March 9, 2010 – Answering the Skeptics

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Recently, I was contacted by a reporter for the Financial Times of London. He was looking to write a story about the CFTC's upcoming hearing on precious metals. I could tell in my conversations with him that he was skeptical about my claims of a downward manipulation in the price of silver. As a result, the story he wrote reflected his skepticism, which was rooted in how could such a manipulation exist for as long as I alleged and how could silver be manipulated if it doubled in price over the past five years?

I understand the reporter's skepticism and recognize that it is prevalent among those who have not taken the time to study the circumstances in silver. It's not unusual for people to hold strong opinions about issues they are not well-versed on. I discovered long ago that silver is such an issue. Everyone knows that silver is a precious metal and they have some amount of familiarity with it. It is a human trait to then think they know all that needs to be known about it. Many are skeptical with the idea that silver could possibly be manipulated, even before they are presented with the facts. Their minds are already made up before the facts have even been presented. Furthermore, the fact that the allegations of manipulation are coming from someone Â?outside the establishmentÂ? convinces them that the idea of a manipulation is preposterous.

Today, I will attempt to convert the skepticism about silver, as widespread as it is, into something positive. Long-time readers know I was once a silver skeptic myself, and it was only a challenge by my friend and mentor, Israel Friedman, to investigate silver's continuing consumption deficit that led to my study of silver. That's what led me to discover that silver was manipulated in price.

The first issue among the skeptics is the length of the alleged silver manipulation, said by me to date back more than 25 years. How could such a manipulation last so long, in full view of the entire investment world and front-line regulators created to prevent such a manipulation? A quick answer is – are you kidding me? We have experienced, in the past few years, the uncovering of massive frauds and financial and regulatory failures in the form of Bernard Madoff, the failures of giant financial organizations like AIG, Bear Stearns and Lehman Brothers, and the manipulation and collapse of the housing market via uneconomic financing. None of these financial disasters were terminated by prudent regulatory intercession; all ended when the music stopped. Next to those events, the silver manipulation is not out of place. The only question is whether the CFTC will do its job and end the silver manipulation or wait until the music stops and the physical silver shortage hits in earnest.

A more detailed answer to the question of the silver manipulation's longevity lies in the nature of the manipulation, and revolves around excessive and concentrated short-selling on the COMEX. Let's face it, the vast majority of people can't even comprehend what a short sale is, no less what concentrated short-selling may be. It took me a full month of studying and contemplation when I first trained to be a commodity broker for Merrill Lynch 40 years ago, before I started to comprehend how you could sell something you didn't own. My point is that understanding the downward silver manipulation is not easy, nor does it come quickly. Most skeptics demand to be convinced immediately, yet their own skepticism and the complexity of the manipulation prevent immediate understanding. It's easier for them to remain unconvinced. Once again, what they object to is the idea of a silver manipulation, not the facts in question.

Skeptics point to how the establishment and especially the prime regulator, the CFTC, have denied and scoffed at the allegations of manipulation for 20 years. But the skeptics are not putting the CFTC's long history of dismissals into proper perspective. The issue of potential manipulation in any regulated market is of prime concern to the CFTC. In fact, it is their most important issue. The CFTC, therefore, must respond to all credible claims of manipulation. If the claims weren't credible, they wouldn't have to respond at all. The CFTC has responded to my allegations of price manipulation in silver because those allegations are credible.

Not only has the CFTC responded to the allegations I have raised about a silver manipulation because the facts are credible, but they have done so on a recurring basis. The facts about the silver manipulation are so credible that the CFTC has not been able to convince those who have taken the time to study the issue, even though the agency has issued repeated denials. Of course, the CFTC's repeated denials are enough to satisfy the skeptics.

However, as time has gone by, more are becoming convinced that silver is manipulated.
Once you take the time to study the facts and come to understand the silver manipulation, you will never be able to lose that understanding. The only possible conversion is from being a skeptic into understanding the manipulation. This is strictly a one-way conversion process. The facts demand it.

The reason the CFTC has denied the existence of the silver manipulation for 25 years is because they have had no choice. Because they denied it from the beginning, they have been forced to maintain that denial, no matter what the facts. The likelihood that the CFTC would have stepped up to the plate and abruptly changed course and admitted they were wrong initially is remote. Government agencies are not given to voluntarily admitting to such blunders on such important issues. But the facts and circumstances, along with a new proactive chairman at the agency, suggest the remaining few skeptics are about to be converted.

Now we are confronted with two important and open CFTC matters; the public hearing on precious metals scheduled for March 25 and the ongoing and most recent silver investigation, commenced one and a half years ago. Both matters emanate from the same basic issue Â? JPMorgan's manipulative and concentrated short position in COMEX silver futures contracts. For the hearing on precious metals, a key issue should be what possible bona fide hedge exemption from legitimate speculative position limits would allow a US bank to hold 25% to 30% of the world production of any commodity. For the current silver investigation, the only question is how can such a concentrated short position not be manipulative?

How could silver be manipulated downward, seeing how it has doubled in five years (and quintupled in ten years)? This would be considered to be a fair question on the surface, if price were the only criterion for manipulation. In fact, if you told me ten years ago, when silver was hovering at $4 the ounce, that we would exceed $20 within the decade, I would have concluded that the silver manipulation would have been terminated. I would have assumed the COMEX short position was no longer excessively concentrated and conformed to all other commodities. But that's not the case. What this proves is that price is not the cause of a manipulation, it is the result. Price is like a thermometer; it may register heat, but it doesn't cause it. Price is related to manipulation, of course, but within strict terms. The cause of a manipulation is the activities of one large trader or a small group of traders. It does not matter what prices were five or ten years ago.

If manipulation can't be proved by price alone, then what can it be proved by? Manipulation can be proved by concentration. You can't have a manipulation without a concentration. Every manipulation case in CFTC history revolves around concentration. No market has been more concentrated than COMEX silver on the short side. Concentration is defined by an inordinately large percentage of the market being held by one or a few related trading entities. That's why the CFTC's front-line defense against manipulation is by monitoring concentration levels among large traders. It does so because it knows that manipulation and concentration go hand in hand.

When the skeptics are confronted with the facts of concentration on the short side of silver, they react in a predicable number of ways. They either try to change the topic, claim the CFTC must be aware of this and are not moving against the concentration for good reasons, or launch personal attacks or innuendoes on those bearing the message. Neither the skeptics, nor the CFTC, can deny the facts on the silver concentration or that JPMorgan inherited the concentrated short positions in COMEX and OTC silver and gold from Bear Stearns, as these facts come from the CFTC and other government data. All they can do is dance around the issue and pretend the facts are no big deal. Yet they continue to investigate and spend taxpayer money on no big deal.
This is wrong.

The allegations regarding a silver manipulation have intensified and grown more specific over the years. More see the silver manipulation than ever before. More will see it in the future. Now the few remaining skeptics are the ones sounding shrill in their denials. But this was not an attempt by me to attack the skeptics – far from it. I respectfully invite them to objectively study the facts. Curiously, most of the remaining skeptics appear to reside in the popular media and established precious metals circles. As they become aware and convinced of the real facts concerning the silver manipulation, the impact of their enlightenment could be profound. Silver investments must be in place before that enlightenment to earn maximum returns.

Take the time to learn and understand the facts about silver and its price manipulation. This could be more important to your financial future than the most advanced degree from the most prestigious university. If you study the facts objectively, you will learn how silver is depressed in price and why the manipulation itself creates the investment opportunity of a lifetime. You will discover that the manipulation must end abruptly, sending the price skywards. You will learn that if the regulators from the CFTC don't terminate the silver manipulation, it will still be terminated by the coming physical shortage. Be skeptical, but take the time to prove or disprove your skepticism. It could have a profound impact on your financial future.

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March 9, 2010

Date Created
2010/03/09