver they didn't have, and therefore had to buy silver at increasingly higher prices to fulfill their contracts, grew progressively more nervous. Those who go heavily short in a rising market lose. Having to purchase silver at a high price in order to deliver it for a low price is not a good situation in which to find oneself. But, just like every other player, the "shorts" knew the risks when they contracted. They were all over twenty-one and none arrived in town atop a wagonload of pumpkins. Mr. Trustman reports what happened:

". . . the short sellers of silver were very short and in very hot water. They had had plenty of advance warning, and, as one month after another rolled around where the longs never tried to squeeze the shorts, (and could not have done so even if they wished to, with the CFTC† and the ruling bodies of the exchanges looking on), it became more and more difficult to sympathize with the short sellers of silver. But short they were, and facing the prospect of enormous, crushing loss."

In other words, these players had made a mistake in the market — a crucial mistake. Trustman continues:

"Silver was going out of control. As the price of silver mounted, it became ridiculous in the eyes of many exchange members. Six dollars an ounce? Seven dollars? For *silver*? Sooner or later the bubble would break. If not, they could always make it break. It would be their *duty*, they would claim, to make the price break, for the benefit of the makers and users [*of silver*] and for the protection of the public. And some of them — we suspected and now know from the CFTC — shorted silver, selling futures on silver they did not own."

The higher the price of silver went, the more the "shorts" stood to lose. Facing enormous losses, some of them used their influence on the governing bodies of the commodity exchanges to sabotage the market and support the shorts at the expense of the longs — primarily the Hunt brothers. They did this by getting the

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*A commodity futures contract is a legally binding agreement to buy or sell a designated amount of a given commodity, at a specified time in the future, and at a price agreed on at the time the contract is made. On every side of a futures contract there is a "long" investor and a "short" investor. The "long" believes that the price will be higher when the futures contract comes due in anywhere from one to eight months. The "short" investor on the other side of the same contract is banking on the price being lower at the time the contract comes due. Hunt was "long" on thousands of contracts for five thousand ounces of silver each. He obviously expected the price to continue to go up, and added to his positions.

†Commodity Futures Trading Commission, the government bureau which oversees the futures trading industry.

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exchanges to change the rules in the middle of the game. As Herbert Hunt later remarked: "To put it in the terms of a football analogy; the game starts, the rules are changed, and finally when you get to the last quarter the referee says only the other side can have the ball."

Throughout 1979 the price of silver had risen dramatically. By Labor Day it had reached $11 an ounce. But the price kept rising, up to the $15 to $16 level in October. Acting on behalf of the shorts, the Commodities Exchange (Comex) of New York and the Chicago Board of Trade (CBOT) began to raise margin requirements.* This action was intended to discourage new buyers of futures contracts and to encourage traders to sell the contracts they were holding. Each time margin requirements were raised, the small traders had more trouble holding on to their positions and were forced to sell. Whereas before a trader could buy or sell a 5,000-ounce silver futures contract worth $25,000 at $5 an ounce for only $1,000, by Labor Day the exchanges required him to pay $2,000 for the same 5,000-ounce contract. Eventually, as traders were required to put up more and more margin, a point was reached when as much as $75,000 in margin deposit was required for one 5,000-ounce contract! This is quite a hike from $1,000. Trustman explains how this inevitably squeezed the small traders out of the market:

"The rationale was plausible, if not sound. Tiny, as it was, initial margin of $1000 had been deemed an 'appropriate' cushion against a possible drop in price when the price of silver was $5 an ounce and the 5000 ounces cost $25,000. But, now that the price was $15, and the 5000 ounces cost $75,000, the initial margin of $1000 was deemed inadequate. And the changes were *retroactive*. If you had put up $1000 initial margin when you bought, and they bumped the requirement to $10,000, you had to put up the other $9000 or you were subject to a margin call and the sale of your futures contract.

"The little people who had pyramided in accordance with existing rules, and bought more and more futures, had to put up a *lot* of additional margin — or sell some of their futures. Which was the purpose of the new rule, of course — to force them to sell their futures. When people *have* to sell, sell at any price, the price tends to go down."

Despite the series of margin increases made by the exchanges, however, the price of silver did not fall. The rule changes hadn't worked. Only the little traders were forced to sell — and they didn't own very much silver compared to the big investors. The price of silver stayed up around the $15 to $16 range in October. The insiders on the exchanges, millions of ounces "short," were now desperate. And silver began to climb once more, closing at $18.82 in November, zooming through $20 by December twelfth, $25 by December twenty-sixth, $34.45 on December thirty-first, and then, $38.85 on January second. A spectacular climb! The Hunts were doing very well indeed, but those who were short the market were contemplating a leap from their penthouses.

The response of the exchanges? Change the rules some more, and keep changing them, to cheat the Hunts. Within a period of two weeks, three new rules were imposed. On

*Margin is an amount of money deposited with a commodities broker to protect against loss if the price should move in the wrong direction — that is, against the direction the trader is betting on in his futures contract.

January eighth, the exchanges laid down position limits, decreeing — with retroactive force — that no trader could own more than 2,000 futures in all months, or 500 in any month. This was designed to force the big traders to sell their "excess" contracts. And, with this new retroactive rule suddenly imposed on them, the Hunt brothers found themselves holding a great many more futures positions than the new exchange rules would now permit. Then the exchanges lowered the monthly limits for January and February to only fifty contracts!

But, while the price of silver did dip a few dollars, it began to recover its upward trend. The Hunts had found a way around the rule changes and position limits. They sold their "excess" futures to Engelhard Minerals and Chemical Corporation, a company that was heavily short the market and hence was delighted to buy the long position to offset its shorts. Along with this was a private arrangement in which Bunker and Herbert agreed to buy from Engelhard, within sixty days, 19,000,000 ounces of silver at $35 an ounce ($665 million). This silver was to come from Engelhard's inventory and not from the futures market where Engelhard was short.

Now the price of silver shot up through $40 an ounce and then, on January seventeenth, briefly broke $50 an ounce. The shorts were in a panic and screaming for relief from their contracts. Thereupon the exchanges imposed two more new rules. First, they said that buyers could not demand delivery of their silver at the maturity of their futures, even though it was their right as stipulated in the terms of their futures contracts. Alan Trustman reveals that this and subsequent rules which contravened the terms of commodities contracts were knowingly approved by James Stone, the activist chairman of the Commodity Futures Trading Commission. Mr. Trustman observes:

"This created an anomaly. If you owned more than fifty contracts, you would still have to make payment on the due date unless you sold your extras, but you couldn't demand delivery on more than the fifty futures. Holders were given until January 31 to get their positions in line. What? That's right. Ten whole days. Could the exchanges really do it? Wasn't it illegal? Unconstitutional? Isn't there something in the Constitution about impairing the obligations of contracts?

"Chairman Stone made speeches declaring what was fair and for the general good; it was the function of the CFTC to declare the policy and purpose of the markets, and the sole purpose of the markets, the chairman now decreed, was to provide an opportunity for makers and users to hedge against rising or falling prices, and not an opportunity to own the underlying commodities, and never mind what the futures contracts said, or that you had to have an underlying delivery contract to make the contracts meaningful, or that you needed speculators who were willing to take delivery in certain cases to have a working market. It was perfectly all right to make the buyers pay while lifting the delivery requirement from the sellers."

The exchanges and the shorts had been playing a game of fractional-reserve commodity trading; there wasn't nearly as much silver on deposit at banks and warehouses as was represented by the futures contracts held and traded. The supply of silver overhanging the commodities market amounted to about 400 million ounces of above-ground bullion for trading purposes, plus whatever the exchanges were willing to sell short at the risk of having delivery demanded as provided for in the terms of the contracts. With the new rule, the shorts were no longer under the discipline of facing the possibility of demands for delivery; they were free to sell silver that wasn't there. This meant that the effective supply of silver became potentially infinite in terms of the paper contracts. What a way to drive the price of silver down to Hades!

Then, the final touch to sabotage the silver market: the third of the three rule changes. On January 21, 1980, the New York Comex again changed the rules in the middle of the game by suspending all trading *except for liquidation purposes* (and no deliveries) while raising margin requirements to their highest level in the history of the exchanges. The Chicago Board of Trade imposed similar restrictions the next day.

This meant you couldn't sell unless you were long — and you couldn't buy unless you were short. Even if you were willing and able to put up the $50,000 initial margin the exchanges were demanding, you would not be permitted to buy except to cover your short position. Longs were not permitted to buy in the new market. They were excluded — stacking the deck in favor of the short sellers who wanted the price to drop down far enough so they could get out of their positions. This effectively killed the silver futures market in America. The shorts — which Congressional Hearings later revealed to include members of the exchanges and members of the Commodity Futures Trading Commission itself — had used their influence to intervene and sabotage the market to swindle the Hunts.

As Bunker Hunt was later to lament: "There was no way to sell anything except at a distress price. The shorts were sitting on the Comex board, and we were sitting down here in Dallas long, trusting them."

Greatly disenchanted by the whole outrage, Bunker Hunt observes: "All those exchanges are run by the shorts, and with the connivance of the shorts. There are 23 people on the Comex board. I've heard at least half of them made a huge amount of money. They positioned themselves the day before the big January 21 liquidation vote. They didn't even have the silver bullion. They just sold short. They knew they could break the market because they were the guys voting."

Herbert Hunt's analogy about the referees at a football game changing the rules in the fourth quarter was right as far as it went. Now players from the other side had climbed into costume as referees to make absolutely certain their team won. Suddenly the game was being run with all the fairness and equity of a lynching.

The series of margin hikes and position limits was bad enough. These drove out small buyers, and forced large traders to dispose of their contracts. The effect was to make the market increasingly illiquid and cash poor. Between September 28, 1979, and February 1, 1980, the number of outstanding contracts had dropped fifty-three percent on the Comex and more than sixty-nine percent on the CBOT. But the "liquidation only" rule was the final move of the vested insiders to rescue themselves as short players and sandbag the Hunts.

One of those vested insiders — and a character who played a key role in arranging for the Comex to adopt the "liquidation only" rule — was Dr. Henry Jarecki. A former Yale

Medical School professor, Jarecki is a member of the Board of Governors of the New York Commodity Exchange and serves as chairman of its margins committee. It is very interesting to note that Henry Jarecki is also chairman of the board of Mocatta Metals Corporation, which was one of the major players heavily short the market, and who thus had a strong interest in forcing down the price of silver by whatever means necessary. Jarecki helped to arrange just the right scenario.

An irony in this story is that it was the Hunts who had bailed Mocatta Metals out of a potentially fatal predicament only a few months earlier in October of 1979. At that time Mocatta was heavily in debt to banks from which it had borrowed to finance its short position on the Comex. In fact, according to *Green's Commodity Market Comments*, Mocatta owed more than $400 million, and was worth only about $40 million. The Hunts allowed Jarecki to reduce Mocatta's short position rather than go deeper into debt as the price of silver rose.

In an interview with *Fortune* magazine (August 11, 1980) Herbert Hunt recounted the episode: "Chairman Henry Jarecki was in complete turmoil; he was getting eaten alive by margin calls. Between us, Bunker and I had put up 10.7 million ounces of silver with Mocatta, for which we had obtained loans totaling $50 million. But the loan agreement was so fouled up we didn't have the right to pay it off without Mocatta's permission. In fact, we didn't even realize that Mocatta could borrow against our bullion. It was perfectly legal, but suddenly I discovered that he had hocked our silver for as much as the banks would loan him — about $185 million, I believe."

When they realized that Mocatta was having big money problems, Herbert and Bunker Hunt flew up to New York to visit with Dr. Jarecki. They stayed several days. Bunker recalls: "When the price of silver is going up, Jarecki will give you almost a religious speech about how he's fully hedged. But let me tell you, I was concerned about getting our silver back before he blew it."

Although Jarecki now claims that Mocatta's solvency was never in jeopardy, Herbert Hunt remembers Jarecki rushing into his office and announcing: "When it hits $22.90 I'm broke — Mocatta is insolvent." A few minutes later, according to Herbert, Jarecki came back in and anxiously admitted, "I've miscalculated. The figure's a little lower."

The Hunts finally settled with Mocatta through an "exchange for physicals" transaction. The brothers matched up some of their long positions with Mocatta's short positions, canceling them out and reducing Mocatta's margin requirements. Also, Mocatta sold 23 million ounces of silver to International Metals Investment Corporation, a Bermuda-based company the Hunts owned jointly with several Arab partners. The cash from that sale was used by Jarecki to pay off the bank loan he had taken out against the 10.7 million ounces of Hunt silver. Did the Hunts ever get their 10.7 million ounces back from Mocatta? Not exactly. They had to settle for a combination of some bullion, silver leases, and bags of silver coins. A bag of silver coins with a total face value of a thousand dollars can contain anywhere from 715 to 727 ounces of silver metal, depending on how worn the coins are. Bart Cousins, Herbert Hunt's attorney, comments: "Jarecki insisted on getting credit for 725-ounce coins. He got the best of us by three or four ounces per bag."

As beneficial as this deal was for Mocatta, Jarecki seems to hold a grudge against Bunker Hunt. According to *Fortune*, Jarecki had remarked to a friend that, "Bunker Hunt cost me a lot of sleep. But for every hour he's cost *me* I'm going to make *him* lose ten!"

Bunker's reaction? "I want you to know I'm a very good sleeper," drawls the Texas billionaire. "I may lose money, but I don't lose sleep."

It was Mocatta chairman Henry Jarecki — along with other shorts operating through the exchanges — who stabbed the Hunts in the back and ruined the silver market in the United States. It was they who engineered the rule changes which made it virtually impossible for longs to buy and ultimately led to a massive, if temporary, price collapse. A market consisting only of sellers — as decreed by the exchanges — would of course have to collapse. On March 27, 1980, it did. It was the commodity exchanges and the Commodity Futures Trading Commission that were responsible for the silver debacle.

But of course the rapid and extreme rule changes were not the only factors involved in creating the silver crash. There is, in fact, a great deal more that is suspicious here. Interest rates were rocketed and loans from the banks for "speculative" purposes were severely curtailed. Of course high interest rates tend to draw investment money out of the precious metals and into attractive short-term Treasury bills.

Many analysts, observing that the prime rate peaked at precisely the point at which the price of silver plummeted to its lowest level, theorize that the Federal Reserve (under C.F.R. member Paul Volcker) may have been working in concert with the big banks and insiders on the exchanges to pull the rug from under the Hunts. Viewing the Hunt silver play and its possible future hard-money implications as a dangerous threat to their paper-money empire, the international manipulators may have conspired to bring down the Hunts' huge silver position and, if possible, destroy them.

In the commodities futures market, a great deal of the buying is done with borrowed money. When interest rates are high, it is more difficult and less attractive to borrow money to purchase new positions or to furnish additional margin. If the big banks — which set the prime lending rate — wanted to help the shorts and clobber the Hunts, they could do what they did — push the prime rate to twenty percent and discourage people from borrowing money to compete in the commodities futures market. As a result, investors would sell out their positions, and the price of silver would drop.

Did it happen that way? Note that, in the months subsequent to the silver crash, interest rates which had been forced to an all-time high plummeted faster and further than at any time in history. A drop in the prime rate from twenty percent to twelve percent in three months represents a forty percent drop. Normally, the prime won't vary more than a point or two in a year. Of course, these are uncertain times and this could all be coincidence.

Realizing the difficulties in getting large sums of money in the United States under the Paul Volcker policy at the Fed, Bunker Hunt decided to try European lending institutions. After all, European financial institutions have long been more eager to make loans with precious metals as collateral than banks in the United States. Hunt now found to his dismay that the U.S. Federal Reserve had sent out a form letter to all the major banks in the world requesting that they not make any loans to Americans for "speculation" in gold or silver. Representatives of the Federal Reserve were even flown overseas from Washington, warning the foreign banks not to lend substantial sums of money to Americans — and specifying Bunker Hunt.

Mr. Hunt was acquainted with a number of the people at key foreign banks, and he asked them, "What do you people care what the Federal Reserve says? You're not Americans; the Federal Reserve doesn't run you." They explained that they didn't dare cross the Federal Reserve because they had branch offices or other interests in the United States and the Fed could make things very tough on them. Bunker Hunt comments: "That came as quite a surprise to me, because I didn't realize they had that kind of power. But they really do."

There was never any question about the ability of the Hunts to remain solvent. But, as a consequence of record interest rates imposed by the Fed and the big banks, and the huge margin deposits suddenly required by the commodity exchanges, the Hunts found themselves caught in a liquidity squeeze that would have bankrupted many *nations*.

Due to the rule changes made by the exchanges and a great deal of public selling of old silver, the price of silver had already begun to drop from its January seventeenth peak of about $50 an ounce. As they became increasingly pressed for cash, their broker (Bache Halsey Stuart Shields) began making large margin calls to the Hunts to secure their positions. In an apparent effort to push the price of silver back up and to raise cash to help relieve the situation, Bunker Hunt announced from Paris on March twenty-sixth that he and two Arab partners would issue interest-bearing international bonds backed by their silver holdings.

The effect of this announcement was to fuel the rumor mills in the financial markets where it was misinterpreted as a desperate call for help to raise cash. Traders began to panic and dumped silver contracts like they caused cancer. The delighted shorts watched the price fall and covered their short positions.

On that very day, Bache informed Herbert Hunt in Dallas that the brothers faced a staggering margin call of more than $100 million. It was a call that was later to total some $300 million. Due immediately. "They had always met their calls until this week," said Bache's executive vice president Elliot Smith. But they now declined immediately to do so and Bache began to liquidate Hunt bullion, futures contracts, and stocks — including huge positions in Texaco, Gulf Resources, Louisiana Land, and First Chicago Corporation.

By this time, rumors were spreading like quicksilver. One tale claimed that Bache had issued a margin call for *one billion dollars* — and the Hunts couldn't make it. A full-scale panic had been triggered. According to Elliot Smith, "It was a classic blowout. It was the culmination of the news that a major silver buyer was being liquidated, of the pressures of high margin rates, of all the inflation and recession talk. Everybody worried about being able to get their money out of the market, and people were just selling irrationally."

Bache announced that the margin calls had not amounted to a billion but only $300 million, that the Hunts had already paid two-thirds of the tab, and that Bache would make up the balance the next day. These assurances helped to stem the selling panic, but silver had already fallen to \$10.80 on the morning of March twenty-seventh. It was Silver Thursday.

Because they had bought most of their silver bullion at under \$10 an ounce, however, the Hunts were still ahead of the game in terms of their holdings in the actual metal. But the value of their bullion had dropped by nearly four billion dollars since January as the price of silver began falling in response to the quickie rule changes imposed by the exchanges. In the futures market, they had lost over a billion dollars on silver contracts they had bought when the price of silver was in the neighborhood of \$35 an ounce. And, of course, they still had the agreement with Engelhard to buy 19 million ounces at \$35 an ounce, a deal made before the precipitous decline in silver.

On the Sunday following Silver Thursday, Bunker Hunt flew in from Saudi Arabia and met with Herbert and representatives of Engelhard Minerals. The rug had been pulled from under the Hunts and they moved to negotiate with Engelhard on the huge silver purchase at a marathon day-and-night session involving representatives not only from Engelhard, but also of the big banks — Citibank, Chase Manhattan, Morgan Guaranty Trust, Bank of America, Manufacturers Hanover Trust, and the First National Bank of Dallas. Also wandering in and out of this top-level meeting was none other than Federal Reserve Chairman Paul A. Volcker . . . wearing pajamas. Evidently the big bankers believed they had the Hunts where they wanted them.

The upshot was that the Hunts settled with Engelhard by giving them 8.6 million ounces of silver bullion and, in addition, valuable drilling rights for oil and gas in Canada — a bargain settlement for Engelhard that may now seem less than brilliant with the Canadian Government moving to nationalize oil.

Also, the Hunts negotiated a big loan from the banks totaling \$1.1 billion. In order to get this huge loan, however, the Hunt brothers had to put up virtually all their income-producing assets as collateral — including silver, oil, cattle, race horses, art, and securities. According to Herbert, these collateralized assets have a market value of eight to nine times the amount of the loan — which means that even after the biggest swindle in history the Hunts are worth around nine billion dollars.

Many have wondered why the *Insider* megabanks would — with the approval of Federal Reserve Chairman Paul Volcker — come to the aid of their mortal enemies the Hunts. Evidently the big bankers were afraid that the temporary Hunt liquidity crisis might precipitate a major domino effect culminating in a mammoth collapse of the entire banking system. Banks, brokers, and creditors were in danger of insolvency if Bunker and his brother were cash-squeezed and unable immediately to pay their obligations. They did not want to be dragged under. Having victimized the Hunts, the Establishment then guaranteed their liquidity — not because of guilt or charity, but out of fear that their own empires might go down while the Hunts were righting their ship.

In April, two weeks after the big loan to the Hunts was signed, Fed Chairman Paul Volcker announced to the press that one of the conditions of the loan was that the Hunt brothers would have to liquidate their entire silver stock and promise not to buy precious metals in the future. This was not encouraging news for the silver market in the United States. Alan Trustman pointedly observes: "An odd statement for Mr. Volcker to make. Knowledgeable as he is, and he unquestionably is knowledgeable, he had to know the impact his statement was likely to have — and did have — on the shell-shocked precious metals markets, before he decided on the following day to qualify what he had said. What was he trying to accomplish? Save the dollar as we know it?"

Despite Volcker's pronouncement, the requirement that the Hunts dispose of their silver holdings was never a condition of the loan.

Meanwhile, not everyone had lost in the roller-coaster ride that had been afforded to silver. Some had sold short before the big plunge. One of the "lucky" winners was Occidental Petroleum chairman Armand Hammer, whose father had been a major founder of the Communist Party in the United States. Hammer revealed that his company had gone short in both silver and gold in January when prices were high, just before the big drop. Occidental wound up with a profit of $119 million.

Had Armand Hammer acted on inside information? Is a five-pound mosquito fat? Even Hammer would not have dared risk Occidental's corporate funds in the futures market unless he had been assured that he was getting in on a sure thing. Had the price of silver gone to $60 instead of plummeting, *Hammer* would have gone to the *slammer* in an act of poetic justice.

Mr. Hammer's "good fortune" was not simply brilliant speculation. The Big Boys were dividing up the pie and apparently cut Armand Hammer in for a piece of the action on what is known in horse-racing circles as a "boatride." It was a fixed race. Others doubtless did as well as Hammer, but did not call a press conference to gloat.

Another big winner was Norton Waltuch, vice president of Conti-Commodity Services Inc. in New York. Waltuch emerged from this hustle with a personal profit believed to be more than ten million dollars. Although he strutted confidently around the Comex silver pit, exuding assurance in the soaring price of silver, Norton Waltuch later let his clients go down the drain when he sold short. In the frank opinion of one of his former associates: "Norton betrayed us."

Congressional investigations of the silver swindle were soon launched. Hearings held by Senator William Proxmire's Senate Banking Committee have turned up substantial evidence of conflict of interest on the part of members of the exchanges and possibly certain members of the C.F.T.C. also. Based on data provided to the Committee by the Commodity Futures Trading Commission itself, Proxmire revealed that at least nine of the twenty-three members of the Board of Governors of the Comex were holding enormous short positions which would have required them to deliver more than 38 million ounces of silver bullion, worth about $1.9 billion in January when silver was still near its peak. This amounts to one of the greatest plunders by conflict of interest in financial history.

Bunker Hunt guesstimates that, on paper, some fifteen to twenty billion dollars may have changed hands between the time silver was at or near its peak of $50 and the time it dropped to $10.80. This includes all of the traders involved, the whole market, not just the Hunts.

Bunker acknowledges that he was aware all along that the Comex and the CBOT had the power to make rule changes any time they wanted — but any such rule changes, he explains, were supposed to be neutral in their effect on the market players. The extreme and rapid rule changes by the exchanges were anything but market neutral! On that basis, the Hunts are contemplating a legal suit against the Comex for its role in the silver debacle. The Comex may someday be renamed the Hunt Commodities Exchange.

The whole episode demonstrates the classic tendency of government regulatory agencies to take sides with special interests within the industry under regulation. Government intervention is *never* "market neutral," and can only help some at the forced expense of others. The commodity exchanges made their disruptive rule changes — in conflict with previous contract obligations — with the knowing approval of the Commodity Futures Trading Commission. The culprits in this financial episode were not the Hunt entrepreneurs, but those engaged in collusion between the government's C.F.T.C. and special interests in the exchanges.

Through all of this the major media have nonetheless attempted to make the Hunts look like stereotypical capitalist villains consumed by their own greed. Bunker Hunt, who has no use for the media moguls of the "Liberal" Establishment, understands the game very well. As he put it: "The same guys that were able to break the market were also able to get the media to attack its victims — which happened to be us." From the point of view of the *Insiders* of international banking and their kept press, the Hunts represented a colossal threat to a power structure based on paper money. They still do.

But now all the world has seen the character of Bunker Hunt. He surely saw the trap that the bandits running the Comex were preparing for him. He could have dumped and run, as others did — but he had urged a great many of his friends to follow him in investing in silver. He could not bail out without betraying those friends. So Nelson Bunker Hunt retained his integrity under circumstances said to have cost him four billion dollars. That hurts even when you have other billions on which to get by.

Mr. Hunt's satisfaction in all of this comes in the fact that while he may have lost a battle, there is no question that he will win the war. Bunker Hunt reportedly has 63 million ounces of silver left, even after being robbed of some 30 million ounces. The basic factors of supply and demand in the world silver outlook have not changed. The same reasons which led the Hunts to invest millions of dollars in silver apply more than ever today. Ever more silver is being consumed than is being mined; government deficits and monetary inflation still ravage the currency; and, hard-money experts realize that as inflation grows the American people will abandon paper and return to a money system based on precious metals.

At current silver price levels, Nelson Bunker Hunt is already well ahead of the game. And he still fully expects that one day the silver-to-gold price ratio will be one to five. This would mean that an ounce of silver would have a price equal to one-fifth the price of one ounce of gold. If gold were $800 an ounce, for example, silver should have a price of $160 an ounce. If the price of gold were $1,500 an ounce, silver might be around $300 an ounce.

Even at the approximate historical ratio of one to twenty, silver has a lot of catching up to do before it can begin to fulfill its great potential. But silver, the "poor man's gold," has a bright future. And so has Nelson Bunker Hunt. ■ ■