The Silver Bull Market
The Silver Bull Market

Investing in the Other Gold

Shayne McGuire

WILEY
For Winnie
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Preface

Financial market cycles, bookmarked by the booms and the busts, are often illustrated by magazine headlines like “The Death of Equities,” which appeared at one of the best times ever to buy stocks (the summer of 1979), or hyperbolic book titles like Dow 36,000 (1999), which preceded a decade-long period of stock market stagnation. It is always difficult to point to a bull market in a book since its author runs the risk of having the text become the poster child for the end of the run.

My view on silver—that it is likely to outperform gold in the present environment—is not new, as I expressed it openly in both my books on gold. But it is important to point out that this is in reference to silver as an investment for the years immediately ahead, not that silver is somehow superior to gold. Gold is, in my view, the most respected form of long-term wealth preservation in the millennial history of finance and should be a part, however small, of every diversified investment portfolio. Though silver is more highly correlated with gold than anything else, I believe the market has yet to reach a decision regarding the white metal’s proper position in the investment arena.
Gold is slowly being reincorporated into mainstream finance following what was, historically speaking, a very brief absence. Since gold and silver moved together for over 3,000 years (separated in value by a spread solely reflecting gold’s greater rarity), I think it is rational to assume that, given their similar nature, the metals will continue to move together as they have done in this new century.

Considering the white metal’s history of investment disappointments years ago and that its price is more volatile than gold’s, most investors simply ignore silver completely. When the metal became part of the fund I manage*, my colleagues and I soon discovered that our pension fund, Teacher Retirement System of Texas, had become the largest nonbank holder of silver in the world. For a pension fund with a penchant for extreme risk management, this seemed bizarre considering the minor scale of the investment. Though our fund is one of the world’s largest with over $110 billion under management, the silver investment represented one-tenth of 1 percent of our total assets—a small fraction of the value of our shares of Apple Computer, a single security.

If no other major investment fund in the world owns a significant stake in one of the best-performing assets of this new century, I thought that it made sense to write a book about silver. I hope you, the reader, find this one useful.

* This is public information available on Bloomberg.
Acknowledgments

As with my other books on precious metals, I was helped tremendously by family, colleagues, and friends, and I need to thank them all. As with my previous book, Hard Money, my deepest thanks go to John DeMichele, a colleague and member of the GBI Gold Fund team who contributed to writing this book and enriching its content with his ever-deepening knowledge of the precious metals world. At Teacher Retirement System of Texas, in launching the first dedicated gold fund in the U.S. pension system as well as my writing about precious metals I have long been encouraged and supported by Mohan Balachandran, Chi Chai and Britt Harris, who I would like to thank most warmly. I also need to mention my colleague and good friend, Patrick Cosgrove, an expert on European equities, as well as another friend and colleague on the Gold Fund, Tom Cammack. Through multiple conversations about precious metals in our daily interaction in fund management, these six people have each knowingly or unknowingly provided many important ideas developed in this and my other books.

Writing this book would have been impossible without the support of Michael DiRienzo, executive director of The Silver Institute, who always maintained an open door for any and all of my queries and helped
provide indispensable statistical information about the global silver market.

I have also been fortunate to have access to some of the most brilliant people in the precious metals investment world: Tom Kaplan, one of the world’s boldest gold investors, and Eric Sprott, one of the boldest silver investors; gold fund managers with impressive long-term track records, such as Caesar Bryan, Robert Cohen, Joe Foster, and John Hathaway, each of whom inadvertently provided ideas for this and (some) for other books, as well; Zak Dhabilia, now a fund manager but formerly the gold guru at Goldman Sachs, as well as Russell Stern, a commodities expert still at the firm; Jason Toussaint and Juan Carlos Artigas at the World Gold Council, two of the world’s experts on the gold market; as well as other authorities in the precious metals investment world, like Jeffrey Christian, who runs the CPM Group; Jonathan Spall, Barclays’ precious metals expert; and brilliant precious metals analysts: Edel Tully, precious metals strategist at UBS; John LaForge, the Global Commodity Strategist at Ned Davis Research; John Bridges at J.P. Morgan; and David Haughton, Andrew Kaip, and John Kayes at BMO Capital Markets; in the physical precious metals investment world, I have found no greater authorities anywhere than Terry Hanlon, who runs the Metals Division at Dillon Gage in Dallas, and Ryan Denby, who heads Austin Rare Coins & Bullion. Michael Byrd, founder of Austin Rare Coins, also provided important suggestions for this book. It has also been my fortune to share a friendship with Hugo Salinas, a fellow author of books about silver, the only activist in the world actually promoting the return to hard money in Mexico. His bill is in the Mexican Congress at this time.

As always, this book would have been impossible without the constant encouragement of my wife, Alejandra (Winnie), and the understanding of my two children. My mother’s unwavering support and loving help with her grandchildren were indispensable and, last but not least, I have always counted on my father’s expert editorial advice and good judgement to guide my pen.
Introduction

Coming to Terms with an Unfamiliar Investment, One of the World’s Oldest

There is a certain absurdity, as contemporary eyes see it, in the idea of preserving wealth in precious metals. “Okay, our leaders might eventually drive us off a fiscal cliff, the economy is barely moving, the European crisis is getting worse and the ancient Mayans predicted 2012 was the beginning of the end. I’m thinking it’s time to go out and buy some polished rocks.”

This is what investing in precious metals sounds like to a great many rational adults today. In fact, that is how it appears to some of the brightest financial minds of our time, like Warren Buffett, the most successful stock market investor in history.¹ His disdainful view on gold as an investment has not changed since he said this at Harvard in 1998:

Gold gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again and pay people
to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head.²

Buffett has a very different view about silver, gold’s sister metal, since he bought 130 million ounces of the metal—one-fifth of total world production—the year before he derided gold at Harvard. But this does not detract from his main point about the concept of precious metals investment, which is clear and cogent: How can investing in something—an asset class, as financial professionals call it—that offers no dividends (like stocks), interest (like bonds), or rental income (like real estate) make any sense?

Investing implies putting money—cash—at risk over a period of time with the expectation of earning a positive return. Historically, investment risk has been lower for bonds, especially those issued by the U.S. government. Unless there is a financial crisis or severe recession, most corporate and government bonds deliver interest payments and return of principal, as promised. Investing in a given stock is riskier as this always carries the possibility, however remote, of losing 100 percent of dollars invested; and risks, as well as potential rewards, can be much higher for those opening a restaurant or starting a computer company named after a fruit. But all these investments—buying bonds or stocks or launching new companies—carry with them the expectation of future cash flows: One can make calculations on a spreadsheet or sit down at the kitchen table with pencil and paper to calculate and project how money will be made.

And herein lies the essential absurdity that many individuals, particularly financial professionals, see in buying gold or silver: The metals are inert, nonproductive elements that produce no cash flow. For a precious metals investment to make sense, an investor needs to believe that factors completely outside his or her control will drive the price of gold or silver higher or that the metals’ value will be preserved (presumably as that of other investments fall). “Show me how to grow my money” was once a statement hard to respond to with a metallic disk and a serious face, particularly considering the fate of investors in gold and silver during the 1980s and 1990s financial bull market, when
metallic values languished while stock and bond market trillions were generated. Furthermore, precious metals have also long been associated with financial catastrophes, and those expecting economic Armageddon—and many of us know some who have been waiting a great many years for an apocalyptic event—have a certain affinity to gold and silver. “If I’m not expecting the end of the world, why should I invest in them?” one might ask. Said billionaire Charlie Munger in 2012: “Civilized people don’t buy gold.”

Civilized people, by which Mr. Munger surely meant rational, well-informed investors, buy things they understand and believe in. This trust is what makes them surrender their cash, driven by a belief in a positive, potentially high return on investment in what they are buying: The trust must compensate them for risk. For example, considering Apple’s history of success, most investors in what is now the world’s largest company believe they are being well compensated for the possibility that its share price could decline in the future. As such, it is difficult to explain why gold and silver—which offer no direct cash flow, apparently no compensation for risk—have provided the highest return on investment over the last decade of any major asset class. Silver has risen an average 19 percent and gold 18 percent per year over the past 10 years, as you can see in Figure I.1.

Perhaps most notably, gold and silver performed extremely well in comparison with other investments during 2008, the year of the worst global financial crisis in four generations. During a year in which the stock market collapsed, along with numerous of the world’s largest financial institutions—including some that had even survived the Great Depression—gold is one of the select few investments that actually increased in value; silver, though down 23 percent for the year, outperformed all stock markets and major commodities by a wide margin during that year. (See the 2008 column in Figure I.1.) Furthermore, from its lowest levels in 2008, gold has risen 140 percent and silver 260 percent as I write this sentence in October of 2012. Gold and silver remain in a bull market. (See Figure I.2.)

What explains the rise of ancient forms of financial wealth above virtually all others over the last decade, particularly during the periods of severe economic adversity we have experienced?
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**Figure 1.1** Annualized Return on Investment of Major Investment Asset Classes

**Source:** Teachers Retirement System of Texas, Bloomberg.

Note: Private Equity and Real Estate returns are quarter lagged, JPY and EUR are expressed in their purchase power of USD.

All Domestic Equities modeled by Russell Indexes, All international Equities and REITs modeled by MSCI Indexes.


***Through June 30, 2012***
Inflation Is Coming and the Financial World Knows It

A government expenditure has the same impact on the economy whether the expenditure is financed through current taxation or deferred taxation (debt). Moreover, any debt incurred by the government can be paid off either through future direct taxation or through inflation (that is, by decreasing the real value of the currency in which the debt is to be repaid). Inflation is thus a form of indirect—but very real—taxation.

—Laurence Siegel, Director of Research, CFA Institute Research Foundation

I think most financial professionals would say, quite simply, that many investors have been accumulating gold—and the more volatile
silver, which is highly correlated to its sister metal—out of concern that inflation will likely be significantly higher in the years ahead. Precious metals—most often star financial performers during times of rising inflation—are a subset of so-called real assets, which are formally defined as assets whose value is independent of variations in the value of money. Translation: Real assets provide some degree of financial protection from inflation, as they remain fixed in quantity and become scarcer as the amount of money being printed grows. Another way of thinking about real assets—if you agree with the logic of Mr. Siegel’s preceding words—is that they are legal forms of tax evasion. And there is much that is blowing from the future to evade.

Global government debt and deficits have been surging for a number of years. In fiscal 2012—for the fourth year in a row—at least 25 cents of every dollar the U.S. government spent was borrowed. The fiscal cliff threatening the U.S. economy is also steep in Japan and the United Kingdom, not to mention a number of European countries, including large economies like France and Italy. If the troubled Eurozone is to avoid falling apart as an economic unit, most economists would acknowledge that the contingent liabilities of Germany, historically a frugal nation, will need to rise in fiscal harmony with its neighbors.

Given the dimension of the leverage problem, adopting austerity—drastic reductions in public spending—has brought severe consequences to countries like Greece and Spain. “You can grow out of excessive debt, but you cannot shrink out of excessive debt,” observed investor George Soros in April 2012, referring to the European dilemma. But considering the world’s present sluggish economy, the politically convenient notion that we can somehow grow our way out of debt is now beyond empirical reality. And yet the global debt quagmire remains and federal liabilities continue to increase. Little has changed since the Bank of International Settlements, widely regarded as an authority among central bankers, made this assessment in 2010:

Our projections of public debt ratios lead us to conclude that the path pursued by fiscal authorities in a number of industrial countries is unsustainable. Drastic measures are necessary to check the rapid growth of current and future liabilities of
governments and reduce their adverse consequences for long-term growth and monetary stability.⁶

Stated with less institutional formality and caution, Bill Gross, the managing director of PIMCO, the world’s largest bond fund management company, said this about the United States’ situation in October of 2012:

Unless we begin to close [the fiscal gap of the U.S. federal government], then the inevitable result will be that our debt-to-gross domestic product ratio will continue to rise, the Fed would print money to pay for the deficiency, inflation would follow and the dollar would inevitably decline. . . . Bonds would be burned to a crisp and stocks would certainly be singed; only gold and real assets would thrive.⁷

Economists understand that there is an additional unstated dimension to the U.S. fiscal predicament Mr. Gross described: Attempting to close the gap could drive us over the fiscal cliff. Laying off thousands of government workers is a possibility, though it would have a minor effect on the gargantuan deficit and would immediately imperil a number of high-level political careers. On the other hand, in the present slow-growing economy, raising taxes to close the fiscal gap could quickly drive the economy into recession, as well, as it might actually reduce tax revenue and widen the gap further. Going in the opposite direction—actually having our leaders spend more, as some have suggested is needed—could ignite unexpected inflation as the Federal Reserve would likely have to absorb a growing portion of the government’s new bond supply with freshly printed money.⁸

In this Catch-22 situation, something has to give, and a growing number of financial professionals believe that the tax man—whether the actual IRS or inflation (the virtual tax man)—is coming and they (and their clients) are getting prepared. They are buying real assets.

Real assets tend to perform far better than stocks and bonds, the dominant assets in present financial portfolios, during inflationary periods. But they also tend to outperform during periods that precede an acceleration of price levels in the economy, which invariably are times of
surging government borrowing and spending. Although there are numerous investments regarded as real assets, the primary ones are commodities, precious metals, and real estate—assets whose supply is fixed, at least over the short term. But inflationary periods often cloud the country’s growth outlook and economically sensitive real assets—like copper and crude oil—are usually eclipsed in price performance by the rarest, most desirable ones. We are already seeing this today.

While the U.S. housing market is still struggling to get back on its feet, consider events in a corner of the real assets space, the ultra-luxury real estate market. After former Citigroup Chairman Sanford Weill got a record $88 million for his condo at 15 Central Park West in 2012, as of this writing other properties at the address were listed at an average 192 percent premium to what owners paid just five years before. Despite the weak economy, the sellers’ expectations are realistic: “When the demand is intense, that’s when you get these crazy prices,” commented a real estate analyst.9

Those crazy rich guys. Or are they? As if we were living in the booming late 1990s, in August 2012 a rare 1968 Ford GT40 expected to fetch $8 million in a sale of investment-quality cars went for $11 million, the highest ever for a U.S. automobile. At the same event, a cream-colored 1955 Ferrari 410 S Berlinetta sold for $8.25 million. “Two years ago this 410 S would probably have sold for less than $5 million,” said the founder of the Historic Automobile Group International.10 There are similar headlines in the international art world: In October 2012, a painting by Indonesian artist Lee Man Fong sold for three times what had been expected, a new record for Southeast Asian art. During the same month, a pair of 1941 Sun Yat-sen Chinese stamps sold for $709,000, by far a world auction record.11 The same can be observed in the market for ultra-rare collectible coins of the million-dollar-plus variety. But these acquisitions are a select corner of the real asset investment arena, a world in which millionaire and billionaire buyers might expect these trophies to sit in their families for a generation or two as part of their family wealth.

As for real assets in the real investment world, the world in which both average individual investors and fiduciaries at large institutions participate, the investment horizon is complex. History has shown that both commodities and real estate tend to benefit from present conditions of extremely low borrowing costs and continuing easy
monetary conditions: It would be difficult to find a historical situation in which money printing accelerated and commodity and property prices did not benefit. But commodities have already enjoyed an impressive boom over the last decade, eclipsing the stock market in performance while the global economy has slowed significantly.

The world’s institutional investors have already made significant investments in the commodity space, which a great number of specialized funds actively trade in. The economy of China, the largest consumer of major commodities today, is beginning to show notable signs of slowing. Meanwhile, the real estate market’s boom and severe bust have left some investors wondering about the wisdom of returning to this market, at least for the time being. Fortunately, the U.S. residential real estate market is beginning to recover as I write these lines and there are some tentative signs that China could be turning the corner. But let us consider the outlook for a minor league player in the real asset space.

Drivers of the Silver Bull Market

Over the last two generations, silver has widely been regarded as gold’s shadow investment. Though gold has captured the financial headlines since 1971, when its price was freed from the $35-an-ounce price the U.S. government had maintained for decades, silver surged in tandem with the costlier metal during the 1970s. Both entered and remained in a bear market during the 1980s and 90s. And together silver and gold have risen in the present bull market, which began roughly when the 1990s stock market boom ended and the new century began.

Despite their similar price movements, silver has remained in gold’s shadow as an investment for significant reasons, some of which are historical. Silver lost its monetary gleam in the nineteenth century as major economies left bimetallic systems, in which gold and silver both served as money, and replaced them with what became the international gold standard. Such it was with the United States, which abandoned silver formally in 1873 although the trend had begun years earlier. China was the last major economy to leave its pure silver standard in 1934, a late chapter in a protracted monetary trend that enhanced the value of gold and eventually reduced silver to small change use.
**Thirteen Drivers of Silver in Today’s Financial World**

These are, in my opinion, important drivers of silver’s bull market today. If you find them convincing, please read Chapter 6: Always Keep in Mind the Risks of Investing in Silver.

1. **Silver, a hybrid precious/industrial metal, is a commodity play on global technological advancement.**

Silver was once highly dependent on the film photography industry, which collapsed into insignificance with the rise of the digital camera, a major reason for the metal’s weak price in the 1990s. Today silver’s industrial demand is driven by brazing alloys and solders, growing electronic demand (smart phones, tablets, plasma panels and increasingly by new applications like silk-screened circuit paths and radio frequency ID tags), photovoltaics (solar panels) and new medical applications: silver is both biocidal and highly conductive. (See Chapter 3.)

2. **Silver moves with gold.** Though the metal exhibits more price volatility than gold as an investment asset, silver has been correlated more closely with gold than with anything else for two generations. Despite sometimes violent market swings, silver has kept pace with gold and has even outperformed it over the past decade. This is a return to normality, in my opinion, as the sister metals moved in tandem for thousands of years, notwithstanding the historical interruption between the 1870s and the 1930s, caused by adoptions of the Gold Standard. (See Part II about silver’s history.)

3. **As an investment metal, silver is more precious, less industrial.** Silver is significantly more highly correlated with gold than with industrial metals, like copper, which means that the market regards it as more of a safe-haven precious metal than an economically sensitive industrial one. This was seen during the 2008 crisis: though silver declined, it outperformed collapsing stock markets and commodities by a wide margin. The exception was gold, which rose in that year. (See Chapter 3.)
4. **Silver is rarer than gold in the investment world today.** Total aboveground silver in all forms is worth approximately $800 billion, about one-tenth the value of the world’s gold. Although there are 5 times more ounces of silver in the world, because gold is more than 50 times more expensive than its sister metal per ounce, the silver market is effectively much smaller. Silver is becoming rarer each year due to annual unrecoverable loss of tons of silver in industrial activities. Throughout history, tens of billions of ounces of silver have been used up in industrial production. Compare this fact with gold, the vast majority of which remains with us today. (See Chapter 3.)

5. **Silver is a premier real asset for inflationary times.** Sister metals gold and silver often outperform other real assets during periods of significant monetary expansion (they each surged over 2,000 percent in the 1970s) because they have a relatively small fixed supply, are nonperishable, liquid (as investments), easily storable, and historically recognized as alternatives to government-issued cash. Over the last decade, one of dramatic monetary experimentation, silver has outperformed all real assets (real estate, commodities—even gold) by a wide margin, not to mention the stock and bond markets. It also surged during the inflationary 1960s and 1970s. However, all real assets (houses, commodities, precious metals) have investment trade-offs, and silver’s risks are important to consider. (See this Introduction, and Chapter 6.)

6. **Government today is silver’s friend: Amidst global fiscal excess, unprecedented and extreme use of monetary tools is the only major policy our leaders have.** To help the economy recover from the 2008 economic downturn, the worst since the Great Depression, global leaders assumed more debt than ever to reignite the economy (with credit). With bloated balance sheets, expansionary fiscal policy options at present are limited and increased central bank money-printing, which is already being used around the world as a major policy (continued)
tool, will be vital when the next recession arrives. (See this Introduction, and Chapter 2.)

7. **Large investment fund ownership of silver is in its infancy.** Although the metal has been one of the winning investments of this new century, pension funds, insurance companies, and other large institutions managing tens of trillions in assets have largely ignored silver as a viable investment (for important reasons discussed in this book). Gold very recently was reincorporated into the financial system as the viable, respected financial asset it once was. In the scramble for scarce global real assets, institutional investors are likely to begin considering the investment merits of silver, which is highly correlated with gold. (See this Introduction.)

8. **The gold-silver ratio, a 3,000-year-old exchange rate, is out of historical balance.** While gold is 8 times scarcer than silver (in terms of total ounces produced annually), its price is more than 50 times higher than silver’s. For 3,000 years in which the exchange rate could be observed, gold was 9 to 16 times more expensive, making today’s level historically extreme. Now that many of the factors distorting the ratio have disappeared, it seems logical that the market exchange rate between the two should begin to approximate the difference in scarcity of each metal, which points to silver being significantly undervalued. (See Chapter 5.)

9. **Like gold, silver is an antibond and nonstock, one of the few investment vehicles allowing a person to completely remove wealth from the financial system.** Traditional financial assets represent claims on other entities. To preserve their value, bonds require that a government or company make interest and principal payments; stocks require dividend payments and/or that management deliver on earnings expectations; derivatives of many kinds can require financial faith at multiple levels; and ultimately, the financial system itself relies on trust that world economic
leaders will keep markets functioning properly by meeting their ever-expanding financial commitments. Gold and silver, inert metals recognized for thousands of years as stores of wealth whose nature cannot be altered by human error, have value outside the financial system. (See this Introduction and next point.)

10. **The global scarcity of safe assets that are not someone else’s liability.** According to the International Monetary Fund, of the world’s potentially safe investment assets, 89 percent are bonds of some kind—that is to say, someone else’s debt.¹² For those believing that ultimate financial safety should not involve lending money to a company or government (buying a bond), there is only gold, the other 11 percent. But given the scarcity of gold and other real assets that are not economically sensitive (as real estate and major commodities are), silver is increasingly being regarded as a viable alternative to gold, which it was for most of human civilization.

11. **Anyone anywhere can buy silver.** Silver is an investment that can be made in any country by virtually any person—even in countries where there is no stock exchange, where even apple, the fruit, is hard to find. An ounce of gold, presently worth in excess of $1,600, is an investment unreachable to most people in the world, and represents a difficult financial decision even for middle class families in the United States. A $40 silver coin is something that can be bought by a great many people almost on a whim, a minor investment decision that chips away at globally scarce supply. If expectations for future inflation begin to rise—a concept that virtually any working adult understands—silver’s well-known positive sensitivity to higher prices in the economy and its very accessibility could make it an important asset for many. (See Introduction.)

12. **The 1980s and 1990s bear market for precious metals had powerful drivers that no longer exist.** Extreme confidence in the U.S. dollar and Treasury bonds made (continued)
central banks dump an average 10 million ounces of gold for each of 20 years ending in 2008, most likely an unrepeatable event. This pushed gold from being close to 50 percent of global central bank reserves in 1980 to an all-time low of 14 percent in 2012. Heavily weighted in dollar, euro, and yen reserves and fixed income securities, a number of central banks are diversifying back into gold. In the wake of an aborted silver market manipulation plan that caused the metal’s price to collapse in 1980, the metal was pushed down mostly by the collapse of film photography, the largest source of demand for the metal. But film photography is in silver’s past, a very small part of demand today, and investment demand has become the key driver. That the two richest families in the world conspired to manipulate silver and inadvertently caused a crash was surely a singular moment in history.

13. Silver is an important investment asset in Asia, where demand has remained strong throughout history. Throughout Asia, but mostly in populous India and China silver, like gold, is a key investment asset worn and stored as a wealth instrument by a great many people. Every year, generally late in the summer and into the fall, the silver and gold markets are deeply influenced by a major financial event—the Indian wedding season, which draws a substantial portion of the world’s precious metals as part of an enduring millennial tradition.

The metals’ separation became most extreme during the worst years of the Great Depression: In 1933 while the price of silver was plunging alongside other commodities, gold buying became so intense that the U.S. government was eventually forced to make its ownership illegal. Ironically, over the following two years silver’s price would triple—caused, in a manner that rhymes with present events, by the government’s attempt to artificially boost economic demand. And in time silver would begin a protracted price rally driven by surging industrial use of the metal. During the 1960s, this demand became so intense that the U.S. Mint was forced to remove silver from American coinage due to the metal’s surging price. And
despite the hit to silver demand that the decline of film and rise of digital photography represented in the 1990s, Warren Buffett decided in 1997 to make a large investment in gold’s sister metal. Not long afterward, silver would begin another strong price rally, one that has endured.

But silver has also been gold’s shadow investment for a negative reason: Its price movements have been far more volatile than gold’s over the years. When the two richest families of the world tried to corner the relatively small silver market in the late 1970s and trading authorities intervened to prevent it, the price of silver fell 50 percent in a single day, March 27, 1980, an event not forgotten by many senior investors. And, due to its smaller market, silver remains more volatile than gold, and on any given day, its price can rise or fall three times as much as that of its sister metal. Historically, silver—the restless metal, as one precious metals historian called it—has not been an investment for the faint-hearted. And despite its strong performance over the past decade, it has never been an asset that financial professionals have felt comfortable recommending with confidence.

In the present environment of global economic uncertainty, irrationality pervades a great many conversations about silver, which has made it an investment many simply avoid altogether. The metal is somehow a magnet for monetary conspiracy theories of the most bizarre nature. Being manager of a precious metals fund and author of two books on the subject, I have had a great many chats about silver and many start like this: “Well, if I put all my money in silver…” Doing such a thing would not be sensible for a person of average wealth, just as concentrating entirely in tech stocks, beachfront real estate or any number of other assets, would not be wise. It is also unreasonable to regard silver simply as a “junk metal” when comparing it with gold. Perhaps it is a matter of semantics, but I think any metal that is made into investment coins by mints of the world’s largest economies, including the United States Mint; is held by the ton in bank vaults in Geneva, Paris, London, and New York; and sells for more than $25 per ounce cannot be junk.

Yet silver is not gold.

Although the white metal has been in a bull market for some time, silver remains in gold’s shadow. While gold has more than doubled in price since the peak of $850 it reached in 1980, as of this writing silver remains well below the all-time high near $50 it reached in that year.