From: Steve Hickel <smhickel@gmail.com>
Sent: Saturday, May 7, 2011 8:13 AM
To: AG-COD <AG-COD@michigan.gov>; Gensler, Gary <GGensler@CFTC.gov>; Dunn, Michael <MDunn@CFTC.gov>; O'Malia, Scott <SO'Malia@CFTC.gov>; PosLimits <PosLimits@CFTC.gov>; Sommers, Jill <JSommers@CFTC.gov>; DRUDGE@drudgereport.com; kudlow@cnbc.com; squawk@cnbc.com; antitrust.complaints@usdoj.gov; GATA <info@gata.org>
Subject: Rigged: What is the 'Spot Price' of Gold and Silver And How Is It Set?

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https://www.evernote.com/shard/s57/sh/8ec9cf77-a5ed-4b84-a89e-f9c61aa51521/0926ad1817faf06de643ca0e817b9795

http://jessescrossroadscafe.blogspot.com/2010/03/what-is-spot-price-of-gold-and-silver.html The reason that physical trading in bullion became so highly concentrated in London was best explained to me...

But from a purely economic perspective if I were going to set up a mechanism to allow price fixing and fraud to occur, I could do little better, except perhaps to set up something more like an opaque monopoly such as the Federal Reserve with the ability to create supply out of nothing. The investors and producers are largely at the mercy of those who control the paper markets And this says nothing about the involvement of the central banks in influencing the price, which they admit that they do, if only obliquely.

Sure one can say. If you don't like the price you can keep taking delivery, except that you can't. The price is set on the Comex, which delivers paper dollars at will, and has a history of changing its rules at the drop of a hat to rescue trapped suppliers and speculative shorts. This is the sort of odd market that resolves itself in executive actions precipitated by breakdowns and default.

There is nothing here that could not be greatly improved by position limits and much greater transparency and accountability for counterparty risk. CFTC Commissioner Bart Chilton has shown himself to be remarkably insightful and courageous in promoted these changes to the US futures markets in the metals. Far from an efficient and vigorous market, as Adrian Douglas said at the CFTC hearing the US is merely a "sidehow" to the London market when it is open for trading at least with respect to actual product. But as amenable as this paper based market is to the 'easy skim' one might imagine there is a status quo that would fight any reform vociferously.

To use a poker analogy, I don't mind a 'no limits' game as long as it is table stakes where you put your 'stash' on the table for all to see, which again this is not, and the pot is split if you are raised beyond your bankroll, which this is also not. I would not imagine that a no limits game in which the big players are also often the dealers, and can see the cards that other cannot because of their seating, is the best sort of a mechanism with which to conduct price discovery for the average person in the market, who only wishes to play a few hands on a limited budget, or a small producer who wishes to bring their product to market.

As someone who approaches it as an amateur economist, and has been looking at its dynamics for the past few years, I may be missing something, but this seems less like an efficient market mechanism for price discovery and capital allocation, and more like a carney game.