Things You Probably Didn't Learn in School about Gold & Silver

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Gold is Real Money.

Today, sovereign nations, central banks, and the über rich are taking delivery of *physical* gold by the metric tonne. Relatively few economists understand *why*.

According to Alan Greenspan, the former Chairman of the Federal Reserve, no other currency can match gold:

> ***"Gold is a currency. It is still, by all evidence, the premier currency. No fiat currency, including the dollar, can match it."*** [Alan Greenspan at the Council on Foreign Relations, October 29, 2014, Gillian Tett, *"The Financial Times*."]

As it turns out, the rich and the powerful have always known that gold is *money par excellence*. That is why the wars of "the captains and the kings" are settled in gold. America's greatest banker "J.P." Morgan believed gold *alone* is real money. He said other monetary instruments derive their value (credit) from gold.

> The Wall Street Titan testified before Congress that gold is money *itself*: ***"Gold is money, and nothing else."*** [Testimony of J. Pierpont "J.P." Morgan before the "Bank and Currency Committee," United States House of Representatives, Wash., D.C., December 18 and 19, 1912.]

Protect your wealth from money-printing by taking delivery of actual gold. After ten years of monetary 'stimulus,' new dollars by the wheelbarrow are chasing a limited supply of PHYSICAL gold coins.

Standardized Monetary Weights

Table of Contents: CARAT Weights; KARAT Purity; TROY Weights; METRIC Weights; MILLESIMAL Fineness; FAR EAST Weights.

OLD CARAT SYSTEM OF WEIGHTS:

Seeds and grains were once used as standardized weights to weigh money on precision scales. Traders used barley grains and the uniform seeds of carob trees as units of weight to determine mass.

One *grain* taken from the middle of an ear of barley was used as a weight called a "gerah:" 1 gerah = 1 "*grain*."

A carob seed was used as a weight called a "carat." The pod or seed of the carob tree has a consistent weight of four grains (gerahs): 4 gerahs = 4 grains = 1 "*carat*."

CARAT (abbreviated ct.) is the spelling used in North America when referring to the weight of gemstones such as diamonds and rubies. With today's technology, the calculation is extremely precise:

1 carat = 0.2053 grams
1 carat = 3.17 grains Troy weight
120 carats = 1 Troy ounce.

The carat system of weights measures mass,
and also measures the purity of gold alloys.

KARAT (abbreviated k or kt.) is the spelling used in North America when referring to the purity of gold. Pure gold is 24 karat. All 24 karat gold is bright yellow. Metal mixed with gold *changes* the color to pink, blue, orange, purple, green, and white.

Different geographical regions have various karat standards for gold jewelry:

- India 22k
- United States was 10k, now 14k or 18k
- Far East 24k, Canton – *Chuk Kam* – min. 99% pure
- Russia 9k
- United Kingdom 9k
- Mediterranean Europe 18k

Divide the number stamped on your jewelry by 24 to find the percentage of gold purity:

8k ÷ 24 =	33.3%	.3333	333/1,000 (repetend 3)
10k ÷ 24 =	41.6%	.4167	416/1,000 (repetend 6)
14k ÷ 24 =	58.5%	.585	585/1,000
18k ÷ 24 =	75 %	.750	750/1,000
22k÷ 24 =	91.6%	.9167	916/1,000 (repetend 6)

TROY WEIGHT SYSTEM

Troy weight was first used in Troyes, France. The system of weights for gold and silver is based on one Troy pound containing 12 Troy ounces or 5,760 grains (1 grain = .0648 grams; “dwt” = “pennyweight”).

12 Troy oz = 240 dwt = 5,760 grains = 1 Troy pound
1 Troy oz = 20 dwt = 480 grains = 1/12th Troy pound
1/20th Troy oz = 1 dwt = 24 grains = 1/240th Troy pound
31.1035 grams (31.1034768 grammes) = 1 Troy oz
1 kilo bar = 32.151 Troy oz (32.1507 Troy oz)
1,000 kilo bars = 1 metric tone = 32,151 Troy ounces

HALLMARK OF MILLESIMAL FINENESS

The system of millesimal fineness for precious metals is a high-tech version of the old carat system of weights. The Latin word for THOUSAND is *"mille."* Millesimal fineness denotes parts per thousand of pure metal in a metal alloy (metal purity).

Current world standards for millesimal fineness of precious metals:

- Gold .9950 to .9999
- Platinum .995 to .999
- Palladium .995 to .999
- Silver .999

Bars are either "cast" [poured] or minted like coins. The stamp on a bar is its *"hallmark"* of purity. The hallmark indicates who minted the bar and its millesimal fineness. If the mint is well-known and trusted, the numbers on the bar can be taken at *face value*. If the mint is unknown or is considered unreliable, the bar must be assayed.

The current minimal acceptable fineness for a *London Good Delivery Bar* [LGD] is 995/1000 gold. A London Good Delivery Bar weighs between 350 and 430 Troy oz of 99.5% pure gold.

A "*Standard Bar"* of gold weighs approx. 400 Troy oz or 12.5 kilograms (12.5 x 32.151 = 401.8875 Troy oz); it has a minimum fineness of .995 (995 parts of pure gold per 1,000).

A *"Standard Bar"* of silver weighs approximately 1,000 Troy oz, and has a minimum fineness of .999 (999 parts of pure silver per 1,000).

> Former standards of purity varied from current standards by one decimal point. The international trend in gold trade is moving toward bars that are "4 nines fine" [99.99% pure gold]. The purity of *standard bars* varies by geographical region: Dubai = 99.9%/ "3 nines fine;" Iran = 99.5%/ .9950 fine.

EASTERN HEMISPHERE WEIGHTS

TOLA – Indian Unit of Weight
[also Singapore, Pakistan, Singapore, Middle East]
1 tola = .375 Troy oz = 11.6638 grams
10 tola = 3.75 Troy oz = 116.638 grams

BAHT – Unit of Weight in Thailand [96.5% fine]
10 baht = 4.901 Troy oz = 152.44 grams

DON [Korea] 10 don = 1.206 Troy oz = 37.500 grams

CHI [Vietnam] 5 chi = .603 Troy oz = 18.750 grams

TAEL – Chinese Unit of Weight ("*God's weight*")
1 tael = 1.20337 Troy ounces = 37.4290 grams of gold
5 tael = 6.017 Troy ounces = 187.145 grams of gold
100 taels (120.337 Troy oz) = Hong Kong trade unit

Hong Kong tael bar nominal fineness is .99 (KIM-THANH).
Taiwanese 5 and 10 tael bars can be 999.9 fine ("*four nines fine*").

Historical Ratios of Gold to Silver

Before the great civilizations declined, Babylonians, Egyptians, Hebrews, Romans, Chinese, Greeks, Persians, Assyrians, Phœnicians, Harappans, and Sumerians all conducted international trade with the same two currencies: silver and gold. For thousands of years, international merchants and local traders used an integrated system of weights to evaluate gold and silver money.

The monetary systems of the most powerful kingdoms employed standardized weights to facilitate transactions. Trade flourished because *a*ny form of silver and gold was acceptable money. Pharaoh's gold bracelets were negotiable currency in Babylon; silver and gold ingots from Rome could be spent in Athens.

In foreign exchange, businessmen and potentates constantly compared the value of silver to the value of gold. The value of the gold *compared* to the value of the silver was part of the transaction. Most business was transacted with silver. The words *money* and *silver* were practically synonyms in languages such as Hebrew and Latin. In Chinese, the word for *bank* meant "silver house."

Around the world, the "shekel" was one of many *standardized* weights used to measure the value of monetary metals. When the shekel was a standardized weight, the value of one shekel of silver was usually 1/15th of the value of one shekel of gold. (The shekel was not a coin until 141 B.C.)

Silver and gold are *monetary metals*. Over thousands of years, they have maintained a monetary relationship (silver has always been measured against gold). The historical 'norm' is 15 or 16 oz of silver to 1 oz of gold. Today, 1 oz of gold ($1,292/oz) is equal to 75 oz of silver ($15.07/oz): **75 to 1** is an aberration.

HISTORICAL GOLD-TO-SILVER RATIOS

According to monetary scholars: the ratio was **2½ to 1** in Egypt under Menes (Code of Menes c. 3,100 B.C.); the ratio was **12 to 1** when David was King (c. 1,020 B.C.); **5 to 1** in ancient Syria; **10 to 1** at the time of Hezekiah (c. 678 B.C.); **13 to 1** in Greece *before* Alexander the Great set the relationship of gold to silver at **10 to 1** (c. 330 B.C.). The ratio was **12 to 12½ to 1** in the Roman Republic (until 27 B.C.); **8 to 1** in Japan; **4 to 1**, then **10 to 1**, and later **12 to 1** in China. In Europe -from the Greek Testament to about 1492 – the ratio averaged **10 to 1**; from 1492 until 1834, the average ratio was **15 to 1**. England set the ratio at **16 to 1**; Napoleon set the ratio at **15½ to 1**. In 1792, Congress under President George Washington *fixed* the U.S. gold-to-silver ratio at **15 to** 1. The ratio for the entire world came close to historical norms in 1980, briefly touching **16 to 1**. In 2011, the ratio was **38 to 1** and dropped to **30 to 1**.

We know from overwhelming historical evidence that the price of silver is *artificially* low in relation to the price of gold. Silver is a tremendous bargain: *"***An ounce of gold will commonly purchase from fourteen to fifteen ounces of silver…."** [Adam Smith, *The Wealth of Nations*.]

There is detailed information about the universal weight system of ancient money; the Bible provides an historical record of the natural relationship of gold to silver. Stone tables and clay tablets of ancient accounting are still being unearthed in Asia Minor. **"Creating Economic Order– Record-keeping, Standardization, & Development of Accounting in Ancient Near East, Institute for the Study of Long-term Economic Trends,"* International Scholars Conference Ancient Near Eastern Economies, by A. Mederos and C. C. Lamberg-Karlovsky, Volume IV, British Museum, November 2000.

U.S. Dollar History

"Dollar" is the name for monetary units used in various countries all over the world. The definition of the word dollar is "weight." The term *dollar* is from the Greek word *taler*, referring to the weight of gold or silver. The dollar came to America from Bohemia. The Bohemian coin called the "*thaler*" contained 451 grains of pure silver.

In 1792, America fixed the price of gold at $20.67 per Troy ounce. The coinage legislation under President George Washington was designed to preserve the integrity of the dollar. The Coinage Act defined a *legal* dollar:

$1 = .7734 Troy ounces of silver
$1 = .04375 Troy ounces of gold

For about 150 years, the dollar was fixed to gold in a relationship of 20 to 1. Anyone could have had an old $20 Gold Piece [below] for a $20 paper bill.

"No State shall… make any thing but gold and silver coin a tender in payment of debts…." [Article I, Section 10, United States Constitution.]

Today, U.S. 90% silver coins [pre-1965] halves, quarters, and dimes are traded according to the *"face value"* of the coins. A full 'bag' is $1,000 face value: 10,000 dimes [10¢], or 4,000 quarters [25¢], or 2,000 halves [50¢]. One full bag of *"junk silver"* contains 715-720 Troy oz of pure silver. ($1,000 face value bag of *old* silver dollars contains 765 Troy oz of pure silver.)

The new U.S. silver dollar is the American Silver Eagle (first issued in 1987).

The Silver Eagle contains 1 Troy oz of pure silver.

Gold and silver coins are usually "alloys" (usually 90% pure). The mixture of gold or silver with base metals strengthens coins for circulation. For example, the *new* American Gold Eagle 1-ounce coin [below] *contains* 1 Troy oz of pure gold, but weighs 1.1 ounces.

New American Gold Eagle coins:
1 oz · 1/2 oz · 1/4 oz · 1/10th oz.

England (from 1729) and America (from 1792) had a true gold standard. Until 1933, the U.S. dollar and the British pound had a standard exchange relationship. *Paper* dollars, *paper* pounds, and *gold* coins were interchangeable currencies – for everyone. Except during times of war, bank deposits and notes -in dollars or pounds- could be converted into gold at $20.67/oz. Until 1933, $4.86 could have been exchanged for the gold pound [£1 coin below]:

In 1944, the U.S. dollar became the world's "*reserve currency*" (replacing the British Pound Sterling). The dollar was *gold-backed* from 1792 to 1971. The dollar's tie to gold was severed completely in 1971. Today, the dollar has *no* intrinsic value: FEDERAL RESERVE DOUBLE WHAMMY.

British Pound History

England's pound (£) was once a monetary unit of weight. The Latin word "pound" (abbreviated lb.) means "*weight*." A "*pondus*" was a weight used on a balance to weigh money. The British pound's symbol -£- is the first letter of the word "libra." A *libra* was a Latin balancing scale and a Roman coin.

In 1729, Sir Isaac Newton (Master of the Mint) adopted the gold standard for Britain, fixing the price at £3 17 s. 10½ p. per Troy oz. The ¼ oz gold pound (£ left) is called the *"British Sovereign"* (from 1817); the pure gold content of the gold coin is .2354 Troy oz.

Back in the day when the British gold pound (£) was used as legal tender, silver and gold coins had standard relationships. The gold pound was equivalent to 20 shillings or 240 pence (the sterling silver penny). The silver penny was Great Britain's primary unit of coinage, beginning with the Anglo-Saxon "sceat" (from the 700s until 1946). This silver penny [below] is from the reign of King Alfred (Ælfred, A.D. 871 to 899).

PENNYWEIGHT: The weight of the sterling silver penny became a universal unit of weight — the "pennyweight." The penny's symbol is "*d*" after the Roman penny *denarius*. Pennyweight is abbreviated "dwt."

POUND STERLING

In 1158, Henry II of England ordained the original *sterling coin*. Today, the universal definition of *"sterling silver"* is silver that is 92.5% pure (925/1,000 or .925). The "sterling" was a sterling silver penny that weighed 1/240th of a Troy pound. In other words, 240 pennies weighed one Troy pound of sterling silver — the *"Pound Sterling."* The British Pound Sterling was the world's standard for legal money and the world's "*reserve currency*" until 1944.

Good Money is Timeless Money.

Gold and silver are like no other currencies. The monetary value of gold and silver is accepted everywhere and in every era. All great civilizations have conducted trade with silver and gold money (until the societies declined). The two *"monetary metals"* do not corrode and occur in nature worldwide. Both precious metals are easy to trade, recognizable, divisible, portable, and rare — which makes silver and gold *natural money*.

A distinguished professor at the University of California at Berkeley re-discovered why gold has always played a *central monetary role*. After years of ground-breaking research, the late Professor Roy Jastram uncovered the unique monetary value of gold. In *The Golden Constant*, the business professor charted the relationships between gold and numerous commodities over the centuries.* Beginning at 1560, the data reveal the nearly constant purchasing power of gold.

PHENOMENON OF THE GOLDEN CONSTANT

Various factors can cause commodity prices to get out of line with gold. At times, supplies of products are scarce; at other times, some commodities are extremely abundant.** Weather, wars, catastrophes, and government interference affect market pricing. But prices for the commodities re-adjust quickly, and fall back into line with their constant relationships to gold.

Professor Jastram proved one ounce of gold buys the same amount of a particular commodity *today* as it did at almost any time in the past. According to the professor's recent historical records and archæology,*** gold is timeless money. The purchasing power of gold remains nearly a mathematical constant during periods of inflation or deflation. The 'golden measuring rod' maintains relationships with individual commodities that are constant over time.

This ancient coin was found buried near the wall of a Babylonian storage room for grain. If gold -*in any form*- were buried at the bottom of the sea, anyone could dig it up 1,000s of years later, and easily trade the buried treasure.

Why are silver and gold coins no longer circulated anywhere in the world? Today, people receive coins made of copper, nickel, and tin in their change.

There is an *ancient monetary law* now associated with Copernicus and a British financier named Sir Thomas Gresham that reveals *why* this is so. This law of money now called *"Gresham's Law"* explains why gold and silver coins have disappeared from circulation: ***Bad money drives out good money.***

Before 1965, *countless* numbers of U.S. 90% silver coins circulated across the U.S.; and silver coins in other nations circulated freely. But when coins made only of *base* metals were introduced, people quit spending their silver coins, and started saving them. "*Bad money"* rapidly drove "*good money"* out of circulation.

It seems we all can discern *base* metals from *precious* metals. No one would spend an old silver dollar or a $20 Gold Piece at the monetary *"face value"* of the coins. People always retain *good money* and spend *bad money*.

GOOD MONEY

In 1792, the Congress under President George Washington specifically fixed the dollar to gold and silver: $1 equaled 1/20th oz of gold for almost 150 years. During this golden age, the United States and Great Britain shared a true gold standard: *Paper* dollars, *paper* pounds, and *gold* coins were interchangeable currencies.

The U.S. dollar and the British pound had a standard exchange relationship: $4.86 = £1 [British gold Sovereigns below]:

"Fifty dollars in gold coin payable to the bearer on demand." The $50 bill [above] was equivalent to 2.4185 Troy oz of gold.

Until 1933, everyone could exchange *paper* dollars for *gold* dollars at the monetary "*face value*" of the coins. The face value of the U.S. coins to the left is $35: $5 [Indian] + $20 [St. Gaudens] + $10 [Indian] = $35. **Today, the gold coins would cost $2,408, instead of $35.** Put another way: It now takes 68 times as many dollars to buy the same amount of gold!

OVERNIGHT DEVALUATIONS: On March 6, 1933, the President closed all U.S. banks and devalued the dollar by 69%. On Aug. 15, 1971, the dollar's tie to gold was *completely* severed. After 179 years of *good money* (gold-backed dollars) in the U.S., America's dollar became *"fiat"* money (currency backed by nothing).

TRADING BAD MONEY FOR GOOD

Gold is *good money* because of its scarcity (it cannot be printed). When neither dollars nor pounds were tied to the discipline of gold, savvy investors began buying gold coins to protect their savings from currency debasement. At the end of 1973, my mother paid $10.55 for each gold pound, and gave one to me [below]:

British gold pound (£1 *Sovereign*)
1817 - 1933: Gold £1 = $ 4.86
1973: Gold £1 = $ 10.55
Nov. 1, 2015: Gold £1 = $284.75
Feb. 6, 2017: Gold £1 = $364.90

Since 1933, the dollar has fallen 6,000+% against gold. The dollar has fallen 3,000+% against gold in 44 years. **Today, one would need 364 dollars to buy the gold pound my mother bought in 1973 for 10½ dollars.** It now takes 34 times as many dollars to buy the same amount of gold.

The dollar has lost more than 3,000% of the value that it had back in 1973 (to buy food, housing, and healthcare). **On the other hand, the purchasing power of the ¼ oz gold coin is just *as strong in 2017* as it was in *1817*** (the year British Sovereigns were first minted).

Bad money continuously loses value; and good money preserves wealth. Over time, the price of gold *rises* compared to the diminishing value of the dollar (it takes more and more dollars to buy the same amount of gold). Then and now, an exchange of *bad money* [PAPER DOLLARS] for *good money* [GOLD, SILVER] is prudent.

END NOTES

According to the Constitution, currency that is not backed by gold or silver falls into the category of *bad money*: *"No State shall… make any thing but gold and silver coin a tender in payment of debts…."* [U.S. Constitution, Article I, Section 10].

* Prof. Roy W. Jastram, *The Golden Constant: The English and American Experience 1560-1976,* John Wiley & Sons, Inc. for the American Finance Assn., "A Ronald Press publication," 1977, (Carmel Valley, CA, June, 1977).

** Until 2015, crude oil prices demonstrated the phenomenon of the golden constant. In **1873**, 1 oz of gold could buy 15 or 16 barrels of oil. In **1973**, 1 oz of gold could buy 15 barrels of oil. In **Nov. 2014**, 1 oz of gold could buy 16 barrels of oil. Due to a supply glut (April 2017), 1 oz of gold can now buy 24 barrels of oil. [Dow Jones & Company, *B P Statistical Review*, U.K.]

The gold-backed dollar had a stable relationship with oil: From 1873 to 1973, the price for one barrel of crude oil moved within only a $2 range! After World War II until 1973, crude oil moved between $2.47 and $3.57 per barrel. For 25 years, the dollar-to-oil ratio remained within a $1 range!

*** Archaeologists have uncovered records from antiquity which point to the constant relationship between gold and wheat. It seems King Nebuchadnezzar could buy about the same quantity of wheat as can be purchased today for the same gold weight. Clay tablets unearthed in Babylon suggest the price of wheat has changed little in terms of gold. [*Creating Economic Order–Record-keeping, Standardization, & Development of Accounting in Ancient Near East, Inst. for the Study of Long-term Economic Trends, Intl. Scholars Conference Ancient Near Eastern Economies*, British Museum, Nov. 2000, Volume IV, A. Mederos, C. C. Lamberg-Karlovsky.]

Will the Dollar Go Down for 3rd Time?

The dollar has crashed and burned twice in American history. Both times, panic ignited near *hyperinflation* (hyperinflation is defined as a rate of at least 50% per month). Europeans have experienced similar financial crises — *multiple times*. Prior to each financial crisis in the U.S., Germany, and France, the countries had financed massive public debts with nearly worthless pieces of paper (the currencies were backed by nothing).

In the early years of the American Republic, the Continental dollar crisis approached the madness of hyperinflation. **At the peak in 1779, inflation was 47% per month!*** In 1776, the Continental paper dollar was equal in value to one silver dollar (*Spanish 8 Reales* below left; *Continental dollar* right). By 1779, one thousand Continental dollars were necessary to purchase one silver dollar.

1776: One silver dollar = $1 (Continental dollar)
1779: One silver dollar = $1,000 (Continental dollars)

In France, the collapse of the French *Assignat* was a hyperinflation nightmare. **At the peak in 1795, inflation was 143% per month!***

During America's Civil War, the Greenback dollar crisis produced near-hyperinflation hysteria. **At the peak in 1864, inflation was at 40% per month!*** The crisis was finally resolved in 1879.

In Germany, millions of thrifty Germans lost their life-savings in 1923. Government bonds and pension funds lost all value. When the papiermark (ℳ) collapsed, the new currency (Rentenmark) was *reset* at one trillion to one: 1 *RM*= 1,000,000,000,000 ℳ. A life's savings could buy one postage stamp.

In 1919 Germany, a U.S. silver dollar sold for about **16ℳ** (German marks). **By 1923, people needed 4.2 trillion marks to buy one U.S. silver dollar!** (A silver dollar contains about ¾ of an ounce of silver.)

The dollar represented tangible value from 1792 until 1971 (it was convertible to gold in foreign exchange). For 46 years, the dollar has had *no* intrinsic value.

When paper money is not backed by gold or silver, the currency always dies a violent death. *Always*. Over thousands of years of monetary history, there are no exceptions. Fiat money always ends badly. The life cycle of fiat currency is *predictably* short. Whenever a nation uses the printing press to pay its bills, the currency dies –from either hyperinflation or near-hyperinflation. It is just math.

WHY DOES NON-METALLIC CURRENCY ALWAYS DIE? If gold and/or silver are removed from a monetary system, *discipline* is removed from the system. When a central bank is given the power to create money out of nothing,

that is exactly what it does. The bank prints and the government BLOATS. Overgrown government, high taxation, and money-printing (hyper-credit creation) cause economic depression followed by credit collapse.

The dollar will collapse again; it is simple mathematics. Congress gave itself an 'unlimited credit card' when it gave the Federal Reserve power to create unlimited credit. The dollar will collapse under the weight of debt. There is no feasible combination of taxes and growth that can solve America's solvency crisis. The Federal Reserve is simply monetizing United States debt.

All fiat currencies have a *life-cycle*, and eventually collapse. The dollar is nearing the end of its cycle; and the world wants a new Reserve Currency. The death of the dollar will come suddenly and violently — but *not* unexpectedly.

Save SILVER dollars, not PAPER dollars.

A DOLLAR "RE-SET" IS COMING.

> Before the *"Money Standard Shift,"* U.S. creditors are re-positioning themselves out of dollars and into monetary metals. Take out some gold and silver "insurance" before the dollar goes down for the third time.

*Monthly inflation statistics from Professors Steve Hanke and Alex Kwok, *On the Measurement of Zimbabwe's Hyperinflation*, the "Cato Journal," Vol. 29, No. 2, (Spring/ Summer 2009), pp. 353, 354, Cato Institute.

The Revolutionary War and the Destruction of the Continental by Thomas E. Woods, Jr., Ludwig von Mises Institute, Mises.org.

Protect Your Wealth from Overnight Currency Devaluation.

The International Monetary Fund [IMF] says a global *"Money Standard Shift"* will be *concluded* subsequent to the next financial crisis. If you are considering precious metals as portfolio insurance, the best form to buy is the form that will be easiest to trade during turbulent markets. The dollar was re-valued *overnight* in 1792, 1864, 1913, 1933, and 1971. You will have protection from the coming dollar *"re-set"* if you have physical bullion in your possession.

FIRST STEP: Survival Currency. New U. S. 1 oz silver dollars and old U.S. 90% silver coins can be used for small transactions. Small denominations could be used to barter for goods and services.

American Silver Eagle coins are exactly 1 oz of pure silver.

Pre-1965 U.S. dimes, quarters and half-dollars are 90% silver. The silver coins are called *"junk silver"* — sold in bags ($1,000 face value), half-bags ($500 face), quarter-bags ($250 face), and 1/10th bags ($100 face). $1,000 face value contains 715 Troy oz silver.

Old U.S. silver dollars are a good idea (Morgan and Peace dollars). The coins with common dates are called “semi-numismatic” coins; prices depend on condition.

Canadian Silver Maple Leafs contain exactly 1 oz of pure silver.

SECOND STEP: Gold is portable. Buy gold “bullion” coins and pure gold bars - 1/10th, ¼, ½, and 1 Troy oz. Smaller denominations of coins and pure gold ingots are available (smaller than 1/10th oz).

> 1 oz American Gold Eagles and 1 oz Canadian Maple Leafs are recognized everywhere. Small American Gold Eagles (and small Canadian Gold Maple Leafs) are worth the extra premium.

24 karat kilo bars are in demand in Asia: 32.151 Troy oz of pure gold (.9999 fine).

FINAL STEP: Buy platinum, palladium, and U.S. silver and gold numismatic (rare) coins. These investments are not for everyone — the more exotic or rare an investment is, the less liquid it is when markets are disrupted. However, there are very good reasons to buy each category of precious metals and coins. Platinum is a rare, strategic metal; and platinum is still a very good buy.

Some investors prefer "numismatic" gold coins. Left: old U.S. $20 Gold Pieces (Liberty and St. Gaudens). Right: $5 Indian, $20 St. Gaudens, $10 Indian Head.

When people realize how rapidly the dollar is losing value, there will be a global scramble for *actual* bullion. While U.S. markets are still orderly, put a significant portion of your retirement funds into gold and silver. You may choose to convert a percentage of your portfolio, with a one-time purchase, or cost-average with even dollar amounts over consecutive months. Gold and silver provide protection from illiquid markets, overnight currency devaluations, and capital controls – portfolio insurance that *you* control.

Buying Gold & Silver Coins & Bars

There are two precious metals markets – the *physicals* market and the *paper* market. Pay attention to the physicals market; it is the *real* gold and silver market in the same way houses and commercial properties —rather than mortgage-backed securities— are the true real estate markets. There is a *limited* supply of PHYSICAL product, but an *unlimited* supply of PAPER gold and silver.

What are bullion coins? In the 1970s, U.S. coin dealers began trading gold and silver "bullion coins" at market prices, rather than at government-fixed prices. A bullion coin is a real coin from a sovereign nation or a private mint that will not be traded as a "numismatic" coin. It is unlikely a bullion coin's date, mint-mark, or condition (rarity) will ever affect its price because the gold and silver coins are produced in such large numbers.

In 1970, my brother Craig Rhyne began trading gold and silver: British gold Sovereigns, Swiss 20 Francs, Colombian gold Pesos, Hungarian 100 Koronas, Austrian Coronas and Ducats, Mexican gold Pesos, South African Krugerrands, silver bars, U.S. 90% silver halves, quarters, dimes, and old silver dollars.

The 24-karat gold Canadian Maple Leaf became available in 1979. In 1985, the U.S. Congress passed the *Bullion Coin Act*, authorizing the sale of American Eagle coins. Platinum Eagle coins became available in 1997. Below: American Silver Eagle, available in 1987; American Gold Eagle, available in 1986:

Anyone can easily trade bullion coins. *The best form of gold and silver to buy is the form that will be easiest to trade in chaotic markets*. Get some small coins. Gold coins from many countries are available in 1 oz, ½, ¼, 1/10th oz, and smaller sizes. Their divisibility will be well worth their higher premiums.

> Purchasing actual silver and gold coins is different than purchasing paper gold or silver certificates. Physical bars and coins usually cost more than the quoted *"spot" price*.

***Spot prices* quoted by commodities exchanges refer to gold and silver *contract prices*.** On the New York Commodities Exchange (COMEX), a gold contract is for 100 Troy oz; a silver contract is for five 1,000 oz bars. In London, a *"Good Delivery" gold bar* is .995 pure, and weighs between 350 and 430 Troy ounces. Quoted spot prices do *not* include costs for delivery of gold or silver contracts (100 to 430 ounces of gold, 5,000 ounces of silver).

Think of the spot price as a *benchmark*. "Premium" is the difference between spot prices and current market prices for *particular* gold and silver products (before commission). A dealer's *cost* includes the coin or bar premium.

Premiums for coins and bars are *not* fixed. Premiums above (and below) spot prices are a function of supply and demand and are dictated by the marketplace.

Spot prices *and* coin premiums are based on
supply and demand, and constantly fluctuate.

Refining, minting, and shipping costs contribute to coin and bar premiums. For example: ten (1/10th oz) gold coins cost a dealer more than one (1 oz) coin. One hundred (1 oz) silver coins have higher premiums than one (100 oz) bar of silver. Small coins command healthy premiums over the spot price. However, you usually get some premium back when you sell.

> ***You get what you pay for.*** A huge bar purchased at or near spot price might not be a very good bargain down the road. When you want to sell the giant bar, the bid price might be well *below* spot. It is much easier to trade small bars and coins with individuals.

Gold and silver dealers provide a *bid* price and an *ask* price for a specific coin or bar. Dealers are competitive on the buy side and on the sell side. They are just as eager to buy from you as they are to sell to you. because gold and silver are so liquid. They *want* to buy your gold and silver bars and coins.

The difference (percentage) between bid and ask is called the "spread." Investors want small in and out costs. When trading physical gold and silver, you will find smaller spreads when you trade recognizable coins that are in high demand.

The price is firm when the trade is "locked in." For example, when you place an order for U.S. 90% silver coins (called "junk silver"), a dealer shops the market to secure the actual silver coins. A customer's price is locked in when the dealer purchases the coins for him.

Physical bullion cannot be printed; the supply is *limited*. If the supply is low and market demand is high, premiums on coins and bars are bid higher. Premiums rise quickly when supplies are scarce. When availability becomes a problem, dealers must pay unusually high premiums over the spot price to acquire products. This is a red flag. Our research indicates serious gold and silver shortages.

Old U.S. $20 "St. Gaudens" and "Liberty"

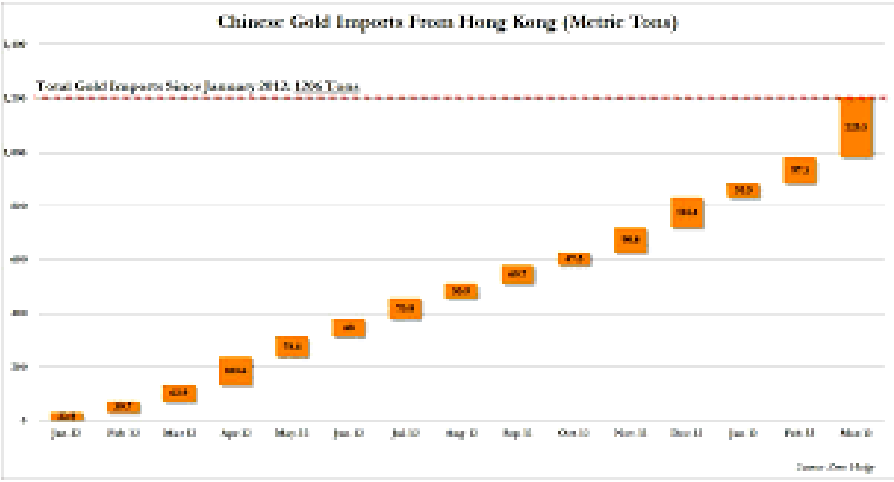
During the Great Depression, gold coins such as the $20 Gold Piece went up 69%.

No other thing is as easy to trade as gold and silver coins – under all market conditions. There is always someone else who wants to trade with you – even when New York trading is halted. On Aug. 9, 2007 (the day credit FROZE worldwide), the London pm gold fix was $662.60/oz. Today, the price of a new one-oz American Gold Eagle is $1,362.

The Transfer of Monetary Metals from the West to the East

Today, most of the available supplies of "Good Delivery" bullion are travelling from the Western Hemisphere to the Eastern Hemisphere (via Swiss refineries). According to traders in London, the Eastern Hemisphere has been vacuuming precious metals out of the market since the 2008 crash. Since then, China has been shedding dollars and is the biggest buyer of physical bullion in the world.

The transfer of precious metals from the West to the East is *massive* and on-going. As bars become available, bullion is migrating to China, Russia, Turkey, Iran, India, Korea, Japan, UAE, Thailand, Vietnam (Singapore, Hong Kong, Shanghai, Dubai, Bangkok, etc.). In the last decade, China's purchases have been *off the charts*. About 75% of world gold production is flowing to China.



Most investors in the Western Hemisphere buy PAPER gold and silver "*derivatives*" [ETFs; futures contracts; options]. Four billion people in the Eastern Hemisphere believe PHYSICAL gold and silver are *real* money. They buy the actual bullion, rather than promissory pieces of paper.

Public Perception Is Being Manipulated.

Not only are gold and silver spot prices being managed, public perception of supply and demand for precious metals is being manipulated.

Few are aware that since the 2007/ 2008 crash, there has been a massive draw-down of "deliverable" gold at the New York Commodities Exchange (COMEX) and the London Bullion Market Association (LBMA). Warehouse inventories of *available* "Good Delivery Bars" [400 oz gold bars, 1,000 oz silver bars] are now extremely low at major bullion banks; and due to "scrap" shortages, the world's five major refineries have waiting lists for bullion deliveries.

> The COMEX and the LBMA sell "*derivatives*;" the exchanges sell the *same* ounce of PHYSICAL gold or silver hundreds of times (between 400 and 500 times). In 2013, gold futures had the first annual drop since 2000. **While prices were dropping in PAPER markets, take a look at what was happening in markets that traded *actual* gold/ silver.**

2013 PHYSICALS Market

***Worldwide*, demand for gold coins and bars surged 28% in 2013.** *While spot prices were dropping*, extreme shortages and record-demand for silver and gold bullion resulted in high premiums and unusual delivery delays:

- **Switzerland** gold refineries: Volumes UP 77% year over year (refiners worked around-the-clock; they *"had difficulty sourcing gold"*).
- **United States**: Gold coin sales UP 63% (241.6 metric tons – first three quarters of 2013). U.S. Mint: Sales of American Gold Eagle 1 oz coins UP 14% from 2012.

Record-sales of silver coins in the U.S., UP 30% year over year (Mint halted sales 1 month; distributors were rationed allocations).

- **Perth Mint**: gold sales UP 41% (754,635 oz –Perth Mint refines gold for the #2 gold producer; China is #1).
- **Austrian Mint** (Muenze Oesterreich AG): 2013 sales of Philharmonic gold coins UP 36%: *"We can't meet the demand."*
- **Royal Canadian Mint**: Canadian Maple Leaf gold coin sales UP 82.5% year over year (876,000 oz – first three quarters of 2013); Mint announced supply shortages of Silver Maple Leafs, and carefully managed supply by limiting the number of 2013 Silver Maple Leafs sold to distributors, causing backlogs with primary and secondary dealers.
- **Turkey**: Imported 302 metric tons– 17% of annual world production (Dec. imports UP 64% over Nov.).
- **China**: Gold purchases UP 50% (2,500 metric tons – 75% of global production); gold sales UP 20% from Nov. through Dec.
- **Japan**: Gold bar/coin/jewelry purchases UP 300% to 684,809.9 Troy oz. Also, record-demand in Egypt, Singapore, and United Arab Emirates.
- **U.S. Mint** Record Sales: Silver sales in 2013 were UP 27% from 2012; 42.6 million silver coins sold in 2013.
- **India** Record Sales: India swallowed up about 18% of annual global silver. production from all mines in 2013; a record 6,125 tonnes.

Follow the money 2014: January shortages of physical product:

•United Kingdom Royal Mint: SOLD OUT 2014 Sovereign gold coins 'due to *unusual*, *exceptional* demand from countries such as Italy, Greece, and the U.K.' [Nicholas Larkin, Bloomberg.]

•Perth Mint: SOLD OUT 2014 Australian Kookaburra 1 oz silver bullion coins.

•U. S. Mint: Jan. 2014 gold coin sales were UP 63%/ Silver sales TRIPLED in January, exceeding U. S. production by 1,250,000 Troy oz. *Allocations reduced* by 2/3 (2014 American Silver Eagle) first four allocations to authorized dealers SOLD OUT/ '*January orders will not ship until end of February/ Older dates available from secondary dealers/ Expect rising premiums.*'

***Take delivery* of gold and silver while coins are available. One day soon, we are going to go to bed on a Friday night, and find no dealers able to find gold and silver on Monday morning.**

Gold Content of World Coins

Australia
Kangaroo · Nugget
(1/20th oz; 1/10th oz; ¼ oz; ½ oz; 1.0 oz; 2.0 oz)

Austria
1 Ducat .1109 oz
4 Ducat .4438 oz
10 Corona .0980 oz
20 Corona .1960 oz
100 Corona .9802 oz
Vienna Philharmonic (1/25th oz; 1/10thoz; ¼ oz; ½ oz; 1.0 oz)

Belgium
20 Franc .1867 oz

Britain (Victoria, Edward, George, Elizabeth)
½ Sovereign .1177 oz
Sovereign .2354 oz
Britannia (1/10th oz; ¼ oz; ½ oz; 1.0 oz)

Canada
Maple Leaf (1/20th oz; 1/10th oz; ¼ oz; ½ oz; 1 oz)

Chilé
50 Peso .2943 oz
100 Peso .5885 oz

China
Panda (1/20th oz; 1/10th oz; ¼ oz; ½ oz; 1 oz)

Columbia
5 Peso .2354 oz

Denmark
10 Kroner .1296 oz
20 Kroner .2593 oz

Finland
10 Markkaa .0933 oz
20 Markkaa .1867 oz

France
20 Franc .1867 oz

Germany
10 Mark .1152 oz
20 Mark .2305 oz

Hungary
10 Korona .0980 oz
20 Korona .1960 oz
100 Korona .9802 oz

Isle of Man
Angel (1/10th oz; ¼oz; ½ oz; 1 oz)
Noble 1.0 oz

Italy
20 Lire .1867 oz

Mexico
1 Peso .0241 oz
2 Peso .0482 oz
2½ Peso .06025 oz
5 Peso .1205 oz
10 Peso .2411 oz
20 Peso .4823 oz
50 Peso (Centenario) 1.20567 oz
Mexican Onza (¼ oz; ½ oz; 1 oz)

Netherlands
1 Ducat .1108 oz
2 Ducat .2208 oz
10 Guilder (florin) .1947 oz

Norway
20 Kroner .2593 oz

Peru
1/2 Libra .1177 oz
1 Libra .2354 oz

Russia
5 Ruble .1245 oz

10 Ruble .2489 oz
Chevronetz .2489 oz

Saudi Arabia
Pound (Guinea) .2354 oz

Singapore
Tiger (1/10th oz; ¼ oz; ½ oz; 1 oz)

South Africa
1 Rand .1177 oz
2 Rand .2354 oz
Krugerrand (1/10th oz, ¼ oz; ½ oz; 1 oz)

Sweden
10 Kronor .1296 oz
20 Kronor .2593 oz

Switzerland
10 Franc .0933 oz
20 Franc .1867 oz

Turkey
100 Piastres (kurush) .213 oz

United States:

***New (bullion) coins*:**
American Eagle (1/10th; ¼; ½; 1.0 oz)
American Buffalo (.9999) 1.0 oz

Old (numismatic) coins:
U.S. $1 (Types I, II, III) .04837 oz
U.S. $2½ (Liberty, Indian) .1294 oz
U.S. $3 Indian Princess .1451 oz
U.S. $5 (Liberty, Indian) .24187 oz
U.S. $10 (Liberty, Indian) .48375 oz
U.S. $20 (Liberty, St. Gaudens) .9675 oz
U.S. $50 (Pan-Pacific: Octagon, Round) 2.4185 oz

Gold is not a *consumption good;* the rare metal is rarely consumed.

1980 Silver Short- Squeeze

The biggest silver short-squeeze of all time culminated in 1980. During the squeeze, the New York and Chicago exchanges halted silver trading several times. Whenever markets were disrupted, the prices quoted in New York did *not* match the prices buyers had to pay per ounce for *actual* silver bars and coins.

> Premiums above the spot price for PHYSICAL silver coins, medallions, and bars got very high – as much as $10 per Troy oz. However, people were happy to pay the high premiums, and glad to get silver in just about *any* form. Customers were not concerned about brands, shapes or bar sizes, or denominations of U.S. 90% silver coins. They just wanted *real* silver.

STAGFLATION

America was almost in a depression during the 1970s. Economists called it "stagflation." We had high unemployment and sky-high fuel costs. And, inflation was terrible. The U.S. economy was in pretty bad shape; but *not* in the shambles it is today (since the 2008 crash).

"Stagflation: Persistent high prices combined with high unemployment and stagnant demand in a country's economy." *Oxford dictionaries. com*

After the U.S. abandoned a gold standard in 1971, people began buying gold and silver coins to protect themselves from the dollar's loss of purchasing power.

Most coin and bullion buyers were not looking for paper dollar profits. They wanted tangible assets to hedge against the crumbling dollar.

THE SHORT-SQUEEZE

Silver was $1.95 per ounce in the early 1970s, when Nelson Bunker Hunt, William Herbert Hunt, and other wealthy investors began accumulating physical silver. They informed the public they would be systematically building physical positions in silver. Dealers understood they were buying the actual metal – that they were *taking delivery* of silver contracts, rather than speculating in the futures market with PAPER silver. Over a period of years, silver moved from $5 to about $11 per ounce in mid-1979. Silver was more than $30 per ounce at the end of 1979.

The Hunt brothers' long position was 100 million ounces of silver. On each "delivery month," the Hunts and other investors paid off their contracts and were taking delivery of the silver [5,000 oz of silver per contract]. Until then, there never had been so much demand for so much PHYSICAL silver on the exchanges.*

As silver began moving sharply up in 1979, the bullion banks were facing *"fails to deliver"* on their open contracts. It was rumored nine directors of the COMEX held massive short positions in silver. The situation was called a silver short-squeeze. At the end of the squeeze, *the market was near collapse* and the shorts were almost broken. The short-squeeze threatened the very viability of the exchanges. The rules for trading silver on the COMEX (Commodities Exchange New York) and CBOT (Chicago Board of Trade) were changed many times until the squeeze came to an end.

WHEN THE EXCHANGES HALTED SILVER TRADING

The exchanges stopped trading silver several times during the silver short-squeeze (and during its aftermath). There were "*limit up"* days, *"limit down"*

days, and *"liquidation only"* days. There was uncertainty in the exchanges, tremendous price volatility, and extraordinarily wide spreads (big percentages between bid and ask). Locking in prices over the phone became risky for customers, wholesalers, and dealers.

> In those frantic days, people stood in lines half-way around city blocks at coin shops throughout the country, hoping dealers would not run out of silver. People even traded with each other while standing in lines. Supplies of silver bars and silver coins were strained to the breaking point.

COMEX SILVER: LIQUIDATION ONLY

Time after time, exchanges such as the COMEX and the CBOT raised margin requirements in an attempt to drive the price of silver down, and make it too expensive for investors to stay "long" in the silver market. Then, they limited the number of contracts investors could buy. In New York, customers were limited to 10 million ounces of silver; the CBOT put on a limit of 3 million ounces. In March 1980, the CFTC (U.S. Commodity Futures Trading Commission) finally broke the back of the silver short squeeze.

> ***Silver was on its way to $50/oz. The final game rule was changed to stop the price advance. The CFTC banned all purchases of silver contracts, allowing "liquidation only."***

Silver tumbled 50% in four days.
The total decline was 78% in two months.

The Hunt brothers were not big enough to counter the actions of the CFTC or powerful enough to fight the financial insiders who were bank-rolled by the Federal Reserve. With the price of silver in the $20s, the Hunts were unsuccessful in their efforts to raise capital to pay margin calls. They were forced to declare private bankruptcy in 1980. In the end, their assets had been reduced to $1.5 billion, and the Hunt liabilities were $2.5 billion.

In the end, the "silver shorts" made fabulous profits. And those on the other side of the trade lost their shirts. To add insult to injury, the Hunts were heavily fined and convicted of "*conspiring to manipulate the market*" (August 1988). The Hunt brothers were not the conspirators. They were the victims. After the silver market plummeted, it remained in the tank for more than twenty years. The same "naked short-sellers" who manipulated the silver market in 1980 manipulate the prices of precious metals to this day.

HAS ALMOST FORTY YEARS OF SHORT-SELLING BEEN NAKED? YES. Naked short-selling has prevailed since the 1980 squeeze. Industry watchdogs believe naked-short-selling (with the help of a few central banks) collapsed the silver market in 1980, and has effectively managed gold and silver prices for the last thirty years. However, silver and gold prices were not as effectively "*managed*" in 2011 when silver quadrupled, exceeding the 1980 high. (Gold went to $1,900/oz when Venezuela demanded physical delivery of 200 tons of their "stored" gold.)

> TAKE A LOOK AT REAL POWER AND REAL MARKET MANIPULATION. Compare the Hunt brothers' 1980 position of **100 million oz** (***long***) with short positions held by a small number of banks. A CFTC report said just two banks held 68% of all commercial net short positions in silver, and 43% of all commercial net short positions in gold. At the time of the report, seven commercial banks held a combined total of 65,000 open contracts, representing **325 million oz** of silver (***short***). The seven bank combined total is the largest concentration of short contracts in history.

* In 1997, Warren Buffet (Berkshire Hathaway) had a long position in silver of about **130 million oz** – initially at about $4.50 per ounce. Although Buffet was long 130 million ounces (scheduled to take delivery of March silver contracts), he had also sold July future contracts of silver short.

There is speculation Buffet was *compelled* to sell his silver delivery contracts because the silver bullion sold for delivery *did not exist*. The 130 million ounces had been sold naked short.

Silver & Gold "Naked Shorting"

U.S. farmers, airlines, and manufacturers lock in their costs for commodities by using the N.Y. Commodities Exchange (COMEX). Rather than speculating, they buy and sell commodities to hedge their costs. On the other hand, the majority of those who buy and sell gold and silver "*derivatives*" are short-term speculators (Exchange Traded Funds: SLV and GLD ETFs, options, commodities futures contracts).

In the U.S., the usual gold or silver *buyer* is not interested in acquiring actual bars, but in making a quick profit. Buying or selling "on margin" gives speculators tremendous leverage (margin requirements vary).

The buyer of a silver contract is *long* 5,000 ounces of silver. The buyer of a gold contract is *long* 100 ounces of gold. To complete the transaction, whatever is purchased must be sold. The buyer profits if he sells the contracts at a higher gold/ silver price. Commodities investors/ traders can also take *negative* positions. A "short-seller" *sells* what he does not own. To fill the contract, he must buy back what he originally sold.

Whether buying *long* or selling *short*, the transaction is
not complete until the corresponding transaction is executed.

The *shorts* profit if they can buy the commodity back when the market drops. If they misjudge and the market goes up, they either "cover" their shorts and take a huge loss; or they pay the margin call and hold on to their contracts with their

teeth gritted. They are *leveraged* - with a certain percentage down, controlling 5,000 Troy oz of silver per contract, or 100 Troy oz of gold per contract.

There is a *delivery month* when a commodity contract expires. In theory, all buyers can pay for contracts in-full and "take delivery." In the past, it was possible for anyone to take delivery on the delivery date of a contract. That is no longer always the case because of the shortages in "bullion bank" warehouses.

> BULLION BANKS. Bullion banks are members of the London Bullion Market Association (LBMA). Bullion banks such as JPMorgan Chase Bank, HSBC Holdings Bank PLC, Barclays Bank PLC, ScotiaMocatta (Bank of Nova Scotia), Deutsche Bank AG, and Société Générale (SocGen) are investment banks that function as clearing banks – wholesale suppliers of gold and silver bullion. The banks conduct the financial transactions and ownership transfers of precious metals from central bank inventories.

An unlimited number of contracts can be sold short. There are no COMEX limits on speculative positions except in the "spot delivery month." Banks such as JPMorgan Chase Bank (custodian of the ETF "SLV") and HSBC Holdings Bank PLC (custodian of the ETF "GLD") perennially hold massive short positions in gold and silver.

FAILS TO DELIVER

Shorts are "squeezed" during rising markets when "*covers"* are impossible to find to close out their positions. "*Fails to deliver"* are when bullion houses are unable to secure the physical metal to fill delivery orders. (The COMEX can *limit* delivery of bullion to an individual (in the past, it was 1.5 million ounces).

The default-mechanism for fails to deliver is cash-settlement. When demand overwhelms supply, commodities exchanges have a clause that allows for a *cash settlement*, instead of delivery of the physical metal. Since the *run* on precious metals in *2011,* delivery contracts have been quietly settled in dollars rather than in precious metals. Industry watchdogs report that cash-settlements are getting larger and more frequent. It is rumored buyers who are legally contracted to take

physical delivery of bullion, are instead paid dollar premiums as high as 20-30% as an incentive to settle.

NAKED SHORT-SELLING

A commodity short-sale is "naked" if the short-seller does not have the goods to fill the contract. The seller cannot fill the order because the commodity is not available. If he sells silver or gold without insuring it can be borrowed or secured, *the corresponding half of the transaction cannot be fulfilled.*

Currently, JPM, HSBC, and others control the *"open interest"* on the COMEX and LBMA with an unprecedented number of concentrated short positions. Billions of dollars worth of physical precious metals must be purchased or delivered to *complete* the outstanding transactions. Credible industry experts believe the banks owe more silver than *exists* above ground.

Whistle-blowers have compared bullion-bank warehouse receipts to the actual warehouse inventories of gold and silver. It appears that the COMEX, the Bank of England, the LBMA, and the gold and silver ETFs are *all* using the same physical inventory to *cover* the contracts for paper gold and silver. *Everybody is dipping out of the same supply*. The name for this shaky practice of shuffling warehouse receipts back and forth is *rehypothecation*:

> "Rehypothecation is the practice of using the assets held as collateral for one client in transactions for another. This allows the prime broker to re-lend client securities (or gold) held as collateral… (Collateral) is used by investment banks for their own purposes." [*Financial Times Lexicon*.]

The exchanges are selling the *same ounce* of gold or silver – over and over again. It is estimated that there are between 400 and 500 claims to every 1 ounce of "deliverable gold" at the COMEX.

> "Naked" short-selling drives down prices to levels that do not reflect true supply and true demand. Whenever silver and gold break to the upside, the bullion banks increase their naked-short positions to suppress prices.

Since the 2008 crash, sovereign nations and global central banks (especially in Asia) have been gradually unloading dollars on the exchanges. Instead of taking their profits in dollars, mega-buyers have been paying off contracts and waiting in-line to take delivery of massive tonnage of physical metal.

The on-going tug-of-war between the naked shorts and big players who are unloading dollars for gold and silver is causing tremendous volatility. **We are just one crisis away from a run on PHYSICAL silver and gold (as we witnessed in 2011).** All it would take to trigger a "*default-event*" is for one large bank or country to refuse cash settlement and demand immediate delivery of physical gold. Currencies and entire national economies can be –*and have been*- brought down by naked shorting. The practice threatens broader markets, and could be the catalyst to shatter global confidence in the dollar.

> The CFTC (Commodity Futures Trading Commission) is aware that customers' physical bullion is being used as collateral for multiple transactions. The SEC (Securities and Exchange Commission) and China know this, too. **In 2017/ 2018, it will become obvious to everyone that there is not enough *available* silver and gold in the world to *cover* short positions (open interest) on the exchanges.**

The "Virtual" Supply of Silver & Gold

About one quarter of a trillion dollars changes hands every day in gold and silver markets. But the volume does not represent the transfer of physical bullion. Exchanges in London and New York trade gold and silver "derivatives:" Examples are futures market accounts on the COMEX and shares of NYSE-listed Exchange Traded Funds (ETFs such as GLD and SLV). The terms *paper gold* and *paper silver* refer to paper receipts that substitute for physical silver and gold.

In the highly-leveraged, securitized world of derivatives, there is an *unlimited*, "virtual" supply. Contracts representing billions of dollars worth of gold and silver are sold without the bullion to back the contracts. The leverage in the paper market distorts actual supply and demand for precious metals.

Most people buy and sell on the exchanges without ever taking delivery of the bullion. The paper market is easier than the physicals market – especially with silver. Investors do not have to pay for shipping or worry about storage. When people invest in PAPER gold or silver, most assume their certificates are backed by PHYSICAL gold or silver – ounce for ounce. They are not, *not at all*. These markets are leveraged to the hilt. A single ounce of gold or silver is sold over and over — *100s of times*.

Most GLD/ SLV buyers have never read the fine-print on their contracts. In reality, derivatives investors own nothing more than highly-leveraged certificates, and are exposed to counter-party risks and the risks associated with Treasury Bonds (bonds can go *"no bid."*).

Although PAPER gold and PAPER silver derivatives are not backed by actual bullion, the contracts trade like physical gold and silver. As long as markets are orderly, ETFs are liquid and investors' exposure to third-party risk is minimal. However, if you own derivatives you have *risk*.

Highly leveraged derivatives unwind when interest rates begin to move wildly (as in June 2013). When the music suddenly stops, investors get hurt in the unwinding process.

Everyone needs portfolio insurance. A paper certificate is not good insurance in these economic times. We are witnessing the beginning stages of another worldwide debt crisis – in *slow motion*. When the contagion overwhelms markets in the U.S., *no* paper investment will be a *sure thing*. In an environment of capital controls, the liquidity of paper investments could be restricted – whether government paper or ETF paper.

> **Physical bullion cannot be printed; the supply is *limited*. There is *no third-party risk* if you take delivery of silver and gold.**

The Ancient Monetary System

Histories of all great civilizations record the use of silver and gold to facilitate trade. However, societies in the distant past did *not* use precious metals in coin form. According to archæology, there were no coins or denominations of monetary value for 1,000s of years. Early on, specific monetary values were *not* assigned to units of silver and gold. Instead, monetary units were measurements of weight. Money was the metal itself – kept in jewelry, rings, bars, and ingots.

The oldest civilizations carried on seamless trade by using equivalent units of mass to weigh gold and silver. The Sumerians calculated the value of precious metals by using the same weights as the Hebrews and Greeks used. Convertible systems of weights were used by merchants from Sidon, Tyre, Nineveh, and Carthage – with astonishing consistency. *Harappan gold discs, Indus Valley c. 1800 B.C.; right:*

Rather than stamped pieces of silver or gold, the *bekah*, *gerah*, *maneh*, *kikkar* (*talent*), *shekel* and *stater* were standardized weights:

Above: Hematite weights from Mesopotamia c. 1,700 B.C.
[a different weight system was for non-gold/silver things].

Between 1,792 and 1,750 B.C., the King of Babylon measured money by the shekel [*Code of Hammurabi*]. Phœnicia used the same shekel 1,000 years later. King Sennacherib used the shekel to weigh money in Assyria circa 700 B.C. In commercial exchange, weights to evaluate precious metals were interchangeable
.

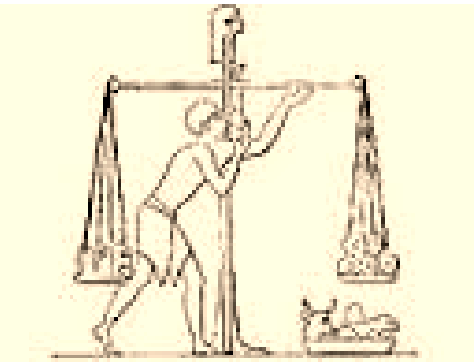
1 talent = 60 manehs = 3,000 shekels
3,000 Phœnician shekels, 3,000 Persian staters,
3,000 Hebrew shekels, 3,000 Assyrian shekels
were equal to
1 Egyptian talent, 1 Babylonian talent,
1 Phœnician talent, 1 Greek talent

Herodotus's Table of Monetary Weights [484 to 425 B.C.] divided 1 Greek talent into 60 Greek minae. More than 1,000 years *earlier*, the Babylonians divided 1 talent into 60 maneh. The weight system for measuring the value of precious metals was globally integrated and unbelievably precise.

"*MONEY*" was the *WEIGHT* of gold or silver *in any form*.
Latin MONETA, Babylonian MENE, Hebrew MANEH, Greek MNÁH.

Gold objects from Thrace.

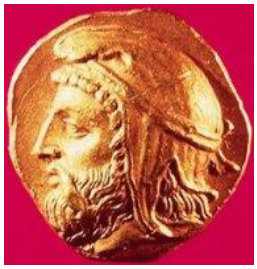
Throughout the ancient world, nations and tribes measured the value of un-coined silver and gold by placing the metal on one side of a balance and offsetting it with standardized weights. In business transactions, merchants usually did not count the pieces of silver or gold. The only reason to add up the money was to make a rough estimate of the weight.



COINS WITH SPECIFIED VALUES ARE NEW.

The Greeks and people influenced by the Greeks in Asia Minor used coins as early as the eighth century B.C. According to Herodotus, Aegina was the site of the first European mint. Herodotus said the Lydians were first to strike silver and gold coins. The Aeginan mint used Babylonian and Phœnician weights as standards.

"*stater*" = "*weight*"
Left Aegina Stater; 12.23 grams silver, c. 445 B.C.



Persia began using coinage about 500 B.C. Tyre, Carthage, and Sidon used coins sometime between 425 and 400 B.C. National coins had the likenesses of rulers and gods, but the coins did *not* specify monetary values until much later.

Roman Republic Denarii, c. 211-41 B.C.

Money According to the Bible

"Just balances, just weights, shall you have." Moses

Money is one of the main topics in the Bible. In most transactions, the weight of monetary metals was estimated by the "shekel" or according to the number of "gerahs" (grains of barley) to which the jewelry of pieces of gold or silver were equivalent.

"And I bought the field, and weighed him
the money in the balances." Jeremiah

When Sarah died (c. 1,860 B.C.), Abraham purchased a family sepulcher in Hebron for his wife's burial. There in the land of Canaan, the Hittites used the same "*shekel*" Abraham used as a standardized weight to measure the value of silver. (Father Abraham was originally from Ur in Mesopotamia.)

"...and Abraham weighed to Ephron the silver... 400 shekels
of silver, current money with the merchant." Genesis 23: 16

Later, Abraham sent his oldest servant back to Mesopotamia to search for a bride for his son, Isaac. When the servant found Rebekah at the well, he gave the bride-to-be gifts from the bridegroom.

"And... the man took a golden earring of half a shekel weight, and two bracelets for her hands of ten shekels weight of gold." Genesis 24: 22

MONETARY WEIGHTS IN THE BIBLE

TALENT (*translated from* "KIKKAR") is from the Greek "*taler*" (*weight*). A *"talanton"* was a scale. The English word *"tally"* means to weigh or measure.
KIKKAR (*circle, sum, a round number*): Largest weight, weighing about 125 lbs. The talent (or kikkar) was a weight used to measure gold and silver in several Biblical accounts.
MANEH (*number, part, portion*): To measure out, to weigh. The *maneh* was a weight that was translated in the English Bible as the word *"pound."*
SHEK EL (*God's weight*): A common weight used to weigh silver. In the Bible, a "*piece"* of silver was about a shekel's weight; the shekel weighed about 1/2 Troy oz. The shekel of the sanctuary was double the profane shekel.
BEKAH (*to break, to divide*): A fractional weight.
GERAH (*grain, kernel, bean*): The smallest weight.

"A false balance is not good." Solomon

The table of weights for gold and silver was different from the table used for non-monetary commodities. (It was customary for rabbis to have scales attached to their girdles for weighing gold and silver.)

TABLE OF WEIGHTS

1 talent (kikkar) of gold = 3,000 shekels of silver

- 1 bekah = ½ shekel = 10 gerahs
- 20 gerahs = 1 shekel
- 50 shekels = 1 maneh = 100 bekahs = 1,000 gerahs
- 60 manehs = 1 kikkar (talent) = 3,000 shekels

"Ye shall have just balances." Ezekiel

The *shekel* was an international unit of weight long before it became a Hebrew coin. The shekel became a *coin denomination* -rather than a weight- during the Second Temple period. The Maccabees and the Hasmonean Dynasty produced coins impressed with stamps indicating weight and fineness of the metals beginning between 141 to 110 B.C. (coins rarely had dates).

Coins with specific monetary values became the norm with the advent of the Roman Empire. Israelites were required to pay a Roman tax with Roman coins (depicting Roman gods), but offered Hebrew coins in the Temple at Jerusalem (until the Roman army destroyed the Temple; Titus A.D. 70).

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In the last 45 years, the U.S. economy has been fundamentally transformed: *America's Fundamental Transformation*.

There are parallels between the U.S. economy (since 2008) and the economy of the German Weimar Republic (1920s). Production was slowing and revenues were declining. In response, central planners raised taxes, increased healthcare/ education spending, and expanded social programs funded by money-printing. *Suddenly*, lack of faith in the German currency triggered ferocious money velocity.

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CAPITAL CONTROLS

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> ***"[W]hen you recall that one of the first moves by Lenin, Mussolini and Hitler was to outlaw individual ownership of gold, you begin to sense that there may be some connection between money, redeemable in gold, and the rare prize known as human liberty…."*** Hon. Howard Buffett, 1948, pdf