
Gold Wars

The Battle Against Sound Money
As Seen From A Swiss Perspective

By

Ferdinand Lips

FAME

The Foundation for the Advancement of
Monetary Education
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What People Are Saying About This Book

“It is the great merit of this provocative book by Ferdinand Lips to bring back a wider understanding of why gold was a solid base for economic stability in many societies. As our overextended global economy is heading for more troublesome times, the global village will need an unquestionable economic basis again that does not bear the stamp of any particular country.

Today, as Lips shows in this book, the conceivable entity for that is gold. Gold is best suited to supply confidence to a troubled economy and anchor it in reality again. Since antiquity gold has been a symbol of highest value to humans. Gold, the sun-like shining yellow metal that has the quality of being incorruptible, is an adequate metaphor for that inner kernel of human consciousness we need to become aware of during our lifetimes. This aspect of gold has always fascinated and inspired us.

All of a sudden, the wish to own a solid base of this yellow metal may again become the desire of individuals and nations as it has happened so many times before. Then we may find ourselves – to our surprise – on the way back to a solid gold standard.”

Prof. Dr. sc. techn. T. Abt
Federal Institute of Technology, Zurich, Switzerland

“I have known Ferdinand Lips since 1994 and those tumultuous days of the ‘Randgold Revolution’ which changed the face of the South African gold mining industry. The group of men that led that change were, and for most part still are, archetypes of the term ‘Gold Bull.’ Mr. Lips strongly believes that gold is the only currency that politicians can’t print or create. This is a concept, having lived and worked in Africa my whole life, I have come to appreciate.

History has proved time and again that gold is an effective counter to excessive risk. A scholar of monetary policy and a vociferous promoter of the gold standard, in this book Mr. Lips presents a very well researched and passionate analysis of financial

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and monetary history. The book comes at a perfect time; never before has the future been so difficult to predict and the civilized world been so vulnerable to politics, minority pressure groups and fanatics. Understanding more of the past might well help us to successfully navigate the future.

‘Gold and freedom are inseparable’— this is the thesis of *Gold Wars*, a manuscript that I recommend every modern day business person should read!”

Dr. D. Mark Bristow, PhD, Chief Executive Officer
Randgold Resources

“In *Gold Wars*, Ferdinand Lips takes on what is probably the most talked about and least understood subject of the times, money. He is to be admired as he has performed an important task to provide understanding of this vital subject, moving through history, to recent developments, to his own experiences as a Swiss banker. It is his long career in banking that lends vitality and clarity to his text. He maintains a sharp focus by his use of extensive quotations from writers and bankers, many of whom were his friends, men who tried to show the way for sound money and banking and the folly of the decisions that were being made.

In contrast, he includes the words of other financial and political leaders, those who instituted the monetary policies that have lead to the serious monetary problems the world now faces. The earnestness of his endeavor is clear as he concludes, “The Gold War is nothing else than a Third World War. It is not only a most unnecessary but the most destructive of all wars. It should be stopped now” Indeed, this is a different kind of war story, fascinating and on-going. *Gold Wars* is valuable reading.”

Elizabeth Currier, President
Committee for Monetary Research and Education

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“*Gold Wars* is must reading for anyone who wants to understand the genesis of the unfolding debacle in the financial markets. Herr Lips, a former Rothschild executive and private banker in Switzerland with a career spanning more than fifty years, has brought his unique perspective and insight to bear in describing the rigging of the global monetary system and the betrayal of the Swiss nation.”

Robert K. Landis, Esq.
Golden Sextant Advisors, LLC

“*Gold Wars* is an absolute ‘must read’ for anyone who is concerned about his financial future. It is appropriate that Ferdinand Lips, a former Rothschild executive and a private banker in Switzerland who has spent 50 years dealing with money to confirm that the world’s monetary system has been rigged to plunder the savings of ordinary people worldwide for the benefit of a small financial elite.”

Dr. Lawrence Parks, PhD - Executive Director
The Foundation for the Advancement of Monetary Education

“For centuries governments and currencies have been underpinned by gold. Countries and individuals measured their wealth in gold. The western United States of America, South Africa and much of Australia, to name only a few examples, owed their development and much of their prosperity to the discovery and mining of gold.

Today many financiers would have us believe that gold is simply another commodity, that it no longer can be regarded as a store of wealth. Ferdinand Lips in his book, aptly named *Gold Wars*, demonstrates that this concept is not only fallacious, but also dangerous.

Countries have been, and are being, built on the back of gold mining certain international and governmental agencies seek to control gold and its price for their own ends. *Gold Wars* shows why

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they should not succeed and what the consequences will be if they do. This book is required reading for anyone interested in monetary stability.”

Dr. Aubrey L. Paverd, Ph.D.
Geologist

“The word “extra-ordinary” should be used carefully. And that’s what this book is. It will be a classic. It is past, present & future -- not only for & about gold but about society & what hope there is for stability & liberty. At last you will understand what the gold standard really was. And why politicians make war on gold. the book is properly titled. When you have read this book, you will understand gold & more about human nature. Mr. Lips makes the history of gold come alive & will enthuse you to join the war for the sake of freedom, free markets & social peace. You will want 50 copies for your best friends, press & politicians.”

Chevalier Harry D. Schultz
International Harry Schultz Letter

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About Ferdinand Lips

Born in Switzerland in 1931, Ferdinand Lips, is a well-established and respected authority on gold and the gold market. His roots are in banking where he started his career, and became a co-founder and Managing Director of Rothschild Bank AG in Zurich.

In 1987 he opened his own bank, Bank Lips AG, also in Zurich. He retired in 1998 when he sold his equity interest in the bank. Not being one to sit around idly, Mr. Lips continues to be very active in the banking, gold and financial fields. He is on the Board of various companies, among them African gold mining companies. He is also a Trustee of the Foundation for the Advancement of Monetary Education (FAME) in New York.

He has written two books previously (*Das Buch der Geldanlage* in 1981 and *Geld, Gold und die Wahrheit* in 1991). *Gold Wars* is his third book and expresses his views on gold, the gold standard and the gold exchange standard as well as the various attempts to manipulate gold and eventually push it aside. As a Swiss, he dedicates an important part of the book to the events leading up to the partial, but substantial, sale of Swiss gold reserves.

In his free time, Ferdinand Lips likes to spend time with his two daughters and the study of history, architecture and philosophy. Mr. Lips, a firm believer in the gold standard, lives outside of Zurich, Switzerland.

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Conclusions by a former Private Banker, Security Analyst,
Director of Gold Mining Companies, Monetary Historian,
Swiss Patriot and worried Citizen of the World:

The Gold War is nothing else than a Third World War. It is not only a most unnecessary but the most destructive of all wars. It should be stopped now.

World War III may have begun with the demise of the classic gold standard of the 19th century. If the countries at war in World War I (WWI) had not hastily and foolishly given up the gold standard, WWI might not have lasted more than six months, because the warring nations would have run out of gold to pay for it, and war taxes would have been resisted. I contend that WWI lasted as long as it did because the gold standard was abandoned. Deficit financing made it possible for it to last over four years, destroying capital wealth, a rich cultural heritage and unnecessarily killing millions of young soldiers and innocent people.

If WWI had lasted only six months, currencies would not have been destroyed. There would have been no Versailles Treaty and no German hyperinflation. The little understood Genoa Convention of 1922 was largely responsible for the boom of the 1920s and the crash of 1929 leading to the crisis of the 1930s. Without the mishandling of gold, there would never have been a Hitler. Neither would there have been a Bolshevik take-over by the likes of a Lenin, nor would Russia have had to endure a Stalin with even more millions of innocents killed. There would never have been a WWII.

Ignoring gold led to the 1944 Bretton Woods system and also to its downfall. Without repeating the mistakes of 1914 or 1922, we never would have had an inflationary crisis in the 1970s. The oil crisis in the 70s and the approaching oil and energy crisis of the twenty-first century are primarily monetary crises. The suppression of gold and the unlimited expansion of fiat money have led to the monetary, economic and political crises and wars of the twentieth century. The end of Bretton Woods gave birth to the ongoing and future derivative crisis, which is at the base of what Alan Greenspan calls “systemic risk“. Because the world disregarded gold money,

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the world's crises were erroneously, but probably intentionally, blamed on gold. That is why we have gold wars.

Financial markets can only function satisfactorily under a gold standard. History has shown that monetary stability was best under the automatism of the classic gold standard. Fiat money can only lead to short-lived financial and economic booms. The end result is inflation and embezzlement of savings at the expense of workers, pensioners and the poor, who are unable to defend themselves against the ongoing fraud.

Well functioning financial markets based on an honest monetary system guarantee the creation of savings. Savings lead to the formation of capital, and are a prerequisite for a steadily rising standard of living. Organic growth in line with the growth of gold mine production is what is needed, not growth of 10% and more per annum financed by the creation of paper/electronic money.

Smoothly functioning financial markets with savings channeled into productive investments bring the world economy to its full potential, increasing employment on a worldwide basis. The catastrophic problem of unemployment could finally be solved, and the growing gap between rich and poor narrowed. It cannot be solved otherwise. If there is full employment in the whole world, there will be fewer wars, less mass immigration, because the world is a beautiful place and its beauty is not limited to just a few rich countries. People would not have to leave their home countries where they have their cultural and religious roots. Mass ethnic and cultural destruction would be a thing of the past.

Politicians should not use coercion, e.g., legal tender laws, to interfere in the gold and silver markets. History has proven that the free market has chosen gold and silver as money. Money cannot and should not be based on faith and promises by government. Only money based on what people freely choose as being trustworthy: gold!

With honest money, people will have confidence in the future efficacy of that money. But it is necessary that they take destiny in their own hands and study monetary archaeology. What has gone wrong, and why has it gone wrong? There is enough historic

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documentation around, but unfortunately, it is not taught at universities.

Finally, I would like to state that I feel that the world will continue towards an even more precarious situation if nothing is done. As technological advances of all kinds have shown, there are plenty of brilliant minds in the world. There ought to be enough to get us out of the present monetary dark ages.

This approach would lead to full employment and worldwide prosperity and stability, as well as to a renaissance of culture and morals. Law and order would experience a comeback. It would not be the first time for this to happen. It would also lead to a better understanding of human beings amongst themselves and it would end most military confrontations. One historic experience is that human nature never changes. Man will, therefore, always love and respect honest business dealings with a medium of exchange they can trust: gold. Gold will finally win the war, but why not call an armistice now? Let us hope this will happen before it is too late, before too much time and too many lives are wasted.

The State of Affairs at the Time of Completing this Book

While finishing up this book in Summer 2001, gold bullion is trading below \$270 an ounce; the metal is close to or below the cost of production for many mines. Almost no one believes the gold market will ever rally. As cycle analyst Ian Notley puts it: “Gold stocks are moribund, forlorn, forgotten and dismissed from portfolio management consideration.” Gold stock indices are oversold more than any time in their 60-year history. The gold industry’s market capitalization is a little over \$20 billion, which is just somewhat larger than Caterpillar’s \$15 billion—Caterpillar being the company providing the heavy vehicles for most of the mining companies. By comparison, General Electric’s market value is still around \$434 billion, Microsoft’s \$358 billion and Cisco’s \$141 billion. Meanwhile, a very strong accumulation condition has developed in the precious metals market. According to Ian Notley all is not lost as a once-in-a-lifetime opportunity is quietly and subtly unfolding.¹

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Mines are still continuing to hedge. The banks ask them to do it. AngloGold announced that it would continue to hedge half of its production for the next five years. The company expects to mine just over seven million ounces of gold this year. The company takes a dim view on the immediate outlook for gold.

Despite all the depressing news, the situation may not be as negative as it looks. Gold slumps seem to proceed according to a master plan. Supporters are lead to believe that gold will soon become nearly worthless. This drama is only complete when the last believer in gold capitulates by throwing his holdings into the market. Precursors of a recovery are the gently climbing prices of gold mining shares. A different type of buyer is at work here. It's the one who knows very well that a mine has precious assets in the ground, assets that are not going to lose value when stock markets and currencies collapse. This pattern is expected to take place in the next gold bull market.

What will be the basis for this coming bull market? In the great gold bull market of the 1970s, it was investment demand that soared. Because of the breakdown of the fixed-exchange rate system, ailing stock markets, exploding inflation and loss of purchasing power of currencies, investors turned to gold. When real interest rates went below zero because of the Fed's attempts to stimulate the economy, investors began to have second thoughts about their fixed income investments. Therefore, large amounts of capital moved into gold.

A similar situation seems to be developing now. The money supply is exploding due to an unparalleled effort to lower interest rates to avoid further weakness in the stock market and to save the heavily indebted consumers. Consequently, real interest rates are pushing into negative territory again. Negative real interest rates (the U.S. dollar and most stocks still grossly overvalued) will create a situation where an increasing amount of frightened capital will be turning to the metal of kings, thus creating the basis for a new bull market in gold.

Years of study have convinced me that there is a strong and criminal agenda to illegally suppress the price of gold. Unfortunately, it looks as if this agenda is going to be continued under the Bush Administration. But experience has shown that gold

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is the ultimate custodian of value in times of collapse, especially stock market crashes. Furthermore, gold is a superb hedge against constant loss of capital in times of currency disorder. We are living in an environment of increasing currency and trade wars—a race to the bottom—where every country, even Switzerland, wants to lower the value of its currency in world markets. During such times, the best protection is gold. In recent years, there have been many examples such as the collapsing Asian markets or the economies of Russia, Brazil, Zimbabwe and many other countries where currencies have come under severe pressure.

Central bank and, in particular, Fed actions to master the economy do not inspire a high degree of confidence. The recent, desperate moves to lower interest rates and increase the money supply will probably have dire effects. The bursting of the Nasdaq bubble and its consequences on both consumer spending and investor confidence on a worldwide basis should not be underestimated. As always, the market has the last word, and those who ignore this truth do it at their own risk!

Something to keep an eye on in the future is a lawsuit filed in Boston against the Bank for International Settlements in Basel, Switzerland, Alan Greenspan, William J. McDonough, J. P. Morgan & Co., Inc., Chase Manhattan Corp., Citigroup, Inc., Goldman Sachs Group, Inc., Deutsche Bank AG and Lawrence H. Summers, Secretary of the Treasury. Howe's complaint about manipulative activities in the gold market since 1994 has the potential of putting some government officials and high-ranking bankers in a very embarrassing, if not criminal, spot. Already, alleged improprieties by the Fed, the Treasury and its Exchange Stabilization Fund are published on the Internet or written about in investment newsletters. Who knows, maybe a cleansing storm is building on the shores of Massachusetts? Perhaps, it will put an end to government meddling and interfering in what is supposed to be a free gold market and then return the countries to a solid gold standard. I certainly hope so.

Meanwhile, the world economy continues to sail along precariously with its highly unstable monetary non-system. There can be as many G-7 or G-8 meetings as one can imagine, but nobody has the slightest idea how the monetary system can be

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restored. Sadly, the knowledge of what an appropriate currency system ought to be has nearly been lost. There are only a precious few left who know that only an honest monetary system with people freely choosing what they prefer as the medium of exchange—for which there are compelling reasons pointing to gold—can remedy the present disastrous currency muddle. The knowledge of those few who have taken the time and effort to study the history of money and man will be needed badly one day. When the time has come, it will serve to end the suffering of mankind and to relaunch the world economy by putting the world financial system back on a safe, golden track.

¹ Ian Notley, *Notley's Notes* (January 22, 2001), Yelton Fiscal Inc., Ridgefield, CT 06877 USA.

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