The Paper Column
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The End of Silver Certificates

Figure 1. $10 was the highest denomination issued in small-size silver certificates. Smithsonian photo.

Purpose

The purpose of this article is to explain why and how silver certificate currency was phased out. That process resulted in two fabulous silver rushes: (1) a brief run in March 1964 on silver dollars held by the Treasury and (2) a year-long run ending June 24, 1967, to redeem silver certificates for silver bullion.

Thus, ended an 89-year run of silver backed currency issued by the U.S. Treasury.

Introduction

The monetization of silver was a *cause célèbre* of the Democrats because they saw it as a means to spread wealth to the common man. Silver often was central to Democratic political platforms through the latter half of the 19th and early part of the 20th centuries with political wins in the form of various silver purchase acts beginning with the Bland-Allison Act of 1878. It was the cornerstone in the presidential campaigns of populist orator William Jennings Bryant, who wrestled control of the Democratic Party from the conservative Cleveland wing of the party at the 1896 Democratic Convention to emerge as the presidential candidate in 1896 and 1900. Although Jennings' runs were unsuccessful, his dream of unlimited coinage of silver was finally realized under FDRs New Deal Treasury beginning in 1933. It is almost ironic that silver currency was demonetized under Democratic presidents Kennedy and Johnson between 1961 and 1968.

Republicans demonized silver as soft, cheap, inflationary currency backed by dollar coins that didn't contain a dollars-worth of silver in the world's commodity markets. They were troubled by the fact that the commodity value of silver was propped up by guaranteed floor prices that the U.S. mint was required to pay for it under the terms of the silver purchase acts—acts that were viewed as huge subsidies to western miners.

But the reason that Kennedy and his Treasury wanted to void the silver purchase acts turned on the fact that by the time Kennedy took office, industry demand for silver was soaring so the commodity price of silver was rising to the point where the silver in the silver coins was going to be worth more on international commodity markets than the nominal value of the coins. It was evident that it wouldn't be long before the easiest way to mine silver would be to melt down U.S. silver coins!

Silver certificates comprised only seven percent of the total paper money supply of the country in 1961, so replacing them with Federal Reserve notes was not a big issue. As a practical matter, the switch with the paper money could be handled quickly and painlessly by running the printing presses. However, the difficult issue facing Kennedy's Treasury was the potential sudden loss of subsidiary silver coins—the

Figure 2. The deposit in the Treasury backing Series of 1928 and 1933 silver certificates was "silver dollar(s) payable to the bearer on demand." Smithsonian photo.

dimes, quarters and half dollars—if they were scavenged from circulation for their silver content. What would take their place? Fractional currency?

The circulation of subsidiary silver coins had a nominal value of $1.5 billion in 1961. How could the Treasury swap those silver coins out for base metal coins without the public first mining them from circulation as predicted by Gresham's law? As you watch this story unfold, keep your eye on the machinations that were developed to maintain the circulation of subsidiary coins until the deed was pulled off. What transpired with the paper was almost a side show.

One irony here is that in replacing the silver certificates with Federal Reserve notes, the Democrats succeeded in replacing their reviled soft silver currency that used to be redeemable in overvalued silver for Federal Reserve notes that were backed 25 percent by gold at the time, although that gold was not accessible to the note holder. President Johnson signed legislation in 1969 that removed the previously required gold backing for Federal Reserve notes, yielding the fiat currency that lines your wallets today. The result is that your money is even softer than the silver certificates.

There were several silver purchase acts dating from 1878. Those dealing with purchases and sales of silver during the small note era were the Acts of June 19, 1934, July 6, 1939, July 12, 1943 and July 31, 1946. A common thread among them was authorization for the Treasury to purchase silver at or below some threshold price, respectively 50, 71.11, 71.11 and 90.5 cents per ounce for the 1934, 1939, 1943 and 1946 acts. If the commodity price rose above the threshold, the Treasury could or would sell at the threshold and thereby keep the market price in check. Prior to the late 1950s, production of silver usually exceeded commercial demand, so the Treasury became the largest purchaser, holder and market-maker for silver.

Benchmarks

To understand this topic, there are certain benchmarks to keep in mind. Silver dollars minted from 1878 forward contained 0.77345 ounces of silver. If the value of silver on the world's commodities market reached $1.29292 per ounce, the silver content of silver dollars equaled its normal face value. Above that price, it would become economic to melt the coins to refine the silver from them. Subsidiary silver coins had a lower silver content so it would take a silver commodities price of $1.38 per oz to make it worth melting them.

There were two classes of Treasury silver; silver dollars and bullion earmarked for the redemption of outstanding silver certificates and so-called *free silver* bullion that was not earmarked to back silver certificates. The free silver was used to make minor silver coins, traded in the commodity markets to

Figure 3. The deposit in the Treasury backing Series of 1934, 1935, 1953 and 1957 silver certificates was "dollar(s) in silver [bullion] payable to the bearer on demand." Heritage Auction archives photo.

regulate the price of non-monetized silver, and held as a critical metal in a strategic stockpile.

The problem faced by the Treasury going into the Kennedy era was that demand for silver had begun to exceed silver production. Specifically, world silver demand in 1961 was 300 million ounces versus silver production of 235 million ounces (NYT, Nov 29, 1961). Treasury's free silver sales were depleting its free silver stock as it sold silver into the commodity markets to hold the price of silver down. Now, instead of providing a subsidy to silver miners, the Treasury was subsidizing silver users and through this action discouraging silver production.

Kennedy Actions

Treasury officials were fully aware that the silver problem was upon them before Kennedy was inaugurated. His Treasury appointees, led by Secretary of the Treasury Douglas Dillon, "started boning up on it even before they took office" (NYT, Nov 29, 1961, p 1). President Kennedy took office on January 20, 1961.

Kennedy ordered the sale of free silver to cease on November 28, 1961. At the time, the Treasury held about 1.7 billion ounces of silver, but by then only 22 million ounces of free silver remained. The Treasury was selling its free silver at 91 cents/oz and it would run out of it within a week. (NYT, Nov 29, 1961).

Of the 1.7 billion ounces earmarked to back silver certificates, 1.2 billion backed $1s and 0.5 billion backed $5s and $10s. The annual demand for subsidiary U.S. silver coinage was 50 million ounces. A burning question was where would the coinage silver come from? The Treasury could redeem silver certificates, thus freeing up their silver backing and use that silver to make the subsidiary coins. However, the Treasury had no leeway to reduce the circulation of the $1s silver certificates because the only authorized $1s were silver certificates and they were required in circulation. An idea that was floated was that the Treasury could redeem the $5 and $10 silver certificates, which would free up enough silver bullion for use in coining subsidiary coins to last a decade. (NYT, Nov 29, 1961).

Act of June 3, 1963 – Silver Purchases Repealed

Kennedy called for Congress to repeal the silver purchase acts, and legislation to do so was introduced in February 1962, and again in 1963. The repeal was enacted on June 4, 1963.

Dillon (1963) stated that a primary purpose for the repeal was to provide adequate supplies of silver to meet the subsidiary coinage needs of the nation. The legislation incorporated four important provisions beyond the repeal of the silver purchases.

The act authorized the issuance of $1 and $2 Federal Reserve notes, the use of which would allow the Treasury to retire $1 silver certificates. This had the dual benefit of freeing the silver bullion used to back the silver certificates for use in minting coins without diminishing the supply of $1 notes.

The act stated "Silver certificates shall be exchangeable on demand at the Treasury of the United States for silver dollars or, at the option of the Secretary of the Treasury, at such places as he may designate, for silver bullion of a monetary value equal to the face amount of the certificates." This provision set the

Figure 4. The most attractive small-size $1 notes that were issued were the Series of 1934 silver certificates. Mike Abramson photo.

value for the 0.7734 ounces of silver in a silver dollar at $1, which established the price of silver bullion at $1.29292/oz.

The act authorized the sale of free Treasury silver should the market price rise above $1.2929/oz.

The act repealed the heavy silver tax on silver transactions in the market, which in effect freed the market from government control.

The process of demonetizing silver had commenced. However, the Treasury had to work through the problem of replacing the silver money—silver certificates and subsidiary silver coins—without disrupting commerce. The paper money was not much of a problem. Deliveries of $1 silver certificates from the Bureau of Engraving and Printing to the Treasury Department continued through November 6, 1963, whereas deliveries of the $1 Federal Reserve notes commenced the following day. The tough problem involved the subsidiary silver coinage. Dealing with that would take until the end of 1968, which would involve not only making non-silver coins but also taking whatever steps were necessary to discourage people from mining the silver coins from circulation for their silver content.

The market price of silver hit $1.2929 on September 1, 1963. At that time, interest in redeeming silver certificates to obtain silver began to look viable to speculators.

The printing of silver certificates was terminated with the last deliveries from the Bureau of Engraving and Printing to the Treasury being as follows (Donlon, 1979):

$1	Series of 1935H	October 4, 1963
$1	Series of 1957B	November 6, 1963
$5	Series of 1953C	November 12, 1963
$10	Series of 1953B	March 14, 1962

The Treasury stopped releasing silver certificates in early October 1964 (Barr, 1967, p. 13). The last of the $5s and $10s weren't issued. In fact, the highest serial printed in the $5 1953B series was G45000000A and that entire block as well as all the 1953C notes never were released.

President Kennedy was assassinated November 22, 1963, and President Johnson assumed the presidency. Douglas Dillon continued as Secretary of the Treasury.

Run on Silver Dollars

There was pending legislation to provide for the minting of silver dollars before Congress, but that provision was eliminated from the appropriation bill on March 20, 1964, a Friday. This precipitated a run on the silver dollars held by the Treasury (NYT, Mar 24, 1964). Photos appeared in newspapers and the numismatic press of crowds in a line snaking around the Treasury building in Washington. Dillon told Congress that the demand was driven by numismatists, not bullion dealers wanting to melt the coins. Dealers and collectors simply wanted to redeem their silver certificates for long untouched bags of dollars so they could search for rare varieties. The remainders often were deposited quickly into banks, which represented a nuisance to the bankers because the coins were expensive to handle and to ship because the banks had no use for them.

The situation evolved rapidly. A Treasury press release the evening of Wednesday March 25, 1964,

Figure 5. The only class of $1 notes being printed between mid-1933 and 1963 were silver certificates. Heritage Auction archives photo.

led off with "Treasury Secretary Douglas Dillon tonight announced that silver certificates will henceforth be redeemed in silver bullion only." Thus, the run on the silver dollars was over in a few days.

The Treasury held 49,261,000 silver dollars as security for silver certificates on June 30, 1963. Dillon's press release advised that they had moved many to the western states where the dollars still circulated. On January 1, 1964, 28 million silver dollars remained in Washington, including 3 million that were deemed to have special numismatic value, 2.8 million of which were minted in Carson City. The Treasury paid out 25 million, most during the March run, but withheld the 3 million.

The silver bullion was made available at the New York and San Francisco assay offices, not the Treasury in Washington. Holders of silver certificates could redeem them for 100- and 1000-ounce silver bars and granules—variable sized pellets used to make change—at $1.29292/oz (Barr, 1967, p. 24).

In the meantime, production of subsidiary silver coins was ramped up. In an extraordinary move, the Treasury won passage of an act on September 3, 1964, that froze the date on the silver coins at 1964 until adequate supplies were available. The reasoning was to prevent the mints from creating additional date varieties in 1965 that collectors would scavenge from circulation, particularly the already wildly popular silver Kennedy half dollars.

Coinage Act of July 23. 1965

Henry H. Fowler was appointed Secretary of the Treasury to replace Douglas Dillon on April 1, 1965. The Treasury and Congress had to move on replacing the subsidiary silver coinage with the result that Congress passed the Coinage Act of 1965 on July 23rd. This act carried a number of significant provisions, most important being that the subsidiary silver coins were to be replaced by clad coins. The new half dollars contained only 4.6 grams of silver and silver was absent from the dimes and quarters.

The law also provided for continued production of subsidiary silver coins until the Secretary of the Treasury was satisfied that there were sufficient supplies of both silver and clad coins in commerce to allow the production of the silver versions to be discontinued. Thus, 1964-dated silver coins stayed in simultaneous production alongside the newly authorized clad coins.

To reenforce the perception by the public that all the money in circulation had equal standing in order to tamp down hoarding of the silver coins, the act reiterated that all coins and currencies of the United States, including Federal Reserve and national bank issues, regardless of when made, were legal tender.

The act gave the Secretary of the Treasury broad authority to promulgate rules and regulations pertaining to the exportation and melting of U.S. coins that in his judgment protected the coinage of the United States. This delegation of authority carried with it fines of up to $10,000 and imprisonment up to five years for each violation.

A curious minor provision in the act forbade the use of mint marks on the clad coins for a period of five years. As with the previous freezing of the 1964 date on silver coins, this directive was designed to eliminate varieties that collectors would scavenge from circulation, thus exacerbating potential coin shortages during the silver to clad transition period. Section 5 of the Act of June 24, 1967, repealed this restriction so mint marks reappeared on coinage in 1968.

Figure 6. A market quickly developed to funnel silver certificates to New York where brokers exchanged them for silver bullion during the great silver redemption rush of 1967-1968. This ad ran continuously in the New York Times.

A deliberate decision was made to produce so many 1964 Kennedy silver halves that they would command little numismatic value. Ultimately almost a half billion of them were minted but they rarely circulated owing to hoarding. Thus, this part of the plan backfired because the production of the 1964 Kennedy halves seriously chewed through Treasury silver stocks, which required the redemption of silver certificates to free up that silver.

Production of the clad 10, 25 and 50 cent coins commenced respectively on August 23, December 6 and December 30, 1965. However, production of the 1964-dated subsidiary silver coins continued through April 1966. The clads were dated 1965, a date that was used on them until August 1, 1966, when normal yearly dating was reinstituted. (Tebben, 2015).

As the transition from silver to clad subsidiary coins unfolded, a juggling act was in play to keep the channels of commerce flooded with both silver and clad coins as well as sell off sufficient silver to stabilize the silver market sufficiently to make it uneconomic to melt the silver coins until they could be replaced entirely by the clads. The silver sales had to accommodate international as well as domestic buyers to quell the market.

A growing run was developing for purchases of silver from the Treasury in May 1967, mostly attributed for export (Fowler, Dec 30, 1968). Strong additional steps were taken by Secretary Fowler using the authority vested in him by the Coinage Act of July 23, 1965. He terminated the sale of silver to all but domestic industrial users and instituted a ban on the melting and export of silver coins on May 18, 1967 (NYT, May 19, 1967).

Run on Silver Bullion

Fowler's May 18th actions set off a bullion run by speculators, quickly causing the Treasury to require an end-use certificate that insured that the silver was being used for a legitimate domestic industrial purpose (NYT, May 20, 1967).

Next on June 24, 1967, Treasury won a hastily passed act of Congress that allowed the Treasury to write off as much as $200 million worth of irretrievably lost small-size silver certificates that would never be submitted for redemption. $147,717,000 worth of silver certificates was written off six days later freeing up 116 million ounces of silver that was transferred to the free silver stockpile (Fowler, 1968, p. 77). The remaining $52,283,000 was written off April 1, 1968 (WP, Apr 1, 1968).

The June 24, 1967, act also specified that redemption of silver certificates for silver bullion would cease on June 24, 1968. This gave the holders of silver certificates a full year to redeem them for bullion.

The act allowed for the sale of Treasury silver at not less than $1.2929/oz. Consequently, sales of silver at $1.2929/oz ceased July 14th and resumed at going market rates on a sealed bid basis (NYT, Jul 15, 1967).

Suddenly the world changed. The great silver certificate redemption of 1967-1968 was launched

Figure 7. For all the tens of millions of dollars' worth of silver certificates that came in during the bullion rush, no one reported finding a single Series of 1933 $10. William Baeder photo.

and those of us who lived through it never had seen anything like it before!

The market price of silver was free to rise. Americans couldn't mine silver coins from circulation owing to the prohibition against melting coins, but they could redeem their silver certificates for bullion at $1.2929/ounce and sell it immediately for a profit in the commodities market.

The Treasury officials were confident they had pumped sufficient clad coins into the banking system by mid-1967 to meet the nation's commercial needs—there were now 8.5 billion of them (Fowler, Dec 30, 1968). They also knew that there would be a mad scramble by the public to hoard the silver subsidiary coins from circulation and there was. This hoarding would be rewarded when the ban on melting and exporting silver coins was lifted on May 12, 1969, by order of Secretary of the Treasury David M. Kennedy. Kennedy exercised his authority to do so in accord with the Coinage Act of 1965, and General Counsel Paul W. Eggers issued the order (Kennedy, 1969, p. 380).

Treasury officials also were aware that the more than 800 million 40% silver clad 1965 half dollars were not circulating owing to hoarding. They recommended getting the silver out of future half dollar production because circulating halves were needed in commerce (Fowler, Dec 30, 1968). This was accomplished through an act passed December 31, 1970, that took effect with halves dated 1971.

The Treasury also was scooping up as many silver coins as it could. This was carried out without fanfare through the Federal Reserve banks. As the clads became available, the stream of mixed silver and clad coins circulating back to the Federal Reserve banks from commercial banks were withdrawn, stored and replaced by the clads. In time, when the technology became available, the silver coins were sorted from the mixtures so the silver could be recovered. In the interim, the incoming streams continued to be stockpiled until some threshold was reached where it was no longer economical to sort out the ever-diminishing silver fraction.

On July 31, 1967, the Treasury held 81 million ounces of silver in its coin inventory. Over the next 16 months an additional 186 million ounces of silver were salvaged from the coins retained by the Federal Reserve banks. These two stocks were melted to support silver sales designed to continue dampening the rise in the price of silver in order to discourage the scavenging of silver coins from circulation. (Fowler, Dec 30, 1968).

A market quickly organized to funnel silver certificates to brokers in New York. The brokers redeemed notes for silver bullion and granules at $1.2929/oz. They in turn sold the bullion on the silver market at the prevailing price.

Coin and paper money dealers quickly got on board buying silver certificates from holders in their region and selling them to the New York brokers. The notes could be moved through the mail or accumulated by regional middlemen who sent them by courier to New York. Individuals and anyone handling money including employees of commercial banks could shortcut the process by selling directly to the New York brokers. It was a mad scramble that in a matter of weeks evolved into a well-oiled machine where everyone was working on a percentage basis with what seemed like money raining from the sky!

Figure 8. It wasn't long into the 1967-1968 rush that these last 1957 series $1s vanished from our wallets. Everyone was scavenging them from circulation. Heritage Auction archives photo.

Converting Silver Certificates into Bullion

The following is a window into the process from the perspective of Nathan Taylor, the self-proclaimed largest broker, who set up ten currency exchange offices in New York. He talked to reporters from both the Washington Post and New York Times.

From the Washington Post (Dec 26, 1967):

> Nathan Taylor of Terminal Trading Corp., the largest of the silver certificate redemption centers in the nation, said his headquarters at 70 W. 23rd St. in New York is being swamped with registered mail containing silver certificates from all parts of the country. The premium the holder receives from Terminal is directly connected with the closing prices of spot silver on the New York Commodity Exchange on the day the registered mail arrives.
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> Taylor said the search for silver certificates has brought money out of unusual hiding places.
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> "It's interesting the places people select for hiding," Taylor said. "We can tell from the odor which certificates have been hidden in moth balls or cedar closets, which have been buried in the earth, hidden in musty attics or stored in damp cellars. Each has a distinctive odor."
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> Taylor said one batch of silver certificates received from Monrovia, Liberia must have been buried for almost 20 years.
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> "If we sneezed near them we were sure they would disintegrate," Taylor said. "They were too fragile to put through the ticometer for counting and because of the difficulty in handling, it took one of our cashiers an exceptionally long time to count them."

Excerpts from the New York Times (Feb 28, 1968):

> The lucrative smell of money fills the cramped storefront offices of the Terminal Trading Company at 70 West 23d Street here * * * where the cashiers at the shop exchange new dollar bills for the dwindling supply of "silver certificates" delivered by mail and in person each business day. For each of the old $1, $5 and $10 bills exchanged, the company pays a premium of between 35 and 45 percent over face value.
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> "Smell it," Nathan Taylor, president of the company, said the other day as he examined the morning's mail. "The stuff comes out of mattresses, home freezers, cellars, the ground under African huts, South American barnyards, as well as safe deposit boxes and from between the pages of books."
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> The bearer of a silver certificate was promised the right to exchange it for silver at the rate of a bit more than $1.29 an ounce. But the price of silver has soared and last Friday the Government's weekly auction of .999 fine metal brought more than $1.80 an ounce.
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> Last August, the idea struck Mr. Taylor that many silver certificates, worth more than their face amount even then, were slipping out of the public's hands at face value and nothing more. At the time, his Terminal Trading Company was engaged primarily in cashing checks under contract with concerns that did not want to handle cash payrolls and yet wanted to ease the check-cashing problems of their employees.
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> "We decided to place a few small ads in papers around the country, offering to pay a premium for the silver certificates," the pipe-smoking executive recalled. "In our first month, last August, we handled about $150,000. Today, we average about $1-million a month."
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> The prices paid depend on the silver quotes received during each day in his office over the ticker of Commodity Exchange, Inc., New York. Since last summer, a network of agents has been set up around the

Figure 9. The Federal Reserve Bank of Dallas used to ship plenty of $5 silver certificates to Tucson; however, no $10s came our way that I ever saw in the early 1960s. Heritage Auction archives photo.

world by Terminal Trading as well.

Consequently, large sums have been received from such lands as Liberia, where United States money is the official currency, and from far-flung places where dollars have become the only means of savings because of devaluations, inflation and general instability.

At home, many of the parcels of silver certificates received by registered mail also contain notes explaining gratuitously why the dollars have been amassed and not banked, often, why they smell. One dollar bill that Mr. Taylor does not intend to part with bears a typed line at the top margin: “First B-29 Squadron to land on Saipan-Sept. 19, 1944.”

Some of the bills come in odd forms, woven into quilt-like sheets or with edges glued and rolled into tight rolls, in the shape of flags, and the like.

Most common is the smell of mothballs or of the ground the bills were buried in, and many are discolored, brittle or tattered. Regardless of how they look, the Terminal Trading people collect them each day and send them to the Federal Reserve, to be exchanged for silver bullion at the rate of $1.29 an ounce.

“We used to get the triple-nine stuff [.999 fine] from the San Francisco mint,” Mr. Taylor said. “Now we seem to be getting .965 fine metal at slightly less cost.”

The bullion is either sold to industry or private holders, or refined to .999 fine and sent to the banks that keep the Commodity Exchange’s silver used for trading in the form of contracts for future delivery. All silver earmarked for futures trading must be .999 fine and each contract consists of 10,000 ounces.

I was a beginning graduate student at the University of Arizona in Tucson with little money and limited free time to get in on the bullion rush. It quickly became obvious that silver certificates were fast disappearing from circulation. I did manage to accumulate a couple hundred or so of them during the early part of the rush. I mailed them to a broker named Pep Levin in Pennsauken, New Jersey, who ran saturation ads in Coin World offering to buy them.

What you were paid is explained in this excerpt from The Washington Post (Feb 25, 1968). “Buyers of silver certificates have based their payments on the spot bid price of silver at the close of the silver commodity trading day. One firm, claiming to have bought more than $6 million worth of certificates, has paid 41% above face value on Jan. 29; 35% the next day; 40% Feb 1, and 36% as of Feb 9.”

The Party Ended June 24th, 1968, a Monday

Excerpts from the New York Times (June 25, 1968):

About a dozen people were camped outside the United States Assay Office at Old Slip and South Street at 11 o’clock last night when one sergeant of the Mint Service guard arrived at work. They wanted to be sure they would get in under the wire to exchange their hoarded silver certificates.

By the time he had started his second consecutive shift at 8 A.M., the sergeant * * * had seen the crowd grow to nearly 200. The lines numbered at least 100 most of the day.

They came from as far as Chicago and Randolph, Wis. They carried their bills in attache cases, overnight bags, shopping bags, even in their fists. Some had to wait as long as three hours for their silver.

In San Francisco, where people take their silver more seriously, some 500 persons waited in line at the Assay Office in the mint, the Associated Press reported.

Mrs. Richard Vail of Chinchilla, Pa. stood outside the New York Assay office yesterday holding two

Figure 10. 1934 series $10 silver certificates were attractive and actively traded in the 1960s for a few dollars over face if uncirculated. Heritage Action archives photo.

silver bars. Her husband had a plastic bag of silver granules making up "the change" for the $398 of silver certificates they exchanged. Mr. Vail explained that they had garnered most of their bills from customers of their food store. The Vails, noting that they have five children, said they would "pack their silver in a small vault and wait."

Silver for almost immediate delivery was quoted at $2.47 an ounce yesterday on the Commodities Exchange, where silver futures are traded.

James Pals, who operates a restaurant near O'Hare Field in Chicago, was not sure what he would do with the $1,200 load of silver he lugged away from Old Slip in a suitcase. "Just wait, I guess," he said as he hurried for a return flight to Chicago.

The Assay Office remained open after its usual 3 o'clock closing time to accommodate the crowds. To reduce the waiting time, the office issued receipts to those opting for them that will be redeemed in silver starting July 5 and for five days thereafter. But there was quicker action on the street.

The pay-out window was kept open until about 5 P.M. to take care of everyone in line. The Assay Office declined to disclose how many silver certificates were sold.

Daniel J. Lander, who specializes in silver certificates at his 101 West 45th Street store, hired a Wells Fargo armored truck and three guards at $50 an hour and conducted a brisk business at curbside. Mr. Lander offered $1.60 to $1.65, depending on quantity. "It's really silly," he said. "I'm not making any money on this, when you figure the cost of the truck and the guards. This is fantastic stuff, three traders and my own private guard. But this is my business and this is where the action is."

Mr. Lander said he could offer a better deal to hoarders, because they would have trouble reselling their silver. He said they would have to sell the metal at discounts because it had to be refined to commercial grade from the 899.5 purity offered by the Government and because they would deal in small quantities.

But profit did not seem to be the only motive in many of the hoarders yesterday. David Busse, a bookkeeper from Randolph, Wis., took away three bars and some granules for the $396 in certificates he exchanged for his own account and that of three friends. "They'll make great paperweights. Maybe some day they'll be worth something. But it's fun having it."

Those hoarders with more than $1,000 in certificates to exchange were sent to the New York Federal Reserve Bank on Liberty Street, a few blocks from the New York Stock Exchange. The Reserve, expecting a large turnout, opened its doors an hour earlier than usual at 8 o'clock when about 50 people waited in line. But the rush was all over in two hours. Ten dealers, like Mr. Lander, unloaded trucksful during the day.

Perspective

The Treasury Department was caught in a bind in the 1960s as silver prices on the world's commodity markets crept above the nominal value of U.S. silver coins. They had to demonetize silver and at the same time maintain a supply of coins for commerce. The threat they faced was a public that would scavenge silver coins from circulation and hoard them for their silver content, thus removing coins from commerce.

It would take time to manufacture base metal coins and get them into circulation. A primary ploy to tamp down the speculative impulses of the pubic was to artificially hold down the price of silver in the commodities markets. This could be accomplished by feeding Treasury silver into the market at a low price, which, of course, would have to be done on the backs of the tax payers because the government would incur lost-opportunity costs in the process. The Treasury Department had no choice, so this policy was carried out as a cost that Treasury officials felt had to be paid.

The obligation on Series of 1928 $1 silver certificates advised that "one silver dollar" was payable to the bearer. The obligation on the Series of 1933 $10s promised "ten dollars in silver coin payable to the bearer on demand." Subsequent series stated "dollar(s) in silver." There was 0.7734 ounce of silver in a silver dollar so this was the amount of silver the Treasury paid out for each dollar's worth of silver certificates that it redeemed for bullion. This established the value of the bullion at $1.2929/oz.

The Treasury honored this commitment by giving the public a full year to redeem their silver certificates despite the fact that the price of silver was rising rapidly during that year. The difference between the $1.2929/oz redemption rate and the higher market rate was another lost-opportunity cost that taxpayers had to bear. This cost was a measure of the integrity of the Treasury Department as it honored the obligations printed on these historic certificates.

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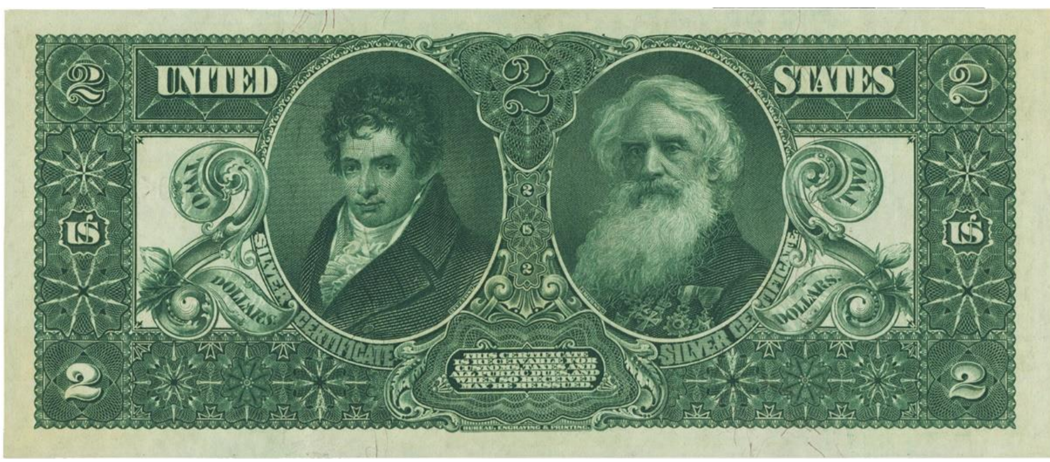

Figure 11. Some collectors prefer the old large-size silver certificates. There is no accounting for taste. The Treasury still will redeem them at face in Federal Reserve notes. Heritage Action archives photo.