

Gold Coins, Gold Standard, Good Night  
IPMI

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John Maguire  
President  
Maguire Refining, Inc.



**MAGUIRE REFINING, INC.**

MDLA MEMBER



**Gold Refining**  
Specialists in  
Assaying & Refining



# Dedication Story to Cousin Mark

## PhD in Economics

- Tenured professor at KU, Lawrence, KS
- Mark was always talking stocks, bonds, mutual funds. His book was in scores of Universities, including Harvard.
- So John, I really don't understand gold. Why is gold worth more than lead? They're both just metals ....
- Think about this last paragraph ...



Another Story dovetails together.

Did the U.S. Gold Standard end in  
1933 or 1971?

\*



# Sources.

download Article, Chart, ppt,  
[www.maguireref.com](http://www.maguireref.com), About, Insights  
News. Copies on tables.



# Questions

- How did we go from a gold based monetary system from the time of Croesus, Caesar Augustus to the U.S. dollar becoming the coin of the realm today?
- Or, how did the U.S. dollar replace the Edwardian and Victorian Gold Standard?
- How did we go from \$42.20 in February 1972 to today's price? \*



# History- Money, Coins

- King Croesus of Lydia. Standardized coins.
- With coins, gold no longer solely in hands kings, priests. “Western Trend.”
- Coinage lead to trade. Coins simplified weighing of metals for transactions.
- Source: The Greek Historian Herodutus *Histories*.



Lydian Croesid or Gold Stater.  
World's First International Standardized  
Coin 560 B.C.



Source: WGC

# Ancient Greek Drachma

Ancient Greek Silver Drachma would be main coin in trade for 400 years.

Sets trend of silver being more common than gold in general. Silver served as important subsidiary coin throughout history for smaller trades. \*



# Ancient Greek Drachma

## *Greek City States*



*Athena on obverse*



*Owl, symbol of wisdom*

# Roman Gold Aureus- 400 yrs (Brutus \$535k in 2010 Auction)

Goldberg Coin June 3rd



**Soldiers paid in coins!**

Constantine's monetary gold bezant or solidus.

Large, 4.5gms, 98% gold. Emperor Justinian Shown.

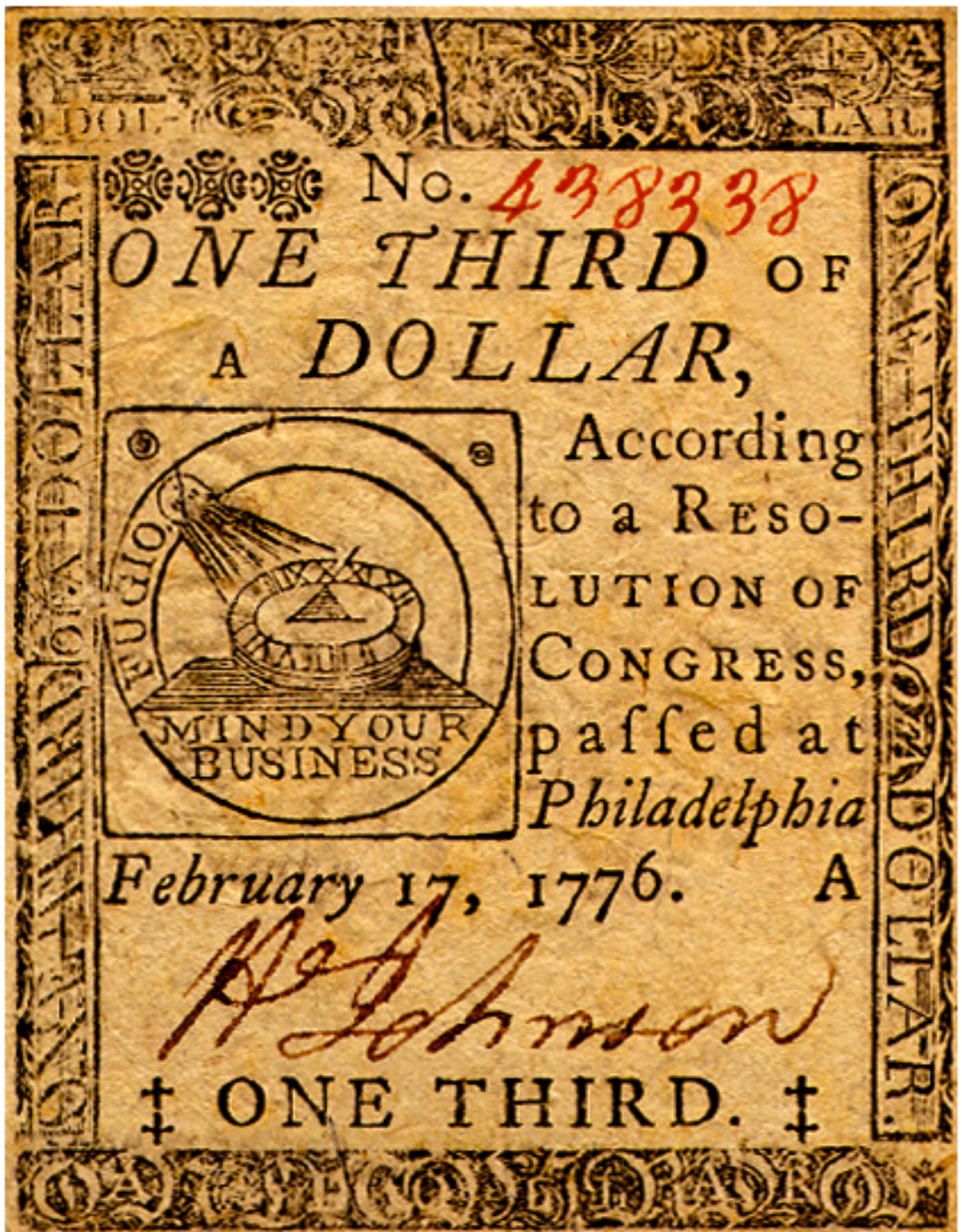


Since 300 A.D. the bezant, accepted worldwide, lasts 700 years.



American  
Continental.

1776  
1/3 Dollar



Early  
American  
money used  
European  
coin.  
Washington's  
troops paid in  
Spanish  
dollars.  
Officially  
sanctioned  
coins in U.S.  
until 1859.

## Spanish dollars

Silver 8 real coin of Philip V of Spain,  
1739



Obverse

Reverse



Gold Content of \$20 gold piece  
was 0.9675 oz. at \$20.67/oz or \$20



1907



1927



# Saint Gauden Coin



1927 Saint  
Obverse. 48 Stars



\$20 Double Eagle  
Reverse

“Saints” considered among most beautiful coins ever  
minted.

[maguireref.com](http://maguireref.com)



# Saint Gauden Coin



1907 Liberty  
Obverse



\$10 Dollars  
Reverse



# Numismatics



Better not have a hole in your pocket.

[maguireref.com](http://maguireref.com)



# Professional Coin Grading Service

MS63

Part of a  
Grading System

I'm saving  
slabbed 1924  
\$20 gold pieces

ma



# China's Monetary Coins

- Coinage in the East, China likely predated Lydian coins. Chinese coins made of base metal. Source- Bernstein



# China's Monetary Coins

- Not until 1890 did China make a precious metal coin- then only silver.
- Indicates a high regard for gold, gold stored by authorities, kings for millenia
- As opposed to Lydia gold coins, western traditions of gold use by traders, merchants. “Democratic use”.



# The Gold Standard





Sir Isaac Newton (1642-1727) Master of the Mint  
In 1717, inadvertently started British Gold Standard .

- For centuries, England was on an effective silver standard under legal bi-metallism before the Sir Isaac Newton's 1717 report to parliament.
- Source- Lawrence H. Officer, U of IL, Chicago 2010



# History of Gold Standard

- Gold Standard -Complex Reading.  
Volumes. Bimetallic, Silver Standards.
- Reading- tonic for insomnia. \*
- Gold Standard: Is a monetary system in which gold is a fixed economic unit per weight of gold regulated by supply.



# Terms

- de facto: Latin, “concerning the fact” often means something is so in practice but not necessarily ordained by law
- de jure: L. “concerning law” or “in law” i.e. has been put into law. Often contrasted with de facto.

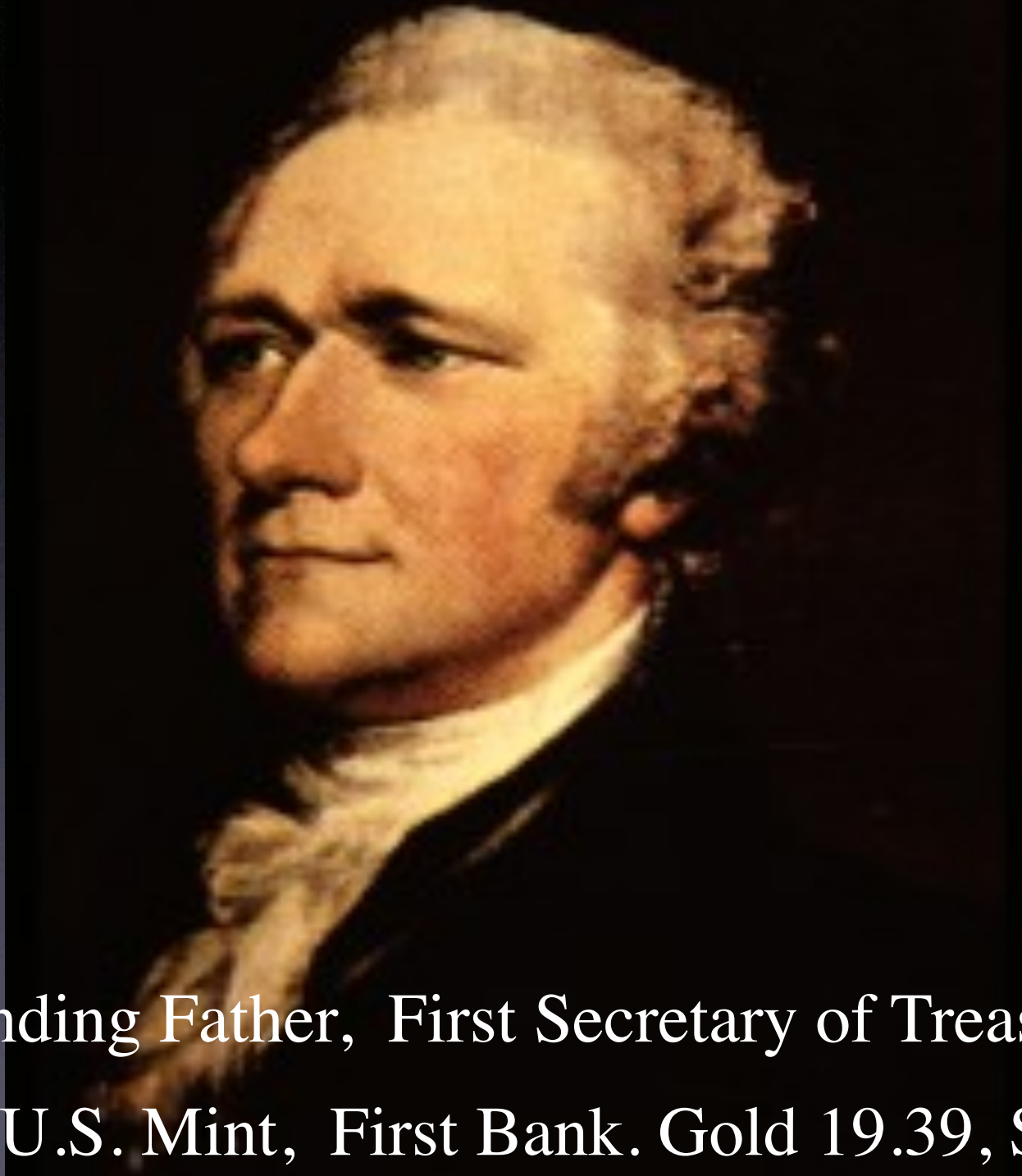


# English Gold Standard

- de facto- 1717 Newton valued gold guinea over silver. England- Charter member of Gold Standard
- de jure- Britain adopted gold standard in 1816. As a result of Peel's Act in 1819, Britain resumed convertibility of legal tender into specie on the basis of gold in 1821.



# Alexander Hamilton



Founding Father, First Secretary of Treasury

Established U.S. Mint, First Bank. Gold 19.39, Silver 1.29\*

# American Gold Standard

- In 1834 Congress raised the price of gold to \$20.67, favoring gold over silver, putting country on de facto gold standard.
- Gold would remain at \$20.67 until 1933.



# Nation of Counterfeiters

Capitalists, Con Men and the Making of the  
United States. Stephen Mihm

- Because there was no Central Bank, States, privately chartered banks & corporations could issue own currency. \*
- Before the Civil War, 100's of institutions issued 10,000 kinds of paper currency abounded.
- Chronic shortage of silver, gold specie.



# Lincoln Suspends Convertibility of Gold

- 1862 “Greenbacks” become fiat paper money during the Civil War. Definition Fiat? \*
- Currency shift from decentralized system of banks to uniform, confident money supply.



# Suspension of Convertibility to Gold

- Often linked to war, times of economic distress, often notion of getting back to gold.



# Gold Standard

- de facto- U. S. Coinage Act of 1873, intentional omission of “standard silver dollar”, demonetized silver. Subsidiary silver coins listed. Gold is embraced and puts U. S. on a Gold Standard. Finished legal bimetallism status.
- Western silver mining interests refer to Act “Crime of 1873”.

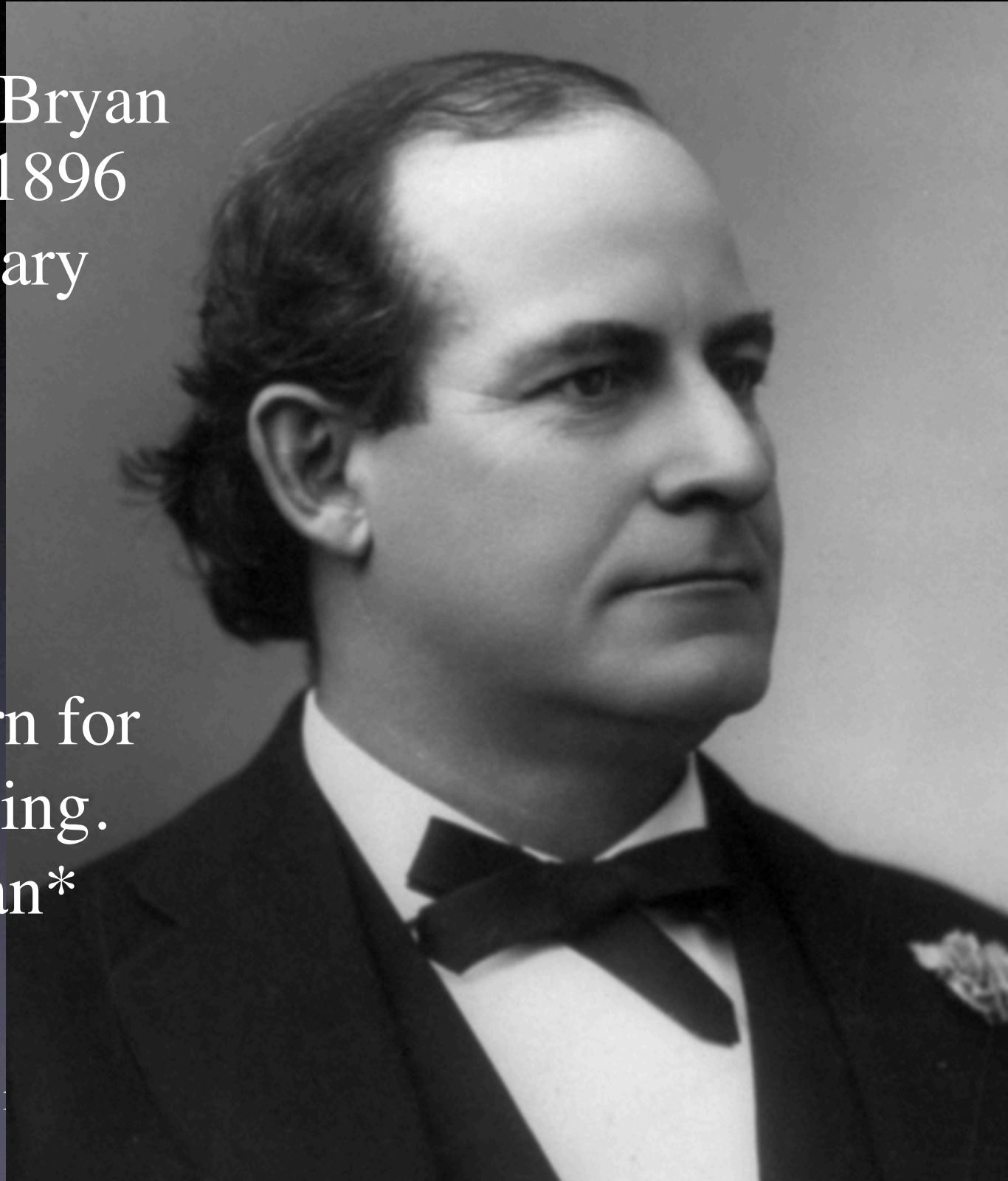


# *1879 Return to Convertibility for Paper Currency to Gold*



William Jennings Bryan  
“Cross of Gold” 1896  
Election-Monetary  
Policy

Proponent of  
bimetallism, concern for  
western silver mining.  
Free Silver- slogan\*



William McKinley

De jure-Signs 1900  
Gold Standard Act  
into law

Assassinated 1901.  
Last President-  
served Civil War



# 1913 Federal Reserve Founded

- 80 years after the Second Bank of America (Central Bank) \*
- The dollar was defined at slightly less than 1/20th of an ounce of gold.
- Aim was to mobilize credit, forestall financial panics.



# Golden Age of Classic Gold Standard

- By late 1870's, India and China only major countries on silver standard, not a gold standard
- China never did link currency to gold standard but instead had a silver standard.



# Golden Age of Classic Gold Standard

- 1870-1914. True blue Classic Gold (specie) Standard -ends at start WWI.
- Often associated with long-term price stability, peace and prosperity.
- Notion, if “social pain” occurred, it was for the greater good.



# International Classic Gold Standard

- European countries incl: Britain, Germany, France, Belgium, Netherlands, Denmark, Finland, Norway, Switzerland, Russian, Austro-Hungary. ...



# Golden Age of Classic Gold Standard

- More or less self-regulating
- Featured timely settlements of international debts
- Afforded anyone the right to exchange bank notes for gold or visa versa



# “Interwar” Gold Standard

- Exchange specie or bullion for transactions- after World War 1.
- The Gold-Exchange Standard in 1920's, 1930's, is associated with price instability, war, depression.



# Downfall in Adherence to Gold Standard

- Bernstein chronicles great human suffering and hardship that strict adherence to the Gold Standard or Fixed Standard can bring. Chilling.
- Churchill put Britain back on cross of gold after WWI as one example.
- Adherence to the Gold Standard is akin to *putting metal over man.* –Bernstein\*



# End of English Gold Standard

A serene sunset scene over a calm ocean. The sun is a bright, glowing orb on the horizon, casting a warm orange and yellow light across the sky and water. Several sailboats are visible on the water; one is prominently in the center, silhouetted against the bright sun, while others are visible on the left and right sides of the frame. The sky is filled with soft, wispy clouds, and the water shows gentle ripples.

On September 21, 1931, the Bank of England stopped redeeming gold for paper currency and left the gold standard for good. Constitutes a major financial milestone.

# In America, from 1792- 1933

- For about 140 years under bimetallic standard, “classic” gold standard (until WWI), or Interwar gold standards
- Gold would be about \$20 an ounce
- Silver would be about \$1 an ounce



# History of Gold Standard

- 1933 FDR Executive order 6102. Bans US public owning gold coins, bullion and certificates to alleviate a banking panic.
- 1934 Gold Reserve Act removed gold as direct foundation of money supply.



# History of Gold Standard

- 1934 The Gold Reserve Act gives the gov't title to monetary gold. Minting of gold coins is halted. *U.S. on limited gold bullion standard.* FDR reduces dollar by raising price of gold to \$35 an ounce. Gold coins melted, stored in Fort Knox.



# How, when did U.S. Dollar become coin of the International Realm?

- WWII Europe, Asia was in shambles. Millions dead, displaced. Two World Wars. Devastation was worldwide. ...
- Also U.S. relatively unscathed at end of WWII. Economy intact.





Rivals:  
Harry White,  
U.S. Treasury  
Secretary

John Maynard Keynes British  
Economist, Treasury  
1936 *General Theory of  
Employment, Interest and  
Money*  
*Devised Bretton Woods*

# John Maynard Keynes

- *In truth, the gold standard is a barbarous relic.*
- Quote: A Tract on Monetary Reform, published 1923 by London, MacMillan



# Goal of Bretton Woods

- Goal: To get Europe and allies back on their feet.



# How, when did U.S. Dollar become coin of the International Realm?

- 1944 Bretton Woods Convention- Fixed Gold Exchange Standard- U.S. dollar was placed as the focal point for international business.



# How, when did U.S. Dollar become coin of the International Realm?

- Assumption U.S. dollar would continue to be as good as gold.
- Then, the U.S. dollar was supported by 75% of world's stock monetary gold.  
Source- Bernstein



# How, when did U.S. Dollar become coin of the International Realm?

- Convened in the White Mountain Resort of Bretton Woods, NH in summer of 1944. 730 delegates from 44 Allied Nations.
- Gold set at fixed price of \$35 an ounce, expected to be rather permanent.
- Paradigm shift from past.



# Bretton Woods Accord

- U.S. would be only nation with a currency freely convertible into gold at fixed rate.
- Nations defined currencies in terms of dollars rather than gold.
- Relationships known as “legal par values” were established, adjusted over time.



# Also created at Bretton Woods Conference

- IMF- gold, the barbarous relic, was important part of the plan too. Nations to place (25%) gold holdings, balance currency into IMF to furnish credit for nations short on liquidity.
- International Bank for Reconstruction & Development ... , now known as the World Bank.



# Bretton Woods Conference

- The Bretton Woods Accord fixed-gold exchange standard was not expected to last forever.
- BW Accord lasted about 27 yrs.



# Closing Non-governmental Gold Window

Gold Pool Closed. March 17, 1968 President Lyndon Johnson & U.S. Treasury closed the public, non-governmental “gold window”.  
“Two- tier” market established.

Official Government gold transactions are pegged at \$35 an ounce.

- Private gold prices drift higher .



# Bretton Woods Fixed Gold-Dollar Exchange Standard Ends

- August 15, 1971 President Nixon breaks ties to Bretton Woods Accord. Not enough gold in Treasury since 1967. \*
- “Gold window is closed.” Paradigm shift.
- Gold price free to float. \$42.22/oz.
- The U.S. dollar is fiat, undefined, unanchored and remains world’s reserve currency.



# Story: 1933 or 1971?

- Both. (Purists will say 1914 or 1933).
- 1933 FDR ends both the Fixed Gold-Exchange Standard and also Monetary Gold Coin Tradition
- August 15, 1971 Nixon abrogates Bretton Woods Accord, fixed price gold exchange standard. \*



# Milton Friedman, 1994

## Money Mischief

- *Before 1971, every major currency from time immemorial had been linked directly or indirectly to a commodity.*
- *Occasional departures from a fixed link did occur, but only in times of crisis. \**

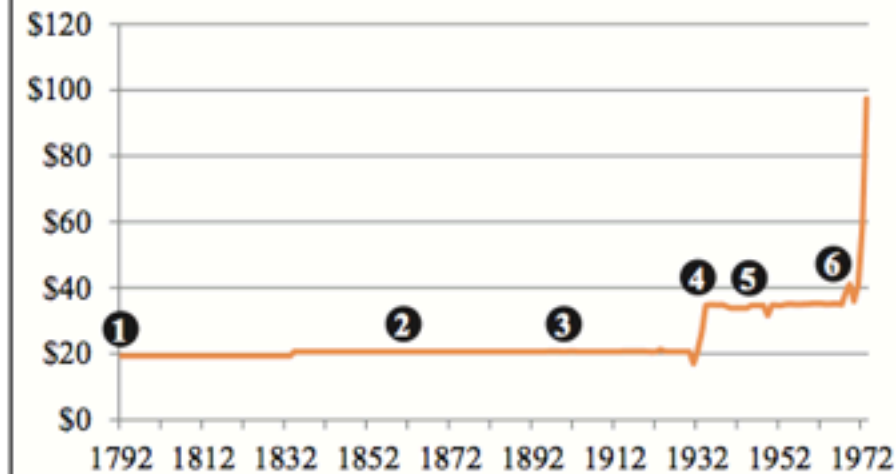


# U.S. Citizens can own gold, again.

- Gold was \$194/oz December 31, 1974.
- January 1, 1975 U. S. citizens allowed to own gold. FDR's gold ban from 1933 act is lifted.
- The never ending story of gold continues ...



## Gold Prices 1792-1973



## Legend of Historical Events

1. Coinage Act of 1792. Gold is \$19.39 per ounce, silver \$1.29.
2. In 1861, Lincoln suspends convertibility of currency into gold.
3. In 1900, U. S. Gold Standard Act passed. Gold is \$20.67.
4. On April 25th, 1933 America abandons classic gold standard.
5. In 1944, the Bretton Woods Accord, a fixed exchange gold standard monetary system is established. Gold is \$35.
6. On August 15th, 1971 Nixon ends the Bretton Woods fixed exchange gold standard, closing gold window. Gold is \$43.15.
7. On January 1, 1975 American citizens are allowed to own gold again. Gold is \$194 an ounce, silver \$4.44.
8. On January 21, 1980, gold closes at \$850 an ounce, the market high for decades. Silver closes at \$49.
9. The Twin Towers come down September 11th, 2001. Gold closed at \$271.50 the day before. Silver was \$4.18.
10. In 2003, electronic trading funds (ETF's) begin trading gold.

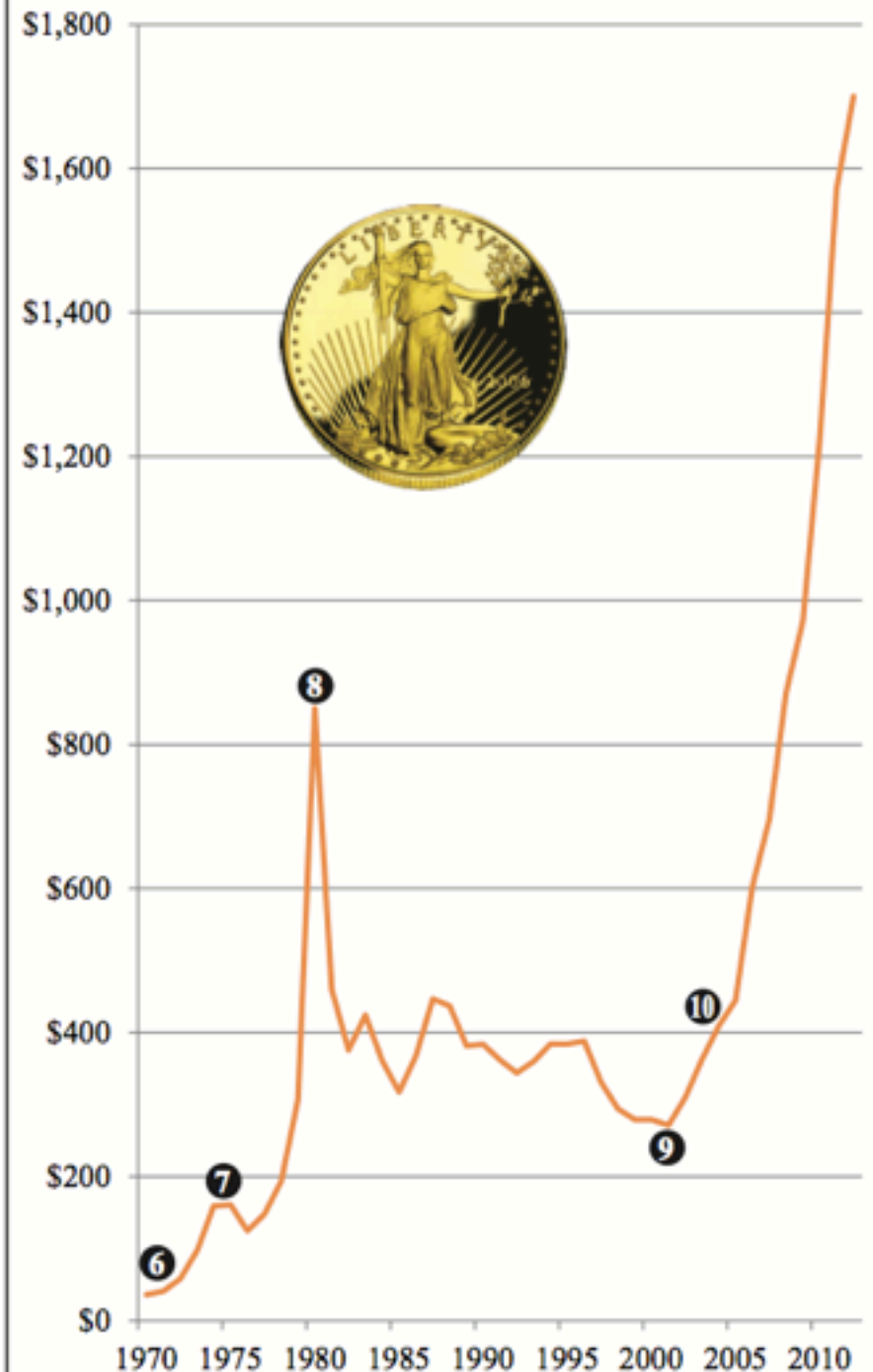


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## Gold Prices 1970-2012



# Murphey's Law

- If anything can go wrong, it will, and at the worst possible time.



# Maguire's Law

- “The gold market will move in the opposite direction that you think it will and will move at the worst possible time.”
- Serves as Disclaimer.




Gold panning in the Black Hills, SD May 15, 2010





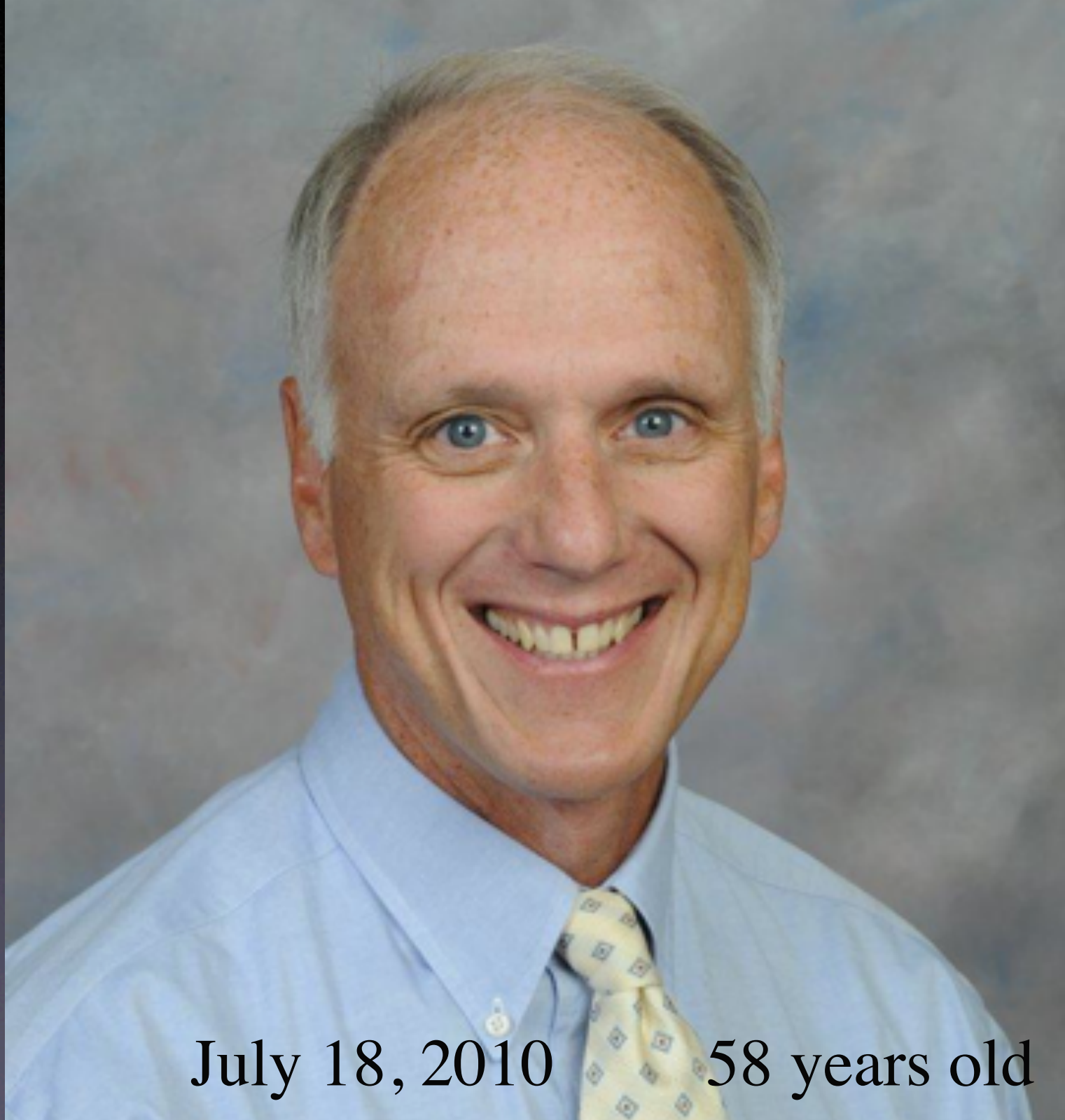
# Good Night Mark

- Blame it on a Lady Luck.  Lucky metal.
- Blame-5,000 yr. old primitive store of value and adornment tradition that carries on.
- Blame it on 2600 years of gold in a Monetary System: 250 years Gold Standard
- Blame it Mother Nature: gold is rare and the most noble metal of them all. \*









July 18, 2010 58 years old



*Gold Coins, Gold Standard,  
Good Night.*

*Thank you,  
John Maguire*

