



# Investments: Gold Versus Silver

## What Are the Differences Between Investing in Gold Versus Silver?

By: Joe the Investor

There is an expression that silver is the “poor man’s gold”. This implies that gold is the preferred precious metal, and silver would be bought second. While there are people who subscribe to this idea, investing in gold versus silver does have some differences.

In terms of the similarity between the two metals, both of them are considered currency. The mints of many countries issue gold and silver collector coins. Historically, money that was circulating used to be made of silver until the cost became prohibitive and cheaper metals were used instead.(1)(2)(5) Gold was the standard by which all paper currencies were based, meaning that gold was the ultimate currency.(3)(6) Gold is still being used today for trade between countries, and talk of gold backed currencies and central banks buying gold to securitize their paper currency means that gold is still underlying today’s paper money.(4)(5) Gold and silver are the metals that are most in demand for jewelry, which is another commonality between them. In some countries, jewelry is being used as a store of wealth, which means it doubles as a currency.(6) (7) Gold and Silver also are very useful industrial metals for purposes of electricity, heat conductivity, malleability and industrial uses.(8)(12) Gold and silver are in fact the most useful industrial metals, but due to low supply and high cost, these metals are only used in high quality applications. Once the product is mass produced, cheaper metals are substituted for them to bring costs down if possible. There are also the speculators in gold and silver, which can be found in the futures markets, hedge funds and high net worth portfolios. So far, this covers a lot of common ground, but there are differences.

Gold tends to be mined and it tends to exist in some form, because it does not get destroyed over time. This makes the supply of the metal fairly stable. Silver is used for many industrial uses, and much of the silver that is mined may not be recycled. Since gold is the standard by which paper money is based, many of the players that play gold may be different than for silver. A large player in the gold market right now is the central banks. They may also be buying silver, but not nearly as much.(9) For this reason, the effects of quantitative easing and money printing differ for gold and silver. Gold is affected first because it is a currency that can act as a substitute for paper. Silver can do this as well – but the scale would not be as large – so silver correlates with gold, but not perfectly. The other factor at play is that gold can represent large quantities of goods more easily than silver can. One ounce of gold is worth about 50 times more than an ounce of silver at the time of writing.

It has been said that silver is half an industrial metal and half currency. This means that silver will react to positive GDP numbers and large economic growth, where gold may act inversely to

GDP depending on how it is perceived. Gold prospers in the ultimate fear, currency meltdown, chaos involving government and inflation scenarios. Silver can act this way as well – but only if it hits the common person and if there is no hope left for the currency in the view of the masses. Since silver is used in so many industrial applications, there can be a shortage of silver supply, which can lead to price spikes without crises. Silver is manipulated more often by banks (think HSBC and JP Morgan) (9)(10)(11) due to its thin volume. It should be noted that this manipulation is done via paper derivatives, not cornering physical supply. Should the paper market go askew and the physical market trades without any link to paper, these market dynamics would change from paper demand weighing on prices in favour of industrial supply and demand and the common person looking for a currency alternative.

How do I Play These Differences?

If you are playing precious metals as currencies and stores of wealth, they can both be played together. If you are looking for a currency to be used in everyday transactions such as barter, silver would be the metal to invest in. If metals are being bought for industrial uses, economic activity should be closely monitored in the case of silver. If the thrust behind buying metal is to backstop currencies, or hedge against macroeconomic issues, both metals can be used, but gold would have preference due to its ease of storage and preferred status as a currency.

Contact me, Joe Barbieri by email at [joetheinvestor.today@gmail.com](mailto:joetheinvestor.today@gmail.com), or by telephone at 647-286-8020 for an independent consultation on what these options are. **Note: This site is intended for people who want to learn about the world of investments and how to research for themselves. If you would like to buy or sell investment products, or specific advice on investment products, tax or legal issues, please consult your investment advisor, accountant or legal counsel.**

Sources:

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