What can Silver Buy? …A History

Why commodities – specifically silver – protect your savings and will protect the purchasing power of your income.

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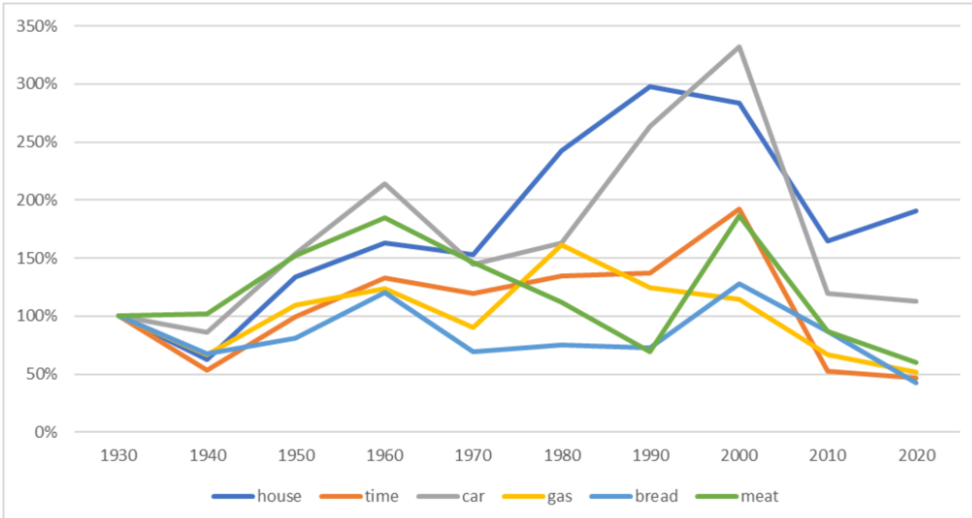

The above chat tracks the prices of certain items – including labor (time) – in terms of an ounce of silver for the last almost 100 years. What quickly becomes clear is that in the less-regulated markets (gasoline, bread, meat) prices in terms of silver have actually gone down since the 1930s. However, we also notice that the prices of cars and houses have gone up more than the purchasing price of silver. We believe this is because of the significant expansion of credit available for the long-term items. Hardly anyone will get a mortgage to buy meat, however, almost everyone has a mortgage for property and also for cars. This availability (and until recently low cost) of credit, in our view, allowed for debt-funded items (automobiles and real estate) to increase in price above the purchasing power of silver. However – silver still managed to maintain almost all purchasing power for vehicles, only in housing did it lose half of its purchasing power over the last 100 years. We can certainly induce the US Dollar's purchasing power has gone down significantly more-so than that of silver.

Of note is the cost of labor, which, in terms of silver ounces is down 50% over the last 100 years. We attribute this to the (at least) doubling of the size of the labor pool during the 1970s, but, more importantly, the international competition of non-north American labor in the late 90s onward, where we see the price of labor cut by 75% in terms of silver over the last two decades.

That said, if labor was paid in silver, the relative purchasing power vs. bread, gasoline, and meat (non-credit consumables) has remained the same, meaning in terms of silver, the living standards of individuals have remained the same over the last 100 years.

In conclusion, What this means is that the systemic devaluation of the US dollar does have a failsafe – commodities. To protect one's labor (time) converting from paper money to hard assets (specifically silver) should, if anything, protect the purchasing power of one's time and labor. Further, if one can get royalties paid in silver (as opposed to depreciating US dollars) their future income should maintain its relative purchasing power insulating the holder from the ravaging effects of currency debasement (the proper definition of inflation).

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