

Barter Economics 101

“The Practical Application of Gold and Silver in the Coming Barter Economy.”

By Michael Trudeau

As I sit before my computer reading yet another story of how “due to rising costs,” or “due to world wide shortages,” or due to something else out of my control, Americans are stockpiling or “hoarding food,” it dawns on me that people are beginning to quietly panic.

It used to be that when I read something like that, it would have been published in the Conspiracy Daily News or some other “not to be believed by normal folks” publication. Today, such articles are being published by Reuters, the Wall Street Journal, and other mainstream publications. And as the media industry saying goes, “the story has grown legs.”

I am now hearing on every TV and radio station, and I am reading in every newspaper how Americans are beginning to hoard foodstuffs. I’m hearing it from my farmer neighbors chatting at the feed store and from other patrons at a café I frequent. It’s not bad advice considering we are already experiencing shortages of basic staples such as rice and wheat. The rationing of food has begun right here in America.

“Hoard food, gold and guns!” has been the battle cry of many a weary doom-and-gloomer over the years. This is a cry heard many times before. First it was the Y2K event that never happened. Since then we’ve had SARS, Bird Flu, Peak Oil, New World Order, banking collapse (who knew,) the dollar’s collapse, and the threat and actual act of terrorism given as reasons to hoard gold, food, water, guns etc. These are all very credible threats and good reason to be prepared at all times.

Being prepared is perhaps what sets me apart from most of my peers. I was a Boy Scout and apparently this is where I began to run astray of the collective. Like the Boy Scouts motto suggests, *“Be Prepared,”* I have pretty much always been preparing.

I didn’t run out and buy long-term storable foods, duct tape, plastic sheeting or water purification tablets prior to Y2K, I didn’t have to. I watched the “panic” quietly develop around me, but there was no panic at our house because we had already been preparing for a time without. In recent days, however, it would seem that the collective is catching on.

Should you prepare? That’s a question best answered by ones own self, but I can certainly say there are a myriad of threats facing us right now that could very easily disrupt, or worst case scenario destroy our nations infrastructure or at the very least, our transportation system. Currently the country runs on a system of supply known as JIT or “Just in Time” inventory. This means that when a store is about to run out of a product, there is a truck offloading that very product at the store’s loading dock to renew the supply, “just in time.” Any disruption to the system and the end result is no more supplies.

One of the reasons we began to prepare at our house was the demise of the Soviet Union. I remember watching the nightly news reports of Russian grocery stores running out of food, while the ruble was being reduced to rubble and people were trying to trade anything of value left in their possession for loaves of bread. As a kid, I had always viewed the Soviet Union as our equal in size and economy so I figured, if it could happen to the Russians, one of the worlds two accepted “superpowers,” then it could surely happen to us here.

Another reason is the knowledge that our fiat currency is losing value at a rate unprecedented in our history. When I was a kid, candy bars were a nickel and I could get twenty Hershey bars for either a paper dollar or a silver dollar. Today, my paper dollar only buys only one Hershey bar; however my silver dollar (based upon its silver value), still buys me all twenty. I think we can all draw a basic conclusion on this; paper dollars are not long for the world.

I also had read Dr. Franz Pick’s book “The Triumph of Gold” about how his father kept his family alive during Germany’s infamous Weimer Republic with links from a gold chain. During a very brief period of only nine years, Germany’s currency experienced a period of hyperinflation. Beginning in November of 1914, the German mark could be exchanged at a rate of approximately four marks to the dollar. By 1923, the exchange was four trillion marks to the dollar. Reading Pick’s book was enough for me to employ some common sense and to become prepared for a “time without plenty.” It’s uncanny how closely our current monetary policy mirrors the Weimer Republic.

I have had innumerable conversations with those who have for one reason or another decided to begin preparing for a “barter economy” or rather a world without regularly stocked grocery stores, or for that matter, regularly stocked anything else. In fact, this is the reason for my writing this article. I will try to set the record straight and offer up a basic understanding as to just how things might work in such a system of commerce. I will also address some of the more common mistakes I have seen too many people make as they add gold and silver to their positions for barter type transactions.

For my family’s barter material, I have several basic but very important criteria that I meet before I add gold or silver to the coffers. First, I try to own only metals that do not have dealer reporting requirements. Dealers are required to report the sale of most bullion type items. A bullion item is an item that’s only value is the intrinsic value or value of the metal itself.

Second, is it a product that would be protected against government confiscation? The government seized all privately held gold in 1933 when President Franklin Roosevelt signed Executive Order 6102 outlawing the hoarding of gold and gold coins. In the Executive Order several exemptions were noted for such amounts of gold as required for industry, profession or art. For example, jewelers were allowed to own enough gold for jewelry purposes. Dentists were allowed to have gold on hand for their practice and

collectors were allowed rare or unusual coins having a recognized special value to collectors. Collector coins or “numismatics” are coins that have a value or premium above its intrinsic or metal value.

Third, I must (and you should) own a product that is readily recognizable by most everybody in the land. This criterion is very important. For a moment imagine a world where the grocery stores have all been emptied and no one will accept a paper dollar in exchange for goods or services. I imagine by this point, we’ll be seeing armed home invasions by roving gangs stealing food as well as people trying to swindle or cheat others out of their food. We may find ourselves under martial law, but no matter the scenario, you are better off having a product recognized by the average citizen to use for barter.

Plenty of people have told me that they have purchased South African Krugerrands, the Canadian Maple Leafs, or American Eagle gold coins for the purpose of barter. Although they all have their good points, i.e., more gold for the dollar, a higher level of purity, or they’re just “darn pretty.” None of these coins would be readily recognized by the average person. How many people do you suppose have ever held a South African Krugerrand? The Krugerrand is probably one of the most popular gold coins in the world, but again, how many of your neighbors do you think have ever held one? The same problem exists with the Maple Leaf or American Eagle.

Fourth, I want a product that can be exchanged for goods and services without creating the problem of “making change.” Again, this would prove problematic for the Krugerrand, Maple Leaf and American Eagle in making change after a purchase. Take for example; you’d like to trade some gold for a few chickens with an area farmer. How could he make change? As I write this, gold is trading around \$850 per ounce. I along with many of my contemporaries feel that a collapse such as we’ve described here could easily push gold over \$4000 an ounce. That could be like going to the hotdog stand today with a thousand dollar bill and expecting them to readily make change.

Lastly, after I’ve met the first four criteria, I simply want to get the most metal for my money! Having said that, there are two products that I recommend above all others for use in a barter economy. First, for day-to-day transactions, I recommend the old U.S. silver dollars. Almost everyone has seen an old silver dollar at one time or another, so having people recognize them will not be an issue.

The US minted two varieties of silver dollars: (1) the Morgan dollar, minted from 1878 through 1921, and (2) the Peace dollar minted from 1921 through 1935. I recommend them in a circulated condition where the premium above the silver content is minimal. Either one would be recognized by most any farmer in the land (most of them used to spend them) and with a relatively low value (at this time approximately \$20 or so each), making change is no longer an issue. Since they are classified as collectables, they trade without any form of dealer reporting requirement, so the transaction is completely private, which is not so with bullion products like the Krugerrand or Maple Leaf.

My second recommendation for use in a barter economy is the gold Modern Commemoratives put out by the US Mint. Started as a series of “collectable” coins, several of the coins in the series now trade just above their melt value so they offer a tremendous amount of gold in a coin that has been defined by the treasury as “collectable.” They trade privately, and would be exempted if the government calls in the bullion again like they did 1933. The Modern Commemoratives come in either a half-ounce piece or several varieties of quarter-ounce pieces. Gold should be used more as a store of wealth, or as a medium of exchange for larger purchases as opposed to day-to-day barter. Many of our clients have traded in their bullion products for products that have a more practical application in an economy as described here.

A few words on gold confiscation. The U.S. government confiscated gold from the citizens in 1933 as noted above. The premise for such a confiscation of the people’s wealth is actually covered by the “Eminent Domain” clause in the Fifth Amendment of the U.S. Constitution. It basically states that the government can take anything they want from us after they meet two specific rules. First, they must demonstrate that it is for the good of the country and they must give “fair market value” before they can seize our possessions.

How does the government benefit from calling in the gold if they must compensate us for it at fair market value? Here comes an interesting, if not alarming bit of information. The governments “official” price for gold is \$42.22 per ounce. You read the price correctly, just \$42.22 per ounce! This price has been upheld by a Supreme Court decision as recent as 1984 in the case of *TWA vs. Franklin Mint*, and the official gold price listed on the U.S. Treasury’s website is \$42.22 per ounce. This is no throwback from some bygone era, these guys mean business.

The government need only state that the gold is needed to “shore up the weak dollar” meeting rule number one, (that it is for the good of the country), and to give us a check in the amount of \$42.22 for each ounce of gold confiscated meeting rule number two (fair market value). This, however, is exactly what protects the “collectable” coins from being confiscated. If the government uses eminent domain to legally take bullion at \$42.22 per ounce, they cannot then use the same law to take the collectable coins because each collectable coin trades at a different value and would need to be independently evaluated. Therefore, the fair market value would be different for each and every coin.

Many of our clients have traded their bullion for products that have a more practical application in an economy as we discussed here. **Colonial Resources Inc.** is a very aggressive buyer on the type of products that we see as being used in a barter type economy. As such, we can offer a good product at a great value to our clients. I can’t stress enough that the time to prepare and protect ourselves and our families from the threats discussed in this article, is now. Silver dollars are finite in supply. They are definitely becoming harder to find in quantity as the state of the economy continues to deteriorate. If you have interest in learning how to privately acquire gold and silver coins or you simply want more information, please contact your Colonial Resources Representative or call toll free at 1-800-685-4042.