

Why Silver is the New Gold

7 Silver Secrets Wall Street
And The Government Do Not Want You
To Know About Silver



By Bill Heid *and* Brian Brawdy

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“Pieces of Eight ... Pieces of Eight!”

When people think of wealth, luxury, and even “survival” currency, they usually think of gold. When the Spanish conquistadors sailed west, they sailed in search of “Cities of Gold.” What they found, instead, was silver, which they turned into the fabled “Pieces of Eight.” These coins, which inspired such lust among pirates as they sailed across the Caribbean and the Atlantic, were the basic unit of currency for the Spanish, and were minted beginning in the 15th century in both the New World and the Old. A “Piece of Eight” was essentially a Spanish silver dollar, which was often physically divided up into 8 “reales,” or “royals,” from which the name derives. The divided-up pieces were called “bits.”¹ The Spanish silver dollar, which was truly the first worldwide unit of currency, was legal tender in the United States until it was outlawed, (along with all other foreign currency), for use in domestic commerce in the mid-19th century.

“In the Bible, the wealth of men, ordinary and great, is measured in shekels of silver.”

Silver and precious metals have been used for building wealth and as a medium of exchange as far back as the written record of human civilization extends. Indeed, in the Bible, the wealth of men, ordinary and great, is measured in shekels of silver. Abraham, after settling in the Negev, became wealthy in livestock, and in silver and gold (Genesis 13:1-2).

Silver was first mined in the Anatolian Peninsula, in what is now Turkey. These early mines supplied silver to the new civilizations arising in the west. Athens supplanted Turkey as the prime silver supplier during the rise of the great ancient democracies in Greece and later Rome, supplying Laurium silver for ornament and trade. Later, Spanish mines produced vast quantities of silver to help fuel the spice trade of the Far East.²

In the modern world, where the almighty dollar is backed by nothing more than smoke and mirrors, silver is one of the best choices for building and sustaining true wealth and security in uncertain times. In fact, the case for silver is so compelling that you have to wonder if there’s a deliberate attempt to hush it up. Here are seven important facts about silver that you’ll never hear from the government or Wall Street.

Secret #1: Silver and gold are the only constitutional forms of money

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No State shall...make any Thing but gold and silver Coin a Tender in Payment of Debts.

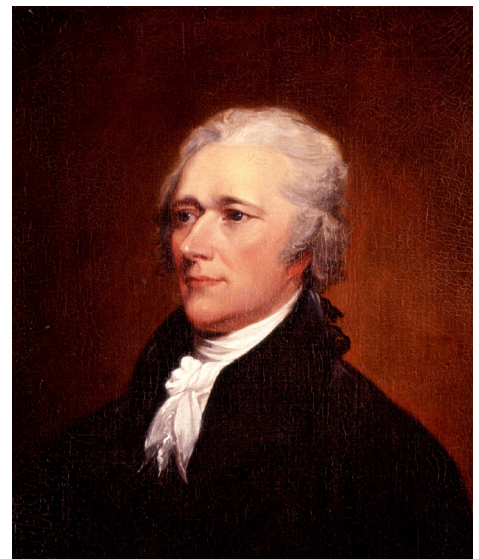
(U.S. Constitution, Article I, Section 10)

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Did you know that fiat currency - currency not backed by precious metals—is actually unconstitutional?

The words of the Founding Fathers have governed the United States for centuries. They knew how crucial it was to use precious metals, silver and gold, as the stable and enduring basis for currency in a free society. As they wrote the Constitution, drawing upon millennia of sound economics and the wisdom of the Bible, they enshrined silver and gold as the basis of the American currency. This section has never been amended.

To enforce this provision of the Constitution, Alexander Hamilton drafted the Coinage Act, which was signed into law by President George Washington in 1792. This bill established silver and gold as the basis for the new American currency, and the dollar was officially defined as having the “value of a Spanish milled dollar as the same is now current,”³ and to contain 371 1/4 grains of pure silver.⁴ To arrive at this exact and oddly specific weight, Hamilton took a random handful of worn silver Spanish dollars to the U.S. Treasury and had them weighed. He then simply took the average weight, and that became the standard for the U.S. dollar. The original Spanish silver dollars were also the parent currency of the Canadian dollar, the Chinese yuan, and most of the modern currencies of Central and South America.⁵

So when the Founding Fathers mention “dollars” in the Constitution and the Bill of Rights, they are talking about dollars of silver, not gold.



The first Secretary of the U.S. Treasury, Alexander Hamilton, drafted the Coinage Act of 1792. The act established silver and gold as the basis for American currency.

Hi-Yo Silver! Silver Dominates the Early Republic

During the late 18th and early 19th centuries, silver was the currency of choice for most Americans. Coins made of silver, of the denominations specified in the Coinage Act of 1792—dollars, half-dollars, quarter-dollars, dimes (dimes), and half-dimes (which were originally silver, but changed to nickel during the Civil War)⁶—proliferated in part due to the now little-known practice of “free coinage.” The method of increasing the money supply in the early republic was to encourage people to bring their raw silver and gold straight from the mines, as well as their silver and gold bullion, to the U.S. Mint to be assayed and turned into coins of a known weight and purity. The coins would be returned to their owners, all free of charge. These new coins would then enter into the economy as legal tender as their owners spent them.

Silver proliferated in the early days, largely because the favorable 15:1 silver:gold ratio made it very attractive and profitable for silver traders. The smaller denominations of silver coins were more suitable to the prices of most goods and services at the time. Silver dominated the marketplace until the Coinage Act of 1834 adjusted the silver:gold ratio to 16:1, slightly tilting the playing field in favor of gold. This proved to be the first shot across the bow in the government’s war on silver.

Up until 1857, American silver dollars were in use side by side with the old and storied Spanish silver dollars. In order to boost American currency, the Congress passed the Coinage Act of 1857 which contained a provision that made the use of foreign currency illegal.

By the 1870’s, free coinage was still practiced by the Mint. However it became an exchange in which a person would turn in a certain amount of silver—either raw or bullion—and the Mint would immediately give them back the same amount in already minted silver coins.

But the landscape changed dramatically with the Coinage Act of 1878, otherwise known as the Bland-Allison Act after its sponsors. This act gave the U.S. Mint the authority to purchase silver bullion to be turned into coins. Instead of a person having their silver assayed and turned into coins, where the silver remained in the hands of the private citizen, the government now paid for the silver in paper notes. The silver passed into the possession of the government and out of private hands. The bill also allowed the Mint to charge a seigniorage, or a processing fee, for the assaying and minting. This is a far cry from the original concept of free coinage, and led to government control of much of the nation’s silver.⁷ The Bland-Allison act was vetoed by President Hayes, but both the House and Senate voted to override the veto, and the bill became law over the president’s strenuous objections.

Secret #2: Government interference has kept silver prices artificially low

The value of silver has always been expressed in comparison with the value of gold, and throughout history it has always been considered more inexpensive than gold. Therefore, the value of silver is, to this day, described as a ratio of its value versus gold. The first Coinage Act codified into law the 15:1 ratio that had been unofficially in effect all over the world, meaning a troy ounce of silver was worth 1/15th of a troy ounce of gold. The ration was changed to 16:1 in the Coinage Act of 1834.

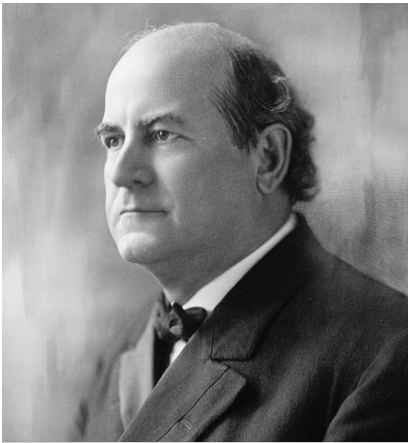
The Gold Standard and the Crime of 1873

The federal government has continually abrogated the requirement for a currency backed by silver and gold. However, they have done this without actually amending the Constitution, citing political or economic expediency. First during the Civil War, when the Union needed larger sums of money than the silver and gold supplies would allow, the currency of the nation became paper printed by the government in notes ranging from 10 cents to \$1,000.⁸ After the war, the Congress moved to restore specie (gold and silver currency or paper notes backed by metal currency) as the basis of our national currency with the Coinage Act of 1873. However, this bill only restored gold as official currency, and not silver. In effect, it made gold the basis of the American dollar in place of the silver envisioned by the Founding Fathers. The bill ended the minting of silver dollars, and also made silver coins legal tender only for debts under \$5.

In 1890, the Congress passed the Sherman Silver Purchase Act, which more than doubled the silver purchasing of the government required under the Bland Allison Act. As a result of these two acts, the government purchased 460 million ounces of silver from 1878 to 1894, effectively keeping a vast amount of silver out of private hands.

“The Coinage Act of 1873 made gold the basis of the American dollar in place of the silver envisioned by the Founding Fathers.”

Despite the government’s rampant purchasing of silver, uncoupling it from the U.S. dollar immediately caused the value of silver to plummet in comparison with gold. The ratio hit approximately 100 in the early 1940s, and in recent years has bounced between 50 and 65.



Senator William Jennings Bryan was an outspoken critic of gold, and lobbied hard for silver as the basis of US currency.

The Cross of Gold

The government and Wall Street war on silver raged for years. The silver proponents argued that silver was actually a more stable basis for a currency than gold alone, and that silver—a more abundant, more affordable, and less volatile basis of wealth—was the friend of the laborer, farmer, and working man. Senator William Jennings Bryan (1860-1925), in his famous speech, decried that ordinary, work-a-day Americans were being crucified on a cross of gold.

Bryan thundered against the east coast moneyed interests who, he claimed, were manipulating the government into upholding the gold standard at the expense of farmers and laborers throughout the United States. “You come to us and tell us that the great

cities are in favor of the gold standard. I tell you that the great cities rest upon these broad and fertile prairies. Burn down your cities and leave our farms, and your cities will spring up again as if by magic. But destroy our farms and the grass will grow in the streets of every city in the country.”⁹

So Long Gold Standard, We Hardly Knew Ye!

Despite Senator Bryan’s impassioned plea, silver finally lost the war with the passage of the Gold Standard Act of 1900, which legally defined the dollar as 25 8/10 grains of 90% pure gold.

The gold standard was briefly suspended during World War I, but then was quickly restored. However, in 1933, President Roosevelt began the process that finally removed the U.S. from the gold standard. The final nail was driven home in 1971 when, nearly one hundred years after the abandonment of silver, President Nixon severed the remaining ties between the dollar and the gold standard. Now the dollar is redeemable for nothing, except for the promises of the federal government.¹⁰

The Silver Lion

Senator William Jennings Bryan found himself transformed into the Cowardly Lion by pro-silver author L. Frank Baum in his classic 1899 children’s book, *The Wizard of Oz*. In the book, innocent Dorothy, representing working Americans from the midwest and west, wears shoes made of silver (transformed by Hollywood into rubies for Judy Garland’s feet). The silver shoes would solve all of Dorothy’s problems, just as the re-monetization of silver would save the pocketbooks of working-class Americans. She marches with her companions down the Yellow Brick Road of the gold standard that leads to the Emerald City, or Washington, D.C., and the greenback U.S. Dollar. Waiting in the city of Oz, which is the abbreviation for ounce, representing the ounces of silver and gold, is the hapless Wizard, representing the pro-gold standard President William McKinley.

Source: David B. Parker, *The Rise and Fall of The Wizard of Oz as a ‘Parable on Populism’*. *Journal Of The Georgia Association Of Historians*, vol. 15, pp. 49-63

Secret #3: Gold is overvalued in relation to silver

When compared to gold, the historical value of silver—stable for thousands of years—was around 16:1, which is where it was set in law when the U.S. based its currency on specie. As we saw, when silver was demonetized, the price of silver dropped while that of gold continued to rise. Now that the U.S. has left the gold standard, U.S. currency is based on nothing concrete, and gold prices have shot through the stratosphere. Though gold has traditionally been seen as a safe refuge and hedge against inflation, it is merely an emotional attachment to gold in times of economic uncertainty that keeps its price artificially high. Theodore Butler, a pre-eminent expert on silver and gold markets recently said in an interview, “I believe that the emotional attachment is to the idea of gold, not to gold itself. People want an asset that is immune from the conventional financial system and government control. Gold has traditionally been that asset.”¹¹

The main difference between gold and silver is that the value of gold is largely driven by a commonly held belief that gold is intrinsically valuable. There is essentially very little practical use for gold. Once it is mined, the vast majority is made into gold bars, bullion, and jewelry. Only about 12% of all the gold produced is consumed by manufacturing and industry,¹² while 80% is used in jewelry making. The rest is converted into bars and bullion.¹³ In this way, gold is much like the fiat currency of the U.S. It is valuable because people agree that it is valuable, though people’s belief in the intrinsic value of gold is much stronger than their belief in the paper dollar.

“The value of gold is largely driven by a commonly held belief that gold is intrinsically valuable. There is essentially very little practical use for gold. Silver, on the other hand, is used in a vast array of industrial processes and products.”

Silver, on the other hand, is used in a vast array of industrial processes and products. The majority of silver—two-thirds of it—that comes out of the ground is essentially consumed in manufacturing and industrial processes.¹⁴ Silver is used in batteries, cell phones, and computer chips, and is finding increasing use in RFID chips used by large retail chains such as Wal-Mart, and in high tech weapons systems.¹⁵ It is this last usage that is making governments around the world jump into the silver market as large consumers at an increasing rate.¹⁶

It is true that, for years, a major use of silver was in traditional film photography, and that this usage has waned as film cameras have been largely replaced by digital. But new uses of silver are more than making up the difference. Silver is now being used in a new generation of products such as flat screen televisions, iPods and iPads, and in green energy products such as solar panels.

A whole new range of emerging medical devices are taking advantage of silver's natural antimicrobial and antibacterial properties.¹⁷ The Canadian medical biotech firm Exciton just received approval from both the U.S. Food and Drug Administration and Health Canada for its new wound dressing called SD7, which is coated with antibacterial silver oxysalts. Exciton is now preparing to market SD7 all over North America as a treatment for chronic wounds and severe burns.¹⁸

What is left over from these industrial uses is used as investment vehicles, being converted into bars, coins, and high-end jewelry.

The Gold Bubble

Gold has been trading at an incredible, almost historic, high in 2010. However, many analysts are seeing signs that the gold wave is just a bubble, which may leave many who bought heavily into gold in 2010 wishing they had traveled on a Silver Brick Road instead. The lack of industrial use of gold means that there is nothing to support the current astronomical price except people's emotional attachment to it. This love-fest with gold is now reaching ridiculous heights. There are now actually gold-producing ATM machines that allow customers to purchase gold bars with their Visa cards. Machines popped up first in Abu Dhabi, Munich, and Madrid, and the first U.S. machine is in a mall in Boca Raton, Florida, with one scheduled to be installed in Las Vegas.¹⁹

You could do worse than listen to Warren Buffet when it comes to investing. His take on the current infatuation with gold is definitely bearish. In an interview with Ben Stein, "The Oracle of Omaha" said,

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"Look, you could take all the gold that's ever been mined, and it would fill a cube 67 feet in each direction. For what that's worth at current gold prices, you could buy all - not some - all of the farmland in the United States. Plus, you could buy 10 Exxon Mobils, plus have \$1 trillion of walking-around money. Or you could have a big cube of metal. Which would you take? Which is going to produce more value?"²⁰
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One of the reasons for the current increase in the price of gold is the fact that gold production from mining was down in 2006, 2007, and 2008. But here comes China! In 2004, China was the fourth largest producer of gold in the world. Today however, China has rocketed to number one, producing 313 metric tons of gold, accounting for 12% of the gold produced worldwide. They will surely continue this massive output until prices fall and make it less profitable.²¹

Is Fort Knox Empty? The Treasury Says That it Isn't, But Questions Persist

The United States government holds more gold than any other country in the world. There are widespread rumors that the government has sold off its gold reserves. However, as of 2010, the Department of the Treasury Inspector General reports that the deep storage gold reserves consist of 245,262,897.04 fine troy ounces of gold, mostly in the form of bars, but also some domestic and foreign coins.²² In 2005, the Treasury hired the accounting firm KMPG to do a full audit of the U.S. gold holdings, and they assure us that the gold is still there. In fact, the Treasury has been doing audits of the gold storage at Fort Knox since the 1980s, and started using independent accounting firms in 2000.

But many people still think that the government has been selling off the gold reserves for years, and that Fort Knox is full of cobwebs and mice. One notable questioner is Congressman Ron Paul, who, now that he will be serving as the chairman of the Domestic Monetary Policy Subcommittee in the 112th Congress, will surely be looking into the issue further.²³ In the last Congress, Rep. Paul introduced an amendment for a full audit of the Federal Reserve Bank.²⁴ So stay tuned ...

The Prick of a Golden Needle

There is a growing possibility that the needle prick that will burst the gold bubble may come from Uncle Sam. Assuming that the gold is still where the Treasury Department says it is, the government could sell it off to bolster the dollar, to pay down the federal deficit, or even to invest in repairing the aging and failing national infrastructure of roads, levees, and bridges. The gold supply was built up to support the gold-standard dollar, which ended in 1974. So many people are wondering why, given the current astronomically high price of gold, the government doesn't sell off some of its gold. The Treasury now estimates that the current market value of the deep storage gold is \$320,558,606,431.00, which is an increase of over \$75 billion from the 2009 value.²⁵ If it is just a rainy day fund, well, it doesn't rain much harder than it is right now.

While the government isn't showing any signs of selling off its gold yet, if it did, the flood of new gold into the market would surely burst the current bubble, and possibly drive gold to all time lows. But it isn't only the U.S. government we need to worry about here. Other countries with substantial gold reserves can, and have, sold off gold. In 2004, several European countries signed the Central Bank Gold Agreement, which set the amount of gold that the signers of the agreement could sell on the open market to 500 tons per year. In 2006, the participating countries sold 395.8 tons of gold on the open market, and in 2007, they sold 475.75 tons. The biggest sellers have been Spain and Switzerland.

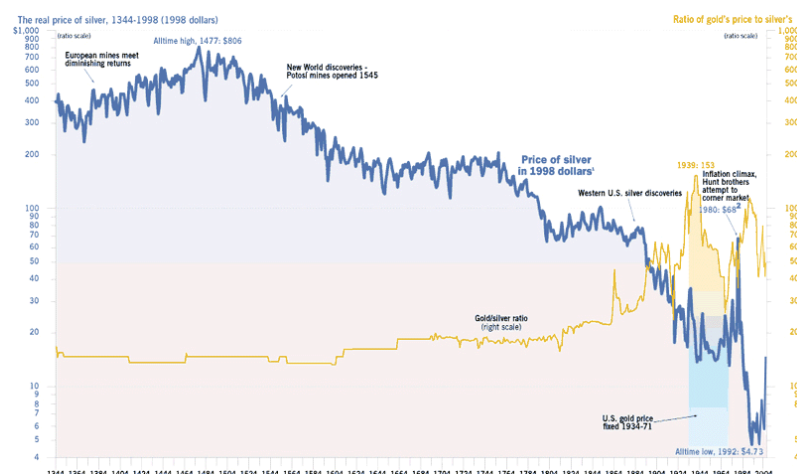
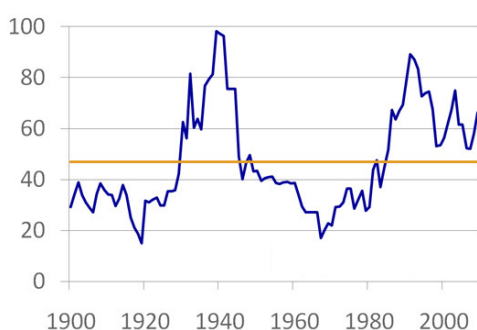
In 2007, Spain sold 165 tons, and Switzerland 113. Switzerland sold another 200 tons in 2008 and 2009, bringing their gold reserve down to 1,000 tons. Among European countries, only Germany and Italy have resisted selling off their gold supplies. So, countries selling off their gold supplies is not a new or radical idea. If the U.S. decides to enter the game, holding the largest gold supply in the world, gold prices would surely suffer with the influx of new metals into the market.²⁶

Restoring the Value of Silver in a True Free Market

No nation has ever sustained a fiat currency over a long period of time. Every country that has used fiat currency has seen it become devalued and collapse. Beginning with ancient Rome and China, up to modern Germany, France, Norway, and now Greece, fiat currency is not sustainable. The United States is now experiencing a time of runaway government spending, major recession, high unemployment, and we are on the verge of runaway inflation and possible eventual currency collapse.²⁷

“The U.S. will probably be forced to return to a bi-metallic—silver and gold—system of currency.”

If this happens the U.S. will probably be forced to return to a bi-metallic—silver and gold—system of currency. Without artificial manipulation of precious metals markets caused by the fiat currency system, the ratio of silver to gold value will most likely return to the level that has predominated for centuries. On a chart of historic silver prices, you can almost draw a straight line at 16:1 from the mid-14th century to the late 19th century, when silver was demonetized in the United States.²⁸ If the ratio does return to its historic levels, people who bought silver at its current range of approximately 50- 65:1 will be very happy campers indeed.



Secret #4: There is a massive deficit of silver in the world today

Did you know that, since 1942, more silver exists on paper than has actually been mined?²⁹ The current practice of buying and selling silver futures is actually buying and selling silver that doesn't exist yet, at least above ground. A futures contract is simply an agreement to buy silver at a future, agreed upon date, at a set price. Silver futures traders are essentially making a bet that the price of the silver will rise above the price set in the futures contract by the time the agreed upon date occurs, thereby making money on the investment. Since more silver is actually consumed than is used for investment, the supply coming out of mines and being recovered from industrial scrap has not kept up with the demand.

The deficit is continuing. In 2000, the total demand was 889 million ounces, while only 710 million ounces of silver were produced or recovered. This left a whopping deficit of over 5,000 metric tons.³¹ In 2009, seven-hundred and ten million ounces of silver were produced or recovered, while the total demand was 889 million ounces, leaving a whopping deficit of over 5,000 metric tons.³²

Problems at Comex: Has the Warehouse Been Robbed?

Comex, the largest precious metals futures market in the world, is essentially a warehouse for silver and gold. They are supposed to maintain a supply of gold and silver to match the paper certificates they are selling and trading. There are increasing signs that the silver and gold supplies being held by Comex do not actually match the amount of paper futures being traded.

A holder of a silver certificate with a specific serial number has ownership of a bar of silver of the same weight and the same serial number. The owner should be able to, at any time, exchange their certificate for the actual bar of silver. At least this is the way it is supposed to work, for both silver and gold certificates.

Priced Out of The Gold Market?

There's never been a better time to invest in precious metals. But with gold well over \$1400 an ounce, many people mistakenly think they can't afford precious metals. Good news – you can invest in precious metals, and for far less than \$1400 an ounce. Even at its current historic high price, silver is still extremely affordable ... and profitable. Silver is ideal as:

- A hedge against inflation
- A "currency of last resort"
- A legacy for your children and grandchildren

Hot off the presses, Silver Buyer's Survival Manual reveals everything you need to know to profit from the coming silver explosion. Don't miss your opportunity for profits. Order your copy today!

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In recent times, however, Comex has been experiencing chronic delays in exchanging actual gold and silver bars for futures certificates. In one instance, gold trader Jim Sinclair attempted to retrieve several 100 ounce gold bars, and while he was given gold bars by Comex, they did not have the correct serial numbers and were not of the correct weight.

Is the silver and gold actually there? You cannot tell from Comex's records! In May 2009, investors requested 20 million ounces of silver bars be delivered to them from a Comex silver warehouse whose total silver inventory at that time was roughly 64 million ounces. Yet no records of the silver exist—no record of the silver leaving dealers, going into the Comex warehouse, or being delivered to the customers. In March, 17.5 million ounces were requested, and the Comex warehouse reports show no record of these transactions.³³

At the end of 2010, silver prices increased precipitously due to a reported shortage of silver supplies in the Comex warehouse. There are currently about 50 million ounces of registered silver at Comex, which means it is theoretically available to pay out immediately to certificate owners. This amount would be exhausted by the paying out of about 10 thousand contracts at a time when there are known to be more than seven times that number of contracts in the hands of eager investors. Rumors are rampant that, in December, many certificate holders who requested actual silver accepted cash settlements instead. No wonder the price shot up!³⁴

The problems do not reside solely in Comex. Rumors swirling around two major global financial institutions, Scotia Bank and HSBC, hint that they are running unsustainably low on silver holdings. In June 2010, 630 thousand ounces of silver were withdrawn from other Comex depositories on the same day that 610 thousand ounces were deposited into Scotia's accounts just in time for them to make their silver deliveries to investors.³⁵

Currently, there are about 75 thousand Comex silver contracts that will come to maturity—and therefore eligible to be paid out - in March 2011. Clearly, there is not enough actual silver to go around to everyone who is holding paper. However, for those still buying certificates, the March contracts have sharply driven up the price of silver.³⁶ At current prices, only \$1.5 billion would be needed to completely deplete the Comex registered silver supply.³⁷

“Clearly, there is not enough actual silver to go around to everyone who is holding paper.”

Secret #5: Silver, not gold, is likely to become the “currency of last resort” in an economic meltdown

In times of crisis, people flock to gold for a safe haven in an economic storm. However, this has also historically included Uncle Sam. At the beginning of the Great Depression, anxious Americans had withdrawn so much gold from the Federal Reserve that it barely held the legal minimum. This raised concerns about the fundamental soundness of the American monetary system. In 1933, President Roosevelt once again took the U.S. off of the gold standard.³⁸ Following Keynesian theory, the government was trying to increase the monetary supply. In order to effect this, FDR issued Executive Order 6102, which made it illegal for Americans to own gold worth over \$100 in coins, except for jewelry and dental fillings. The order allowed the government to confiscate the gold held by private American citizens, and pay them \$20.67 an ounce for their coins, bars, and bullion. Any American who disobeyed this order faced a \$10,000 fine and up to 10 years in jail. Furthermore, the order made it illegal for Americans to purchase gold, even overseas.³⁹

After Roosevelt had taken the gold from American citizens at \$20 per ounce, he ordered the government to set the official price of gold at \$35 per ounce. By doing this, Roosevelt deflated the dollar by 40% to 70% virtually overnight. This stabilized the monetary system, but did so on the backs of ordinary Americans.⁴⁰

President Roosevelt issued these executive orders on the basis of a national emergency—the Great Depression. However, history books tell us that the Great Depression ended during World War II. The prohibition against owning gold lasted for 40 years! It wasn't until 1974 when Gerald Ford signed Executive Order 11825 that Americans were once again given permission to buy and possess gold for investment purposes.⁴¹ The right to own gold as an investment, once taken for granted, has now become a privilege that depends on the whims of the government.

To further stabilize the monetary system, in 1934 Congress passed the Silver Purchase Act, allowing the Treasury to purchase all available silver at above market rates. To pay for the purchases, the Treasury printed Silver Certificates, which further added to the money supply.⁴²

A Worldwide Silver Life Preserver

The current economic crisis is not solely a U.S. phenomenon. Nervous investors all over the world are turning to silver as a stable alternative to gold. In the burgeoning economy of India, silver imports increased by 60% in the first half of 2010 as people are sought a more reasonable alternative to gold.

Why Silver is the New Gold

7 Silver Secrets Wall Street And The Government Do Not Want You To Know About Silver

Even the world's richest man, Carlos Slim, is getting into silver with his usual big splash, pursuing an ownership bid of Mexican mining concern, Fresnillo, which is about to become the world's leading silver supplier.⁴³

The pervasive difficulties in international finance and the problems of sovereign debt are continuing to drive up the value of silver and other precious metals. The recent downgrade of Greece's credit rating by Moody's Investment Services and Standard and Poor's have boosted the commodity prices of both silver and gold across the world.⁴⁴

"Nervous investors all over the world are turning to silver as a stable alternative to gold."

Lucrative Junk

The funny business going on in the silver futures market is an ill omen. With silver futures certificates exceeding the amount of silver being mined, a crash is surely inevitable.⁴⁵ The answer is to buy and hold actual silver, and not paper.

But you don't need to be Carlos Slim to start investing in silver. So called "junk silver," regular U.S. coins minted before 1964, can be bought for relatively small amounts of money, and will hold their value in the face of runaway inflation.

In 1965, President Johnson signed yet another Coinage Act, which removed silver from U.S. quarters and dimes, and limited the amount of silver in half-dollars. On signing the bill, Johnson issued an odd warning, telling people not to hoard the old silver coins as investments. He said:



President Lyndon B. Johnson signed the Coinage Act of 1965 that eliminated silver from U.S. coins.

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*"If anybody has any idea of hoarding our silver coins, let me say this. Treasury has a lot of silver on hand, and it can be, and it will be used to keep the price of silver in line with its value in our present silver coin. There will be no profit in holding them out of circulation for the value of their silver content."*⁴⁶
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Johnson could not have been more wrong! Within 15 years, the price of silver had soared to \$49 per ounce, and today, the dollar is worth less than a 27th of an ounce of silver.⁴⁷ One of

President Johnson's silver dimes, in 1964, would have bought a loaf of bread. But today the silver content of that dime is worth roughly \$2.10 ... still enough to buy a loaf of bread.⁴⁸

"If you had put \$100,000 worth of quarters under your mattress in 1964, you would have about \$1.1 million in silver today."

In larger terms, if, in 1964, you had \$100,000 in paper cash, and you stuck it under your mattress until today, you would still have \$100,000, but it would buy a lot less today than it would have in 1964. In that year, your \$100K had roughly \$684,000 worth of purchasing power in 2010 value. However, if you had put the same \$100,000 worth of silver quarters under your mattress in 1964, besides having a lumpy mattress, you would have 400,000 quarters that would be worth around \$1.1 million in silver today. Plenty to buy a new mattress!⁴⁹

There are many advantages to buying junk silver for the average investor. The fact that these coins were produced by the U.S. Mint under close scrutiny and very exacting conditions means that the amount of silver in each coin is a known quantity, and the purity of the silver—90%—is exact. Roosevelt dimes minted between 1945 and 1964 each contain .07234 of an ounce of pure silver, and quarters minted between 1873 and 1964 contain exactly .18084 ounces of silver, minus a little caused by wear and tear over the years. Junk silver coins can be bought individually or in bags, usually with a face value of \$1,000 (the actual face value of the quarters and dimes). They contain a known quantity of silver, 715 ounces, which accounts for wear.⁵⁰ Junk silver bags of smaller face values and silver quantities can be bought also, sometimes being sold in \$500, \$250, \$100, and even in \$50 face value lots.⁵¹ The price of the bags varies as the price of silver fluctuates.



Junk silver coins, minted before 1965, contain real silver and have many advantages for the average investor.

One of the main advantages for buying junk silver coins is value for your investing dollar. Though they may not be as pretty as shiny new silver eagles from the U.S. Mint, junk silver can usually be bought near the spot price of the amount of silver in the bag. Spot price just means whatever number silver is valued at during any given moment on the commodity exchanges. There are usually no, or very low, associated fees. When you purchase silver bullion or bars that are newly minted, dealers usually attach premiums to cover the mining, refining, minting, and transportation costs. Since junk silver was minted courtesy of the U.S. government many years ago, these fees no longer apply, and you get more silver for your investing dollars.⁵²

Where has the dollar gone?

What happens if the U.S. fiat currency system goes belly-up, as all other fiat currencies have throughout human history? Well, if you have a ready supply of silver coins, you will have a ready money supply that will not have to be measured or assayed, and then converted into tradable units. Junk silver is already legitimate U.S. currency and has a recognized value. Given that the historic ratio of silver to gold over the span of human history has been roughly 16:1, once there are no artificial inflationary and deflationary pressures on silver and gold values enforced by U.S. monetary policy, the historic standard should reassert itself. Silver stands to make great gains versus gold in a currency system based on bartering of precious metals or in a new currency system based on a bimetallic standard.

Secret #6: Ordinary people are already using real silver to pay their bills

Did you know that, in some states, you can use silver coins other than those minted by the U.S. government as currency?

Alternative Silver

A provision of the Currency Act of 1965 states that “Private businesses are free to develop their own policies on whether or not to accept cash unless there is a State law which says otherwise.” According to the U.S. Treasury Department, “There is, however, no federal statute mandating that a private business, a person or an organization must accept currency or coins as for payment for goods and/or services.”⁵³



Some Americans are using Ron Paul silver coins like this one to transact business.

Americans in Michigan have interpreted this to mean that they can develop their own currency system—using silver coins as one medium—to essentially barter for goods and services using privately minted coins. Businesses such as restaurants, chiropractors, and gas stations are accepting a range of alternative, competing currencies made of silver and other precious metals in payment. All completely legally, according to supporters.⁵⁴ One business even accepted a payment in the form of a Ron Paul half-ounce troy silver coin. Congressman Paul, a Texas libertarian, has said himself that Americans should be allowed to use silver and gold as currency, though he is unsure as to the legality of it.⁵⁵

Beyond Michigan, local communities across the United States have their own form of currencies. Some estimates say as many as 200 communities have their own currencies. From the Humbolt Exchange in California, Berkshares in Massachusetts, the Brooklyn Torch and Ithaca Hours in New York, the Piedmont Hours in North Carolina, to the Gorge Local Currency Cooperative in Oregon, communities of Americans from coast to coast are finding local ways of coping in the current harsh economic climate. These local efforts are created by the agreement of the citizens and the businesses in certain areas to create an alternative means of exchange that have a commonly recognized value.⁵⁶

“Some grocery stores in California are allowing customers to pay for their groceries using silver quarters, dimes, and half-dollars—not for the face value of the coins, but for the value of the silver they contain.”

Even now, some stores are beginning to accept junk silver coins as payment for goods and services. Some grocery stores in California are allowing customers to pay for their groceries using silver quarters, dimes, and half-dollars—not for the face value of the coins, but for the value of the silver they contain. This is a perfectly legal transaction. By putting down a few silver coins with a face value of a couple of dollars, you can purchase ten to twenty times the amount shown in goods because of the value of the silver.⁵⁷

States' Silver Right

Since the Coinage Act of 1965 leaves the authority for cash acceptance up to the states, some states are exploring alternative options for monetary systems. One Idaho state representative has introduced a bill in the state legislature to require the Idaho state treasurer to issue silver medallions. These medallions would be used by Idahoans for whatever they choose. The bill encourages their use as an alternative currency to the dollar. The bill would also allow Idahoans the option of paying their state taxes in the new silver medallions. The proponents of this bill say it will boost the state silver mining industry, and—more importantly—will give the state of Idaho and its citizens a buffer against the expected inflation of the dollar.⁵⁸ This bill was defeated in the Idaho state legislature in 2010, but supporters plan to reintroduce it in the next session.

“State legislatures up and down the east coast are exploring ways to create silver and precious metals-based currency systems within their own states as an alternative to the vulnerable dollar.”

In addition to Idaho, state legislatures up and down the east coast are exploring ways to create silver and precious metals-based currency systems within their own states as an alternative to the vulnerable dollar. In Virginia, the legislature is considering House Joint Resolution No. 557, which would create a state commission to begin exploring a move towards a silver and gold state currency. Similar bills are under consideration in state legislatures in Indiana, Montana, New Hampshire, and South Carolina.⁵⁹

A state legislator in Georgia has taken the issue a step further, introducing the Constitutional Tender Act. The bill cites the constitutional requirement that all currency be in silver and gold. It further specifies that all state government transactions will be conducted using only silver and gold coins, specifically citing the use of “pre-1965 silver coins and silver eagles.” In other words, if this bill had passed, junk silver would become the required currency in Georgia.⁶⁰ As of this writing, the bill has not passed, but similar efforts are becoming more common across the United States as citizens, and increasingly state governments, become worried about the viability of the fiat dollar.

This movement is not just confined to the United States. In Malaysia, the globally uncertain economic times, the unsustainable debt of nations, and the shakiness of fiat currencies all over the world, has caused one state government to introduce an official alternative currency consisting of gold and silver coins. They have recreated the ancient dinar and dirham coins of the Ottoman Empire. To date, about 1,000 stores and restaurants in the state have said they will accept the new coins, which will exist alongside the national state fiat currency, the ringgit.⁶¹

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Secret #7: Gold purchases will be monitored by the government, but silver purchases are easily kept private

Remember that during the Great Depression, President Roosevelt confiscated the gold of ordinary Americans in order to rescue the monetary supply. Well, in order to know who to confiscate it from, the government has to know where to find it. That will now be possible thanks to a tiny provision tucked into the Healthcare Reform bill signed into law in 2010. Section 9006 of the Patient Protection and Affordable Care Act greatly expands the reporting requirements utilizing the already existing IRS Form 1099. These forms are currently used for independent contractors and sellers to track transactions for income tax purposes.

“In order to know who to confiscate gold from, the government has to know where to find it. That will now be possible thanks to a tiny provision tucked into the Healthcare Reform bill signed into law in 2010.”

However, under the Healthcare Reform Act, beginning on January 1, 2012, small businesses and contractors will have to report on the 1099 all purchases that amount to over \$600 over the course of a calendar year. Precious metals such as gold and silver bullion will fall under this provision, and coin dealers are complaining loudly!⁶²

With gold currently trading at over \$1,300 an ounce, very small transactions involving gold coins will immediately trigger this requirement. With the relatively modest price of silver, on the other hand, people will be able to purchase more silver without having it reported to the government.

The government claims that this bill will capture \$17 billion in tax revenue that is currently going unreported, but gold dealers say it will create endless paperwork and a thorough record for the IRS showing who owns gold and in what amounts and types.

Safe Future in Silver

Throughout its history, silver has proven to be a stable, safe investment. Especially in troubled times—when the frightened masses instinctively turn to unstable gold—silver is a solid foundation for the financial future. Ben Franklin once said, “Genius without education is like silver in the mine.”⁶³ Those who take the time to understand the history of silver, and its relationship with gold and with U.S. currency, will clearly see its advantages as a medium for growing wealth and as a protection against the uncertain future of the fiat dollar.

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