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**HOW TO INTRODUCE A SILVER COIN  
INTO CIRCULATION IN MEXICO: THE HYBRID COIN**

**A paper to be presented at the 2004 AIER Gold Conference,  
May 12-14, 2004 to be held in Great Barrington, Mass., U.S.A.**

I am honored by the invitation of the American Institute for Economic Research, to present a paper on the subject “How to Introduce a Silver Coin into Circulation in Mexico”.

I think I have discovered a means – perhaps the only means – by which a silver coin can be introduced into circulation in Mexico.

My discovery is applicable, I believe, not only in Mexico and with regard to a silver coin, but anywhere in the world where the requisite political will might exist to implement my plan; and further, all I have to say with regard to silver in Mexico is equally applicable to gold coins as well, anywhere in the world.

So, since this series of conferences at AIER is principally devoted to the problem of resumption of the use of gold as money, I must emphasize that while I speak of silver in Mexico, all I have to say can be interpreted as a plan for the reintroduction of gold as money, into the U.S.A.

My plan is the result of nine years of thinking about the problem of fiat money in Mexico. The last Mexican economic debacle of 1994-1995 prompted my search for monetary stability. Intuitively, I first thought of gold, but I reached the conclusion that the enmity of the United States and of the I.M.F. to the monetization of gold, would make that avenue a dead end. Therefore, I took the alternate route, the theme of monetizing silver, of which Mexico is the world's number one producer.

Mexico's history is inextricably linked to silver money, since silver minted in Mexico was the world's most important money for centuries. All of you know that the U.S. silver dollar, as defined in the Constitution, is based precisely on the characteristics of the "Ocho Reales" coin minted in Mexico.

The historical memory of our silver coinage is still with us. It was a popular coinage for everyday use, unlike the gold coin which was reserved for more important transactions, until U.S. pressure after the Spanish-American War forced Mexico onto the monometallic use of gold. I refer you to "Financial Missionaries to the World" by Emily S. Rosenberg for an account of that episode.

The Mexican audiences which I have addressed in the last nine years, have enthusiastically received my idea regarding the introduction of silver into circulation. It is too early to say whether or not, my plan will come to fruition, but there are hopeful signs.

I believe that the only road to a monetary system which will permit the survival of industrial civilization, has something to do with retracing the steps that brought us to our present plight.

Paper money was introduced after real money existed. For a time, paper and gold and silver coin circulated together, side by side. The abuse of over-extending and mismatching credit finally resulted in the creation of such large amounts of paper money, that real money became an obstacle to further creation of the paper money required to keep an overextended credit system solvent, and so, real money was finally ousted and we are today, worldwide, struggling desperately with fiat paper money to keep our civilization working.

I believe that we must go back the way we came, by reintroducing real money to circulate in parallel with paper money.

I cannot imagine any country in the world, or any group of countries, reforming paper money and our banking systems as we know them, and reinstating gold or silver coinage and bills redeemable for metal at sight.

I do not believe that the world's monetary and financial system can be reformed; any attempt at reform would decimate the world's economic activity instantly. There is no alternative: we have to let the world's monetary and financial system proceed to its own destruction; we cannot "go back to gold".

What we must therefore strive for, as possible, is the reintroduction of silver or gold – or even both – to circulate in parallel, along with the fiat paper money we presently use everywhere. Eventually, the world fiat money system will destroy itself through its own inherent defects. Humanity has selected gold and silver as money. No other metals or objects have served humanity as well. The precious metals will never be supplanted by fiat money. The fiat money time we are living in, is an aberration in an instant in human history which will soon pass.

Once silver and gold, or either one, in whatever quantity, is in circulation in parallel with paper money, a number of beneficent things will begin to happen. These things will further enhance the attraction of the precious metals as money, reinforcing the movement towards real money.

Slowly, the world might begin to regain its monetary and financial composure, after the paper orgy of the past hundred years, with paper issue tamed and civilized by the presence of gold or silver circulating in parallel with it.

Is there a political will to implement my plan anywhere in the world? That I do not know. I do have the conviction, that the plan I propose will work, that silver in Mexico, or gold in the United States or Europe or anywhere else, can be brought into circulation in parallel with paper money.

At the present time, it is becoming increasingly clear that the present monetary and financial paradigm based on fiduciary money is close to coming to a catastrophic end. There exists international concern which heightens day by day. It is imperative to effect significant change and to restore sound money, on which the very survival of our industrial civilization depends. However, how to get there from here, is by no means clear.

I believe my plan offers a viable way to “get there from here”. It does not address the reform of the present worldwide system of fiduciary money. It outflanks the problem by resorting to the introduction into circulation of real money, in parallel with fiduciary media. It is my fond hope that other minds interested in the vital subject of sound money, may find some inspiration in what I present, and that better minds than mine may wish to focus their political efforts and monetary research along the line I am sketching, sharing my conviction that it is the way forward to viable change.

In my view, *when silver coinage is introduced into circulation, the idea that silver coins can be money becomes an enormously important and irrefutable fact.* The precious metals are painted as “antiquated”, superseded by technology and modern finance; those of us who insist on gold are derisively labeled “goldbugs”; however, as soon as we are able to put silver or gold into circulation in parallel with paper, all those arguments crash, faced with the fact that silver or gold can and do circulate in parallel with paper, and actually receive the total approval of the population. It is vital to remove the intellectual obstacle to a return to sound money that is based on the simple fact that silver or gold are not in use.

As in all things that are to work naturally and automatically among millions of human beings, simplicity is essential.

The plan I propose is quite simple.

Here is my plan, as it stands for Mexico:

1. The one troy ounce pure silver coin minted by the Mexican Mint, which is currently an official coin with certain quite limited legal tender characteristics, and which is one of the “Libertad” series of silver coins, will be selected as the coin to circulate in parallel with paper (fiduciary) pesos. This coin has *no nominal value engraved upon it.* This is an essential characteristic of any coin that is to circulate in parallel with paper money.
2. The Mexican Central Bank will issue a daily quote on the full legal tender value of the one ounce “Libertad” coin, expressed in fiduciary pesos. At its quoted legal tender value, the coin is good for all types of payments, without discount of any sort.
3. The Mexican Central Bank will not reduce any quoted value of the “Libertad” ounce in fiduciary pesos, in any future quote. Successive quotes

may stipulate a higher value in fiduciary pesos; or, there may no change in a quote for a period of time; but in any case, there will never be a lower quote for the “Libertad” ounce.

Such is my plan for the introduction of silver into circulation in Mexico.

What follows is an explanation of the three points I have mentioned, and some opinions with regard to consequences which might be foreseen.

The coin must have no nominal value. In our paper money universe, with bills distinguished mainly by the numbers printed upon them, to engrave a precious metal coin with a value which is expressed in terms of paper money, is to condemn the coin to disappear from circulation. This will occur with complete certainty, the moment that the market price of the precious metal in the coin approximates or surpasses the engraved paper money value. At that moment, the coins will be gathered for melting into bars which are worth more, in paper money, than the total engraved paper money value of the coins.

Nominal value coins are static in value. They cannot float in a universe of paper money which is inflating. It is indispensable that the legal tender value of a precious metal coin must be *a floating value*. Only a precious metal coin of floating value can remain indefinitely in circulation, along with paper. The gold and silver coins that were displaced by paper, all had values engraved upon them – that is why they disappeared.

Another point is that the coin to be selected for use as money, must be of a weight, or a fraction of a weight that is defined by the system of weights and measures. The troy ounce is such a weight. A half, a quarter, a fifth, a tenth or twentieth of a troy ounce might be monetized, instead of the full troy ounce. It would not be possible to monetize more than one unit at a time. What must be avoided is the monetization of a coin called “the silver peso”, with a definition of its weight, for the simple reason that it is all too easy to change the definition. A troy ounce or fraction thereof, will always be the same weight.

The reason I selected the full troy ounce “Libertad” coin for monetization, is that there exist in the hands of the Mexican population, well over 20 million “Libertad” coins. It is good to start from something already in place.

If the price of silver were to rise to unsuspected heights, then later, the new coin to be monetized and quoted, might be the one-tenth of a troy ounce coin, which incidentally, already exists. The full ounce coin would not be

demonetized formally; I believe it would continue to function monetarily, as a multiple of the smaller, quoted coin. However, the legal unit would in this case, be the smaller, one-tenth ounce coin.

My plan calls for the monetization of only one coin, not for a set of coins; for the same reason that the U.S. Constitution defines only one unit of precious metal as the “coin of the realm” – the silver dollar.

The Mexican Central Bank, Banco de México, S.A., is to quote a legal tender value for the “Libertad” coin. I have suggested a method by which a quote could be determined, but this suggested method is optional and can be modified to suit the convenience of the Central Bank.

Basically, the coin should be quoted starting from the international price of silver; the source of that international price is optional. The international price must then be translated to Mexican fiduciary pesos, according to the rate of exchange prevailing at that date.

The Banco de México will wish to cover its minting costs and also, obtain a reasonable seignorage. After these have been worked into the quote, the quote should be rounded up to the nearest higher figure which is a multiple of five. (We cannot expect the populace to remember the day’s quote if it is such a number as \$107.43 pesos, nor to use such a figure in payments made or received.)

How high should the seignorage be? It should be a reasonable seignorage. Not more than 10%, I would venture to suggest.

The Central Bank quote of the silver “Libertad” ounce will overvalue the coin, in terms of silver bars. This should be the case, in order to ensure that the coined silver remains in Mexico. The coined silver will purchase more in Mexico, than it will in the U.S., because the “Libertad” ounce will be legal tender in Mexico, but not in the U.S., where it will simply be a silver coin and valued as such.

However, I should note that even with overvaluation, a not inconsiderable number of people in the U.S. may want to acquire this coin, since it will be legal tender in Mexico, with a floating value which is constructed upon the dollar (or euro) value of silver, and which floating value cannot be reduced. I leave to your imaginations, the attractiveness of such a coin for Americans.

No subsequent quote can reduce the value of a prior quote. This is an intriguing point which has caused criticism, due to lack of understanding.

The silver ounce “Libertad” coin would be what I have decided to call a *hybrid coin*.

There has never been a hybrid coin in the history of the world. But then, the world has never in its history been in thrall to paper money, as it is today.

The “Libertad” would be a hybrid coin, because some of its qualities would derive from its precious metal content, and some of its qualities would be shared with fiduciary money – not surprisingly, if it is to circulate in parallel with fiduciary money.

When the international price of silver goes up in dollars, or pounds, or euros, whatever the base chosen for the quote; or whenever the fiduciary peso falls in value with regard to the dollar or other chosen base currency, the quoted legal tender value of the “Libertad” goes up. It will not go up for small changes, because the quote contains certain buffers: the seignorage and the rounding up to the nearest multiple of five are buffers which absorb small changes in silver prices and small changes in exchange rate of the peso.

In going up this way, the “Libertad” is acting like a *commodity coin*.

However, when the international price of silver falls, or when the exchange rate of the peso strengthens, the quoted legal tender value of the “Libertad” does not fall. As in the case of any printed bill anywhere in the world, whatever happens to the exchange rate does not affect the legal tender value of the printed bill, nor the quoted value of the “Libertad” coin. The printed peso bill may buy more, if the exchange rate strengthens, but the legal tender value is still, for example, One Hundred Pesos.

The same situation applies to fiduciary coinage. We have coins for one peso, for five, ten, twenty and fifty pesos, but they do not lose a part of their legal tender value, because the peso price of nickel or copper or whatever other metal they are made of, has fallen. Similarly, if the peso price of the silver contained in the “Libertad” coin falls, whether due to an increase in foreign exchange value of the peso, or to a fall in the international price of silver, the quote established for the coin does not diminish.

In retaining its legal tender value this way, the “Libertad” is acting like *fiduciary money*.

In order for a precious metal coin to circulate permanently alongside of fiduciary money, it *must* be a hybrid coin. It can go up in purchasing power, like a commodity coin; but like fiduciary money, it retains its legal tender value when the metal it contains goes down in price or when the exchange rate of the medium in which it circulates appreciates. It is a hybrid coin, it has a double nature.

We have abundance of commodity coins, but they are not money. Holding them may be a good speculation on future purchasing power, but it is still speculation. Some people like to speculate, but the mass of any population does not wish to speculate. The vast majority of individuals cannot, under any circumstances, accept in payment, without question, a coin whose legal tender value may diminish tomorrow.

For the commodity coin to turn into *money*, it must have a quoted legal tender value which must not diminish, like fiduciary bills and coins. Unlike fiduciary bills and coins, the commodity coin which has become money must appreciate in legal tender value, when the metal it contains goes up in value or when the fiduciary money amongst which it circulates, falls in exchange rate. Otherwise, that coin is headed for extinction at the smelter.

I repeat the three steps to introducing a precious metal coin into circulation:

1. No nominal value. A recognized unit of weight, or fraction thereof.
2. A quote by the Central Bank which gives it full legal tender value.
3. No subsequent quote can diminish the previous quote.

Now you know the substance of my plan for the reintroduction of silver into circulation in Mexico. I think you will agree it is a simple plan. The Banco de México quotes a daily price for the U.S. Dollar. I cannot see why it should be so difficult to quote a full legal tender value for the “Libertad” ounce. Given a method, any subordinate employee may carry out this quote function quite easily, and communicate it to all the banking system and the media, for its communication to the population.

A few people may make the mistake of using the quoted coin, with a previous, lower quote, to their loss. But they will soon learn to avoid such losses. Such people can also make the mistake of using their dollars at less than their



present worth in pesos. Such mistakes are totally inconsequential, except to the individuals concerned – and they quickly learn not to make those mistakes.

The reintroduction of silver into circulation in Mexico, would make it the first country in the world to have in circulation, simultaneously, two monies of different quality. The fiduciary peso on the one hand, with no quality whatsoever (it is simply a digit, like the dollar) and the “Libertad” ounce on the other hand. It is my opinion that the first country in the world to carry out such a reintroduction of precious metal into circulation, will acquire enormous prestige and will soon be imitated by other countries.

I can visualize an enormous demand for this silver coin turned into money. The holder of the “Libertad” ounce is no longer speculating on a future appreciation of his ounce. He owns a coin which is money, and which will not diminish in legal tender value, and which has the possibility of rising in tandem with any possible rise in the price of silver.

Unless the demand for the coin were fully satisfied by the Banco de México, there would probably arise a parallel market for the coin. Its advantage of being an undevaluable coin would cause such a demand for it, that people would be willing to pay more than the legal tender value of the coin, in order to possess it. In order to bring the parallel market price for the coin down to its legal tender value, the Banco de México would be compelled to coin large quantities of this coin.

Our monetary inflation in Mexico is considerable. In the past eight years, from December 1995 to December 2003, according to Banco de México figures, the quantity of M1 has increased five times. This is mainly because of the influx of dollars coming in from the U.S. Whatever the cause, the increase in M1 need not come about as a result of silver coinage going up in quoted legal tender value. If the coins go up in value, the quantity of additional fiduciary media put into circulation might easily be reduced to accommodate the silver money. If we are necessarily going to have an increasing M1, why not make a substantial part of it, “Libertad” coins with full legal tender value?

The internal market for the silver “Libertad” ounce could be in the hundreds of millions of ounces.

How would the Central Bank know when the market was saturated? The clear sign would be, when people begin to return silver coin to the banks for deposit

or transfers. When the banks report that they have sufficient silver coins on hand for their operations, the market is saturated.

It seems to me, that it is necessary to understand clearly, that savings – that indispensable fount of future wellbeing – do not and should not require interest on the savings, to seduce people into saving. People will save – some of them more disposed by nature to save than others – when what is saved is worth saving. That savings should be motivated by a corresponding interest earned, is a vicious idea. Savings are their own reward – the knowledge that one is secure in one's future, is a great reward. No further reward is necessary, if the medium for saving is worthwhile.

Mexico is a country that needs savings, but our peso does not satisfy us. We turn to other money, for instance the U.S. dollar, for savings. Or, we require high interest payments on short-term or even sight deposits. Clearly, this a requirement impossible to satisfy in reality. No stable and serious financial system can provide high interest on short-term or sight deposits. Financial breakdown is guaranteed, in time.

The “Libertad” ounce, turned into money, would be a powerful incentive to savings, indeed.

By exporting our silver as a raw material, Mexico is doing itself great harm. It has at hand, the means to create for itself, the best money in the world, which can circulate in parallel with its fiduciary money. But this has not been done. We are depriving ourselves of the possibility of possessing real wealth in the form of our money, a wealth that can increase if silver prices go up in the world.

Our fiduciary money can proceed as it has been proceeding, buttressed perhaps by the prestige of the silver which circulates alongside it. Eventually, all fiduciary money all over the world, will turn to dust. The silver “Libertad” ounce with no nominal value, will be in existence for centuries to come, when our turbulent times are chronicled in dusty libraries.

One thing that could not be done with the monetized silver “Libertad” coin, would be to denominate credit contracts in “Libertad” coins. Borrowers would be going short silver in accepting loans denominated in “Libertad”, and lenders would be going long. The predictable result would be, an inability on the part of borrowers, to return “Libertad” coins in payment. The lenders would find themselves unable to collect.

Therefore, the contractual vehicle must continue to be the Mexican fiduciary peso, exclusively.

Only at a much later date, invisible in our time horizon, would it be possible to think of a Mexican peso fully convertible at a given rate. Perhaps, given our experience with human frailty, the attempt at full convertibility at a given rate would prove disastrous. Our whole world is based on credit expansion and credit mismatch. We cannot change that, without changing our whole world. For practical purposes the silver “Libertad” would be, for a very long time, a vehicle for savings on a personal level, perhaps on a corporate level as well, and for payments in day to day needs.

Banking systems the world over, are allergic to real money. If they are obligated to turn to real money for denominating loans, they collapse and with them, our industrial world. It is essential to their life, to borrow short and lend long, and to continually expand loans outstanding. They cannot be saved in their present state.

Therefore, let us allow the paper, fiduciary money games to go on. Credit contracts will be denominated in pesos, not in “Libertad” ounces, except for the imprudence of those who dare to do otherwise.

Personal savings in silver “Libertad” ounces would be secure, to be mobilized by the individual at his discretion, for whatever he might deem important enough to mobilize his savings, be it ordinary purchases, emergencies, or investments for the purchase of capital goods.

Another doubt which I have heard expressed, regarding the possibility of having silver circulate in parallel with fiduciary money, is that “the silver will be hoarded”.

Of course it will be hoarded! That is just another name for savings. Those that do not want the people to have their own savings in their own custody, are the banks, of course. They want deposits! They do not want people to hold on to their savings in the form of silver coins. They want to have the people deposit their savings in the banks, so they can lend the savings and make money for themselves on the interest charged. They are against any alternative for people, regarding savings.

The beauty of the hybrid coin, is that the hoarding or saving is done is with a coin that is spendable with a known legal tender value. This saving is not a speculation; as I have said, people in general are averse to speculating with the value of their wages or profits. Hoarding silver or gold commodity coins is a good speculation, in my view. But few people want to speculate in this way. If the silver coin is money, spendable at any moment for an emergency or for any other reason, saving silver “Libertad” ounces becomes a very different matter. That a coin is hoarded does not mean it is “out of circulation”. It certainly is in circulation. The owner knows at any moment how many coins he owns, and their exact legal tender value. His coins will be spent, when he decides to spend.

There is a limit to the aggregate amount of hoarding or saving that any community wishes to effect. Some peoples are more disposed to save, than others. When individuals in Mexico decide that their savings of “Libertad” coins are sufficient for their needs, they will begin to spend the additional “Libertad” coins that come into their possession, along with fiduciary bills.

This is when the banks will notice that silver coins come back to them just as fast as they pay them out. At that point, the Central Bank can suspend further coinage of “Libertad” coins, until demand increases again. That moment, I am quite sure, would not be reached until after decades of coining the “Libertad” ounce.

How would the introduction of silver into circulation affect the banking system? This is a question which invites further study. I shall only point out, for the sake of brevity, that this is not a “silver problem”; it is a “banking problem” that might be likened to a flight from pesos into some foreign currency.

At first sight, there might be two ways to stanch the flight.

The first is that the Central Bank would determine the quantity of silver to be minted. This is not a plan for the free coinage of silver.

The second is that interest rates might compensate the saver for not saving in silver.

Would the monetization of the silver “Libertad” ounce be inflationary? This point has no practical significance at present, and will not have it for the foreseeable future. Mexico is on a fiduciary peso system which is a derivative

of the dollar. We are importing American monetary inflation whether we like it or not. It cannot be avoided, because our Central Bank produces monetary inflation when it acquires additional dollars for its reserves. Our banking system, like all others around the globe, functions by borrowing short and lending long, and this inherently requires the creation of additional money to remain solvent.

However, the quality of the silver ounce as money precludes, I believe, any impact on rising prices from the coinage of silver, because people would be saving most coins that would come into their hands. When, as I have said, the impulse to save has been satisfied – something that will take some doing – then we might see the coin used in everyday commerce. However, until that happened, we would not feel any inflationary pressure beyond what we already suffer, since we are on a monetary system which is inherently inflationary. When the Mexican population's need for silver is satisfied, the next point becomes interesting.

The Mexican fiduciary peso, unlike the dollar, has no "international passport". It cannot travel. Fiduciary pesos created, exert their inflationary influence in Mexico, they do not go abroad like dollars. The silver ounce can acquire an international passport. The outlet for additional coinage of silver, could be once again, what it was one hundred years ago: payments for foreign purchases.

The monetary use of the "Libertad" coin need not be necessarily limited to Mexico. If the Banco de Mexico in the future were to gradually reduce the overvaluation of the silver coin to a point slightly over par with silver bars, then I suspect that Mexico might offer payments in silver to cover part of its imports. This is still in the distant future, but for the sake of argument, I doubt that payment in monetized silver would be rejected internationally. This was *made* a problem one hundred years ago, and served to pressure Mexico and Latin America to abandon the monetization of silver and go to gold, in line with London and New York, to the great detriment of all Latin America.

At present, savers in Mexico are the victims of the same "Catch 22" situation that prevails around the world. If your country's Central Bank has too many dollars in reserves, it is inflating your pesos, and prices will go up in your country; eventually your industry is priced out by foreign competition. Your savings will eventually have to be devalued.

If your country's Central Bank does not acquire more dollar reserves, your money will go up in value as the dollars are sold in the internal market, and so your country's export markets disappear. Your savings will eventually have to be devalued.

Silver coinage represents real wealth in the hands of its owner. Silver coinage is oblivious to any question of reserves, of good or bad politics, of intelligent or inept management. It is an alternative to the pernicious dollar reserve system that prevails.

There are other possible effects of silver in circulation, which might merit the attention of those interested in a theoretical analysis. I can only sketch the outline.

Mexico has, like so many other countries in the world, striven to create industries as a means of creating jobs.

In order for Mexican industries to achieve significant size, they have had to resort to borrowing dollars. In order to obtain dollar credits, they have had to demonstrate a capability of earning dollar income, and thus, they are naturally oriented primarily to serving an export market, not an internal market.

If there were an important amount of silver in the hands of the public, providing this public with goods produced in Mexico might become more attractive to Mexican industries, than it is at present. Why seek dollar payment, when the silver "Libertad" ounce is a superior currency?

Silver in the hands of the public in significant quantities, strengthens the internal market. In the case of a collapse of exports, which would surely come with a collapse of the dollar and international trade, we could count on the support of an internal market ready to pay with silver. The world relies far more than is healthy, on exports.

Argentina is an excellent warning about what can happen to the population of a country that is left without sound currency. At one point in recent years, 18 different kinds of scrip were invented, to keep production moving to consumers. Why expose ourselves to such an ordeal?

In my view, the best protective action that can be taken to minimize the danger of a collapse of exports is to place important amounts of silver in circulation, at once.

I invite those interested in the subject, to delve further into this theme.

How high might the price of silver go, if this plan were adopted? No one knows, but I think it likely that the creation of a new and vast market for silver as money, would probably exert an upward influence on international silver prices. This would certainly benefit Mexico, which has been exporting its precious silver at extremely low prices for many decades, to the detriment of its mining sector and Mexicans in general. I can easily imagine the silver “Libertad” worth \$100 U.S. dollars in present day dollars.

What if there were a speculative spike in silver prices, like that produced by the Hunt brothers’ speculations of the 80’s? Would the silver ounce receive an unrealistic legal tender value as the price went skyward? What happens when the price collapses?

The Central Bank need not be hasty. It can take its time, if in doubt, about issuing a higher legal tender value quote. If the price of silver left the quote of the “Libertad” far behind, some people would begin to sell their ounces to entrepreneurs who would melt them down for sale as high-priced bullion. But it would certainly take a long time for this activity to impact seriously on the stock of silver in the hands of the public. Most people might well decide to hold on to their “Libertad” coins, expecting a new, higher quote in due course.

The Central Bank, faced with the emergence of a speculative bubble in the price of silver, could delay a new and higher quote until it became clear that a new and higher price of silver was in place. Then it would issue a new quote.

If the price of silver should fall precipitously, nothing at all would happen. The silver coin would continue in use, with a lower value for its silver content, but not for its legal tender value. If anything, the Banco de México would derive a higher seignorage from further minting of “Libertad” ounces. Certainly, no one would turn in their coins because the price of silver had fallen. If anyone wished to speculate on a new rise in the price of silver, they would turn in their paper pesos to do this – something which they can do at any time, at present, in any event.

In the coming world monetary, financial and economic debacle, perhaps silver payment might become acceptable internationally. In this case, I can imagine

that all of Mexico's silver might be directed to coinage, for an indefinite period. Present production is over 2,000 tonnes per annum. Reserves in the ground are ample.

In conclusion:

I believe my plan makes it possible to place silver coinage in circulation in Mexico in parallel with fiduciary money.

If at the present time, it is not politically feasible to carry out this plan, a hyperinflationary situation might change the attitude of the monetary authority. It is convenient to have a well thought-out plan held in reserve for such a terrible emergency. Silver circulating in parallel with hyperinflating paper, might serve to stem the destructive tide.

A country where the savings of the people are not only in banking deposits, but in silver coins, usable as money, held at home or in other secure places, is a happy country.

A satisfied population has less incentive to revolution and less incentive to emigration to the U.S. Tranquility and enjoyment of life as Mexicans understand it becomes possible, along with political stability, financial security at the home level and pride in their country. And besides this, a plethora of other blessings too numerous to mention.

I thank you all for your kind attention.

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