The following is an extract from the March 09 Issue of **The Global Speculator** sent to subscribers on the 17th of March 2009.

WHAT'S THE DIFFERENCE?

Take a look at these two Australian 50c pieces and tell me if you can spot the difference. The aesthetic difference is fairly obvious. One is round while the other is 12 sided. Aside from this they are both silver in color, they appear to have the same emblems and they both have "Queen Elizabeth the Second" on one side (all be it a younger version on the 1966 piece). If you were to take both coins to the shops here in Australia they are both legal tender and would each buy you 50c worth of goods. One difference less obvious is the 1966 50c round is 80% silver and 20% copper, where as the 12 sided 50c piece is copper/nickel based. Subsequent changes in the silver price saw the 1966 50c silver round discontinued in 1967, replaced by its 12 sided successor. It was the last coin with precious metals content placed into circulation. Each silver round has roughly 1/3 of an oz of silver and when I last looked on EBAY, you could buy or sell one for between A$7.50 and A$8.50 a coin (roughly its silver content). There are very few better examples of how precious metals preserve purchasing power than by comparing what these two coins of the same face value can buy you today versus 1966, when the Silver round was minted.

Back in 1966 each coin would have purchased roughly:

- 250g of bacon rashers.
- A dozen eggs.
- 12 domestic stamps.
- 1 kg of lamb chops (loin)
- 2kg of bread
- 2kg of sugar

Today the 12 sided 50c piece will buy:

- 25g of bacon rashers (10%)
- 1 egg (8%)
- 1 domestic stamp (8%)
- 25g of lamb chops (loin) (2.5%)
- 125 grams of bread (6%)
- 300g of sugar (15%)

The 1966 50c silver round sold on EBAY for conservatively A$7.00 (silver price A$20-21/oz) buys:

- 350g of bacon rashers (150%)
- 18 eggs (150%)
- 12 stamps (100%)
- 350g of lamb chops (loin) (35%)
- 2 kg bread (100%)
- 4 kg of sugar (200%)

One of the biggest deceptions with inflation is that for the most part it tends to occur gradually with very few people bothered by the diminishing purchasing power of their money. If you are of retirement age and have savings in the bank earning you interest, chances are today's miserly rates are not protecting you against inflation (this is a global problem). As our western governments recklessly deficit spend via borrowing and monetize debt to keep interest rates low, they are accelerating this inflationary process and effectively negating the benefits of citizens who have started to instinctively save again. When governments borrow to spend, make no mistake we the citizens pay. The future interest and principal repayments will come from future taxes. If the government monetizes debt and effectively prints money, we pay via the accelerated decimation of the purchasing power of money (inflation). The question you need to ask is what checks are in place to ensure government does not abuse its money printing privileges (very tempting in today's troubled times). When the gold standard was abolished back in 1971 and replaced by a floating exchange rate system, the last of these checks was effectively withdrawn. The French demanded gold in exchange for the mounting US dollars they were accumulating. They were fully within their rights to do so. The US government under Nixon reneged on this agreement and the rest as they say is history.

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Troy Schwensen

Editor
The Global Speculator

Research Analyst
www.goldnerds.com.au

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