

THE SILVER MILLIONAIRE

by David Morgan

Ask almost anyone to define million in terms of thousands and you will get the answer that a million is a thousand thousands. Although the word millionaire still connotes a degree of financial freedom in today's world, as the saying goes, "she ain't what she used to be"—meaning a million today is not as valuable as a million 10, 20, or certainly 50 years ago.

An area that I would like to explore is that of distinguishing the meaning of the word millionaire in terms of silver and in terms of "dollars." If we do a quick search on the Internet, we find there are roughly [2.6 million millionaires](#) in the United States alone. This of course is in terms of net worth as expressed in U.S. dollars.

So there are literally millions of millionaires in the United States. In fact, according to this 2005 article from [MarketWatch](#), 8.9% of Americans are millionaires. Again, that translates to roughly 2.6 million people.*

However, my purpose is to quantify how many millionaires there can be theoretically that are millionaires in terms of silver. First, a few definitions are in order. For my purposes of discussion, I will define a silver millionaire as an individual or entity that holds one million dollars in silver coin. This could be 1000 bags of 90% silver coin for example. It might also be 1000 bags of silver dollars or perhaps a combination of both. The reason I wish to discuss this topic is to contrast the relatively small amount of silver coinage that still remains, versus the amount of paper millionaires.

Before we delve into this study, let us point out some foundational facts.

1. The law (US Coinage Act of 2 February 1792) defines a dollar as 371.25 grains of pure silver.
2. This is a weight, nothing more and nothing less; a true dollar is an exact amount of silver by weight.
3. A troy ounce is exactly 480 grains, thus a dollar is $371.25/480$, or 0.7734 troy ounces of silver.
4. When it was minted, a silver dollar such as a Morgan dollar or Peace dollar contained that much silver.
5. However, to make the coins wear longer in circulation they were alloyed with 10% copper, so those dollars weigh 0.8593 troy ounce, or 412.50 grains of 90% pure silver.
6. That's why the coins are called "ninety percent," because they are 90% silver and 10% copper by weight.

Note: The amount of silver in circulated subsidiary coins—silver half dollars, quarters, and dimes—is 0.715 ounces per dollar. As an example, four quarters, two halves, or ten dimes would yield roughly 0.715 ounces of silver, depending upon wear.

These subsidiary coins make up what the trade calls "junk silver" or "bag silver." When silver was a circulating medium of exchange before 1965, there was no difference in theory between a paper millionaire and a silver millionaire in the United States. Circulating paper silver certificates were exchangeable into physical silver dollars, and bank vaults bulged with bags of silver coinage.

A "bag of silver" is simply one thousand dollars in face value; so for example, a "bag" of quarters contains 4,000 quarters, or \$1,000 in face value. When melted down and separated from the copper alloy, these 90% silver coins yield about 715 ounces of fine silver.

Before we go further in this discussion it must be pointed out that to be a real silver millionaire it would take 715 troy ounces (one bag of silver) times 1,000, for a total of 715,000 ounces of silver, or one million in face value coinage. As this article is being penned, silver is roughly \$13 per ounce,

so in today's "dollar" U.S. version, it would take nearly ten million "dollars" to buy one million dollars in silver coin.

CPM group estimates that the total amount of silver in coin form is 500 million ounces. This amount consists of the total coin world, meaning rare coins, semi-rare coins, modern mintages such as Silver (LIBERTIES) Eagles, Silver Maple Leaves, Australian Silver coins, private mint silver medallions (coins), and silver rounds (private mint silver usually in one-troy-ounce denominations). Additionally, this classification includes all "junk silver" as well.

Let us break down a few areas of this broad classification of silver coinage. If we start with [modern day mintages](#), we can look at Silver Eagles.

The total amount of Silver Eagles counting proof sets is approximately 115 million ounces. If we add the amount of Canadian Silver Maples and Australian Silver coins, we have an additional 15 million coins.

Now realize this total of 130 million ounces in coin form does not take into account literally hundreds of privately minted medallions (one-troy-ounce silver pieces) from all areas of the world; some are very limited mintages for special occasions, and some have fairly large mintages, such as the Liberty Dollar.

If we move back into history and search for the amount of silver dollars from times past, we need to look at two main categories: Morgan dollars and Peace dollars both minted by mints in the United States of America.

Peace Dollars

According to Wikipedia, the total mintage of the [Peace Dollar](#) is nearly 79 million of these type coins between 1922 and 1935. However, according to the *Coin Dealer* newsletter of June 8, 2007, over 190 million Peace dollars were struck in the years mentioned.

Morgan Dollars

The total mintage of the Morgan Dollar, according to the *Coin Dealer*, is 656,912,836. Again, we suggest reading Wikipedia for more information on the [Morgan Dollar](#).

No one is quite certain how many of either of these coins exist today, and of course we are discussing U.S. mintage only, not taking into account other silver coins from the past, from the countries making up Europe, or the Far East.

Using the U.S. dollar version as a proxy for the largest denomination of silver coins minted around the world, it is important to consider why many of these coins do and will continue to command premiums over their melt content.

First, we must admit that during the last great silver boom, many coins were melted down for their silver content, but today the amount of coinage has shrunk considerably to the point where "Dollar" coin bags (junk Morgan and/or Peace dollars) command a premium over 90% silver coinage.

The reason circulated silver dollars command a premium even though in theory they are so worn by use that they have little or no collector value, is the fact they are very limited in availability.

Moving further on the theme that rare or collector silver coinage all over the world makes up part of the total, it is basically silver that is bought and sold amongst collectors and some coin investors, often with coin dealers acting as the middleman. If we conservatively estimate that the

total universe of collector grade silver coinage makes up perhaps 10% of the total, it would be fifty million ounces of silver that is not available at any price to be melted for the bullion content.

However, looking at "junk" silver bags, we cannot make the same statement. At times, junk bags of silver sell below the melt value and therefore are economic to a dealer to buy and send to the smelter for a profit. This of course was responsible for what many of us in the silver world refer to as the "Great Meltdown." I have spoken to the largest coin dealers in the country, trying to determine just how much bag silver was melted down in the early 1980s, but have yet to find an accurate number; suffice it to say, it was very substantial.

This brings us back to one of the main points of this article. Just how many silver millionaires can there really be in the world? If we agree that in silver coinage a thousand bags with one thousand in face value is our definition, then the minimum in silver bullion would be 715,000 troy ounces.

Certainly at this point it could be argued that a silver millionaire is not limited to silver coinage and therefore we should briefly look at any type of silver millionaire. The total supply of silver is roughly one billion ounces, according to the published annual reports on the subject. Obviously, one billion ounces divided by 715,000 ounces indicates that only 1400 silver millionaires could theoretically exist.

Now let us revisit the amount of U.S. millionaires in the beginning of this article. If we have 2.6 millionaires in terms of paper and it takes ten million in cash at today's price (\$13 per ounce) to become a silver millionaire, then all we need to do is cut our 2.6 million by a factor of 10. This would give us 260,000 with a ten million equivalent that have the paper necessary to purchase 715,000 ounces, yet less than 1400 will be able to find sufficient silver to qualify as "silver millionaires." Simply stated, there is almost 200 times as much paper available to purchase silver than silver available if we limit our analysis to the millionaire category only.

This of course is looking from the U.S. perspective only, and in today's interconnected world, there are investors worldwide that are participating in the silver market and many more will be participating in the future.

If the inflationary pressures continue to build as the U.S. "dollar" continues to be printed to service the outstanding debt obligations, it is quite possible that the number of paper millionaires will increase over time. However, the ability to become a real millionaire—a "silver millionaire"—will become more and more difficult.

Get real, Buy real.
David Morgan
June 29, 2007

* Please note that the quote of 2.6 million millionaires from the Yahoo reference is about 0.89% of the population, however if you read the MarketWatch article carefully it states there are 8.9 million people in the U.S. that are millionaires. In my haste to verify the first reference, I read the MarketWatch article incorrectly (.89 percent not 8.9 million) although this does affect the math, it actually implies there is more paper chasing the limited supply of silver. So it does matter whether 1 percent or 3 percent of the United States population falls within the paper millionaire category however the idea that many millionaires can exist on paper a only a very limited amount of people can purchase the remaining silver remains intact. My apology to all for not checking carefully before sending this article to my many colleagues on the Internet.