INTRODUCTION

OBSESSION

Lamar Hunt, the thirty-four-year-old owner of the Kansas City Chiefs football team, negotiated the merger of the upstart American Football League with the older and well-established National Football League in 1966, creating the most successful sports enterprise in America. Hunt also invented the name Super Bowl, originally the championship game between the two leagues, and now the most popular single sporting event in the country. He explained the origin of his inspiration: "My daughter, Sharron, and my son, Lamar Jr., had a children's toy called a Super Ball, and I probably interchanged the phonetics of 'bowl' and 'ball.' "[1]

The first Super Bowl was played in January 1967 and pitted Hunt's Kansas City Chiefs against Vince Lombardi's Green Bay Packers. The Packers walloped the Chiefs 35–10 and were awarded the Super Bowl trophy, a seven-pound sterling silver football made by Tiffany & Company. Winners of the annual Super Bowl since then have received an identical creation, now called the Vince Lombardi Trophy, with the winning team's name engraved on the pedestal by Tiffany craftsmen.

Lamar was proud of his franchise, especially after his Chiefs won the Super Bowl in January 1970, but he had no way of knowing that ten years later the trophy itself would be worth twenty-five times its original value, and not just for sentimental reasons. In January 1980 the price of silver had jumped to $50 an ounce, a modern record that still stands, and Lamar, together with his older brothers Nelson Bunker Hunt and Herbert Hunt, would be accused of rigging the price of the white metal in the boldest commodities market manipulation of the twentieth century.[2]

Lamar, Nelson Bunker, and Herbert were sons of H.L. Hunt, a poker-playing oil tycoon whose right-wing political outlook equated New York's liberal Republican governor, Nelson Rockefeller, with Cuba's Fidel Castro. The family patriarch taught his children to distrust government, especially its paper currency, and to invest in real things, such as oil, land, and precious metals. He established trusts for his children, including shares in the family's billion-dollar crown jewel, the Placid Oil Company, which served as a funding source for their business ventures. The tall and trim Lamar, as mild mannered as an accountant, concentrated on football during the 1960s, while his outspoken older brother Bunker, as Nelson was called, concentrated on racehorses and oil fields. Bunker was a pear-shaped 250-pounder who enjoyed the limelight that came with being the family spokesman. A speculator like his father, Bunker may have been the richest man in the world after oil was discovered in Libya, where he owned the drilling rights. Bunker had made his deal with Libya's King Idris, but before he could enjoy all the fruits of his speculations, insurgents led by Muammar Qaddafi overthrew the monarchy in 1969 and soon after nationalized the oil fields. Bunker was still a billionaire, when a billion dollars was real money, but the incident increased his distrust of government.

Bunker affirmed his conservative credentials by joining the John Birch Society, the Tea Party of its day, and began investing in silver because he feared government spending would produce inflation and erode the value of the U.S. dollar.[3] He also thought he could store his cache of the precious metal on his two-thousand-acre Circle T ranch near Dallas without worrying about Qaddafi. But his speculation quickly turned into an obsession, and even Texas was not big enough for his holdings. Between 1973 and 1979 he led his brothers in accumulating almost 200 million ounces of the white metal, stored in New York, London, Switzerland, and other locations that may not have been publicly disclosed. The Hunt silver was worth about $2 billion in September 1979. Four months later, when silver hit $50 an ounce, it came to nearly $10 billion.

Then it all disappeared. Within a year Bunker Hunt was forced to pledge his shares in Placid Oil as collateral for a billion-dollar loan to avoid bankruptcy. He had personally borrowed heavily to buy silver and the value of his leveraged holdings collapsed when prices fell back to $10 an ounce, a drop that rivaled the decline in the Dow Jones stock index during the Great Depression. He and his brothers were then found liable for conspiring with Saudi Arabian sheikhs to corner the silver market during their speculative binge. Bunker Hunt declared personal bankruptcy after the trial and lost prized possessions to his creditors, including fifteen ancient Greek vases and a collection of silver coins dating from the Roman Empire.[4] When an older sister asked what had happened, he answered, "I was just trying to make some money."[5]

The Hunts were not the first nor the last to be seduced by the white metal. In 1997 Warren Buffett, perhaps the most successful investor of the past fifty years, bought more than 100 million ounces, almost as much as the Hunts, and drove the price of silver to a ten-year peak. In 1933 Franklin Delano Roosevelt raised the price for silver at the U.S. Treasury to mollify senators from western mining states while ignoring the help it gave Japan in subjugating China. And in 1918 Senator Key Pittman of Nevada subsidized his home state constituents by sponsoring legislation to sell silver to India during the Great War. But the white metal has been more than just a vehicle for personal advancement to Americans; it has been part of the country's monetary system since the founding of the Republic and is woven into the fabric of history like the stars and stripes.

Perhaps the most famous speech in American electoral politics, Nebraska Congressman William Jennings Bryan's "Cross of Gold" sermon at the 1896 Democratic convention, was all about silver. Bryan became the party's nominee for president after delivering an address that would make a modern televangelist blush: "I come to speak to you in defense of a cause as holy as the cause of liberty—the cause of humanity . . . that all believers in free coinage of silver in the Democratic Party should organize and take charge of and control the policy of the Democratic Party . . . We do not come as aggressors. Our war is not a war of conquest. We are fighting in the defense of our homes, our families, and posterity."[6] Bryan's cause, the resurrection of silver as a monetary metal, aimed to rectify the injustice perpetrated by the Crime of 1873, which discontinued the coinage of silver dollars that Congress authorized in 1792 and established gold as king of American finance. The demonetization of silver sparked a great deflation in the United States during the last quarter of the nineteenth century, with declining agricultural prices provoking resentment among midwestern farmers against East Coast bankers. *The Wonderful Wizard of Oz*, which has entertained millions since it was published in 1900, is an allegory of the contemporary class warfare.

The abundance of silver in America during the 1870s made it the metal of the people, synonymous with cheap money compared with the more restrictive supply of currency under the gold standard. Bryan viewed remonetizing the white metal as a way to promote inflation to reduce the burden of mortgages owed by farmers to the banks. A century later, during the 1970s, the Hunts invested in silver as a bulwark against inflation, a rock-hard asset to protect their fortune against the spendthrift ways of the government. This is the story of silver's transformation from soft money during the nineteenth century to hard asset today, and how manipulations of the white metal have altered the modern world; but to understand the attraction of silver to politicians and its vulnerability to speculators and schemers requires historical perspective.

Silver is the preferred protection against government defaults, political instability, and inflation for people in most countries, a place to hide when conventional investments sour. In the three years following the financial crisis of 2008, when banks teetered on the brink of insolvency and the government debts of Italy, Ireland, and Greece resembled junk bonds, anxious investors drove up the price of silver by almost 400%, an increase greater than ten years of Warren Buffet's Berkshire Hathaway stock.[7] But the precious metal is more than just another safe-haven investment. For centuries it has been hammered by silversmiths into serving platters, candlesticks, and wine goblets for the upper classes. Families display these heirlooms with pride in their dining room cupboards to highlight an affluent past, but during bad times they are quietly sold for cash.

Silver has also been the monetary standard of almost every country in the world, including China and Saudi Arabia in the twentieth century, Great Britain in the seventeenth, and Biblical Egypt. Britain dominated world commerce with the gold standard during the nineteenth century, but its currency is still called "the pound sterling," a paradoxical reference to sterling silver as the standard. The word "sterling" means that a coin, candelabra, or Super Bowl trophy contains 92.5% pure silver, with the remaining 7.5% usually consisting of copper for strength. A mixture of nitric acid and potassium dichromate produces a different color on a sample scraping of "fine" silver, which is 99.9% pure, compared with sterling, and there is little to dispute once the sample has been assayed (tested) professionally.[8] Governments guarantee the purity and weight of coins minted from precious metals to make the currency generally accepted without further testing, and silversmiths engrave 925 or the word sterling on their work to certify its quality. Queen Elizabeth I, daughter of Henry VIII and Anne Boleyn, ascended the throne in 1558 and two years later made the metal backing the British currency one pound of sterling silver.[9] This so-called "ancient right standard of England" originated in the eleventh century under William the Conqueror, but had been debased by the gluttonous Henry before Elizabeth's rescue.[10] The sterling reference stuck despite Britain's switch to gold and survives today even though the silver content of the pound is long gone.

The clash between ornamental demands by silversmiths and government coinage often had surprising consequences. Louis XIV, the absolute monarch of France for seventy years until his death in 1715, turned the magnificent silver furniture and tableware in the Palace of Versailles into bullion bars for minting by his Treasury.[11] Silver dishes with matching place settings became common currency. The remaining French nobility had little choice but to follow the king's example—Louis is famous for the proclamation, "L'État, c'est moi" (I am the state). The results were fiscal credibility in France and a scarcity value in the surviving silver antiques.

Governments no longer coin silver as currency but rising industrial demands compete with silversmiths for the available supply of the white metal. Photographic film produced by the camera company Eastman Kodak usually consumed more silver in a year than the jewelry industry.[12] Now that digital cameras have made photographic film obsolete (driving Kodak into bankruptcy in 2012), the electronics industry dominates commercial uses. Silver, called a noble metal, along with gold and platinum, because it resists corrosion, is the best conductor of electricity and is used in circuit breakers, switches, fuses, and other electrical components. Modern technology has also exploited silver's antibacterial properties. In 2006 the giant Korean manufacturer Samsung introduced a washing machine that releases silver ions in the wash cycle to help sanitize the laundry.[13] Specialty retailer Sharper Image advertised a plastic food container infused with silver nanoparticles to keep food fresher, which received positive feedback on Amazon from users.[14] And in 2017 Colgate University in central New York state sprayed its locker rooms with a decontaminating fog of hydrogen peroxide and silver to combat the deadly MRSA staph infection.[15] The white metal's industrial demand now exceeds its combined use in jewelry, bullion bars, and commemorative coins.[16]

Silver attracts manipulators because occasional bursts of speculative fever clash with rising commercial use, especially when citizens fear political unrest. The resulting price gyrations allow conspirators to promote higher prices with relatively little effort while also camouflaging their manipulation. On November 4, 1979, during the height of the alleged Hunt conspiracy to corner the silver market, Iranian students invaded the U.S. embassy and took American citizens hostage.[17] The ensuing political crisis contributed to the tripling of silver prices during the next three months, masking the footprints of the manipulators.[18]

Gold is the primary store of value for those who mistrust the government, but silver remains the refuge of choice for most people because it is cheaper and more accessible. A standard 100-ounce bar of silver, about the size of three Hershey bars stacked on top of each other, costs about $1,700 today compared with a price of $130,000 for a 100-ounce gold bar. The relatively small dollar size of the silver market makes the white metal more volatile than the yellow, where a million-dollar order from anxious buyers and sellers makes a bigger impact.[19] Silver led the jump in precious metals after the 2008 financial crisis with nearly a 400% increase compared with almost 250% for gold.[20]

For most of recorded history paper currency was acceptable in everyday transactions because governments promised to exchange those pieces of paper for gold or silver, which gave money intrinsic value. U.S. citizens could exchange dollars for gold at the rate of $20.67 per ounce at the U.S. Treasury until 1933, and foreign governments could do the same at $35.00 per ounce between 1934 and 1971. President Nixon suspended the Treasury's gold obligations on August 15, 1971, ending the last connection between the dollar and precious metals.

All countries now issue fiat currency, paper money backed only by the creditworthiness of the government. The verdict remains uncertain on this relatively new worldwide experiment in pure paper currency because governments have often abused their right to print money, destroying its value, as in the 1920s hyperinflation in Germany.[21] Those concerned that the experiment will fail, such as the Hunts in the 1970s and the Tea Party today, seek refuge in the ageless storehouses of gold or silver. The great English economist David Ricardo, who learned a lot about money as a successful speculator, wrote almost two hundred years ago, "Experience, however, shows that neither a State nor a Bank ever have had the unrestricted power of issuing paper money, without abusing that power."[22] Ricardo recommended that "the issue of paper money ought to be under some check and control; and none seems so proper for that purpose as that of subjecting the issuers of paper money to the obligation of paying their notes, either in gold [or silver] coin or bullion."[23] Anchoring currencies to precious metals promoted price stability but caused controversy as well.

The United States, at the urging of Secretary of the Treasury Alexander Hamilton, established the silver dollar alongside gold in 1792 as America's currency. The two metals vied for public attention under this bimetallic standard until Congress passed the Coinage Act of 1873, eliminating the official status of silver and making gold the sole backing of America's money.[24] The scarcity of the yellow metal caused widespread price deflation over the next twenty-five years, and the reduced government demand for silver contributed to its decline in value of more than 50%.[25] The subsequent outcry in western mining states for Congress "to do something for silver" made headlines throughout the country.[26] William Jennings Bryan rode a silver train of resentment to the 1896 Democratic nomination for the presidency that ended in his defeat by William McKinley. Bryan ran twice more for the White House and lost, but none of those setbacks muffled the agitation for silver, which continued well into the twentieth century.

During the Great Depression, after the price of silver hit a record low of 24¢ an ounce, Democratic Senator Key Pittman of Nevada, the powerful chairman of the Senate Foreign Relations Committee, urged President Roosevelt to restore the white metal's full monetary status.[27] In exchange, Pittman promised the support of fourteen senators from western mining states for Roosevelt's controversial New Deal legislation. FDR responded with a series of purchase programs for silver, beginning with an executive order on December 21, 1933, directing the U.S. Treasury to buy the domestically produced metal at 64.5¢ an ounce, a premium of 50% above the free market price of 43¢.[28] The subsidy and the doubling of silver prices during Roosevelt's first administration gave "the silver miners and speculators much for which to be thankful," according to contemporary financial observers.[29] Senator Pittman agreed and described FDR's benevolence as a "Christmas present."[30]

Pittman made good on his promise. He delivered the "silver bloc" senators in support of FDR's 1933 pump-priming legislation, helping to jump-start the domestic economy, but U.S. diplomacy suffered a major blow. The higher price paid by the Treasury attracted silver from the rest of the world, especially from China, whose currency was backed by the precious metal. Despite local laws restricting exports, speculators smuggled silver out of Shanghai to profit on world markets and ultimately forced China to abandon the silver standard when that country was most vulnerable.[31] It was 1935 and China, led by American ally Chiang Kai-shek, faced an internal threat from Mao Tse-tung's communist insurgents and an external threat from Imperial Japan. Roosevelt's Treasury secretary, Henry Morgenthau, worried that China's insecure government, weak economy, and susceptibility to Japanese aggression made her especially vulnerable to the dislocations arising from American silver policy.[32]

Morgenthau was right to worry. Roosevelt's pro-silver program to please western senators helped the Japanese military subjugate a weakened China and boosted Japan's march towards World War II, demonstrating the danger of formulating domestic policy without considering international consequences. Was FDR's price manipulation less criminal than Nelson Bunker Hunt's? Reading this book will let you make an informed judgment.