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*Democracy Dies in Darkness*

# Administration Plans Sale of More Than Third of Stockpiled Silver

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By Jerry Knight

The Reagan administration is planning to sell more than 50 million ounces of silver next year -- more than a third of the silver in the U.S. stockpile -- and use the money to refill the nation's emergency stocks of other strategic materials.

The silver sales are projected to earn the government \$500 million, providing fund for a new National Defense Stockpile program announced Friday by President Reagan.

The Reagan sale would be more than three times as large as the 15-million-ounce silver sale the Carter administration had proposed, said Paul K. Krueger, who oversees the stockpiling program at the Federal Emergency Management Agency (FEMA).

A sale of this size easily could depress the already unstable silver market, and is certain to reopen the old and sharp congressional debate over whether the government ought to stockpile silver.

"I don't think Congress is going to buy that," said Rep. Larry McDonald (D-Ga.), who in the last Congress led a successful effort to kill a bill authorizing sales from the silver stockpile. McDonald Wednesday introduced legislation calling for the government to buy additional silver along with other strategic minerals for its stockpiles.

McDonald charged that the plan to sell silver is backed by silver users who hope that government sales will drive down prices. "Perhaps there's some argument" for selling silver to buy other critical materials, he said, but "silver is a strategic mineral" and also would be needed in time of war.

However, the General Services Administration (GSA), which holds the stockpiles, contends that there is no need for strategic reserves of silver, and the General Accounting Office (GAO) has endorsed the GSA's plans for getting rid of the entire stockpile of 139.5 million ounces.

"If you evaluate it strictly on a national security basis, there is absolutely no reason to have silver in the stockpile," said Krueger, whose agency decides what goes into the strategic reserves.

The Reagan budget sent to Congress last week does not call for selling silver specifically, but it projects a \$500 million increase in revenues from sales from various strategic stockpiles. Krueger said silver is the only material in the stockpile that could produce that extra revenue.

Under the plan announced by the president, the surplus sales revenue would be used by other defense-related materials, starting with \$100 million worth of cobalt.

FEMA officials cite a GAO study concluding that if a three-year conventional war cut off all other supplies the nation's silver needs could be filled by the United States, Canada and Mexico.

The GAO said North American sources could supply four times as much silver as needed for defense uses during a three-year war, and almost 1 1/2 times as much as needed for defense and civilian uses over that period.

The major defense uses of silver are in batteries, photographic and X-ray films, dental fillings, surgical plates and electronic components. The Navy is the biggest user of silver batteries, but the MX missile system would need 35 million ounces of silver for its batteries.

Stored in warehouses at West Point, N.Y., and San Francisco the GAO has 139.5 million troy ounces of silver. The Defense Department has another 7 million ounces held for use in government contracts for which the government provides the raw materials. The Treasury Department has 39 million ounces of silver stored for use in coins.

The GAO stocks alone contain more silver than the entire U.S. consumption last year of 117.6 million ounces. The Silver Users Association reported that consumption dropped 25 percent in 1980 because of record high prices of the metal.

Silver prices peaked at \$50 an ounce in January, then plunged to \$10.80 after the two silver futures markets imposed emergency rules to block an apparent attempt by the Hunt family of Texas to corner the market.

The Hunts are believed to own the largest private silver horde in the world, more than 50 million ounces -- as much as the administration wants to sell. Two weeks ago they moved 27.5 million ounces of silver from warehouses in Chicago to a bank in Delaware in an apparent attempt to avoid paying Illinois sales taxes if they sell the metal.

The Texans refuse to discuss their plans, saying any comments from them could be viewed as an attempt to influence the market.

The Hunts had been expected to sell some or all of their silver to pay back a \$1.1 million bank loan they took out to pay off their losses from the collapse of silver prices, but apparently have not yet done so. Reps. Henry S. Reuss (D-Wis.) and Benjamin S. Rosenthal (D-N.Y.) this week urged Federal Reserve Board Chairman Paul Volcker to force the Hunts to sell their silver and repay the loan.

If the Hunts sell their silver at the same time the government is emptying its stockpiles, the combined dumping could force down the price of the metal, which is selling for about \$13 an ounce.

FEMA executive Krueger said the government sales could be managed to avoid depressing prices. The last time the government sold silver, he pointed out, the price at the end of the sales was only 10 cents an ounce less than when the sales began.