



Hugo Salinas-Price: What Every Politician Needs to Know About Silver

By Ron Hera

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The [Hera Research Newsletter \(HRN\)](#) is proud to present a vitally important interview with Hugo Salinas-Price, Founder, Director and Honorary President of [Grupo Elektra, S.A.B. de C.V.](#), which is now run by his son, Ricardo Salinas-Pliego. Grupo Elektra is a part of [Grupo Salinas](#), which owns businesses in the television industry, the telecommunications sector, banking and financial services, and other industries. Grupo Salinas companies include TV Azteca, Azteca América, Grupo Elektra, Banco Azteca, Afore Azteca, Seguros Azteca, Iusacell, Azteca Internet, GS

Motors and Italika y la Asociación del Empresario Azteca. Each of the Grupo Salinas companies operates independently, with its own management and board of directors.

Born in 1932, Mr. Salinas-Price became a follower of Austrian economics at a young age and is the author of three books and of numerous articles, both in Spanish and in English, on the use of silver as legal tender in parallel with paper money.

Mr. Salinas-Price serves as President of the [Asociación Cívica Mexicana Pro Plata A.C.](#) (Mexican Civic Association for Silver), which promotes the use of silver as legal tender in México. Mr. Salinas-Price is an outspoken proponent of sound financial and monetary policies in the country of México.

Hera Research Newsletter (HRN): Thank you for joining us today. Would you tell our readers about your efforts to make silver coins legal tender in México?

Hugo Salinas-Price: México is the first and only country where we have a Congress that is conscious of an alternative to paper money and that is favorable to it. México is the only country where this type of reform is being contemplated at the national level. The rest of the world is stagnating completely in the morass of un-backed paper money without considering any alternative.

HRN: Why do you think that's the case?

Hugo Salinas-Price: We had, not too long ago, the experience of severe inflation in México. I used to graph the inflation but to keep that graph on the same scale I'd have to have a roll of paper hundreds of yards high. That's what's facing the United States right now. The U.S. is doing the same thing that México did, even worse.

HRN: Can you comment on the Utah Legal Tender Act?

Hugo Salinas-Price: The Utah Legal Tender Act was heralded with optimism and any effort to recognize gold and silver as money is praiseworthy, but it falls short because simply making gold and silver coins legal tender gives them no stable value that will be recognized by everybody.

HRN: Do you mean the value of the coins fluctuates, like a commodity, with metals prices?

Hugo Salinas-Price: Yes. In order for something to work on a large scale, it has to be very simple. In 1979 the President of México, José López Portillo y Pacheco, had a one ounce silver coin declared legal tender and asked the central bank to assign it a monetary value. The trouble was that the value was not stable. One day the value was X then, the next day, it was X minus a few pesos and the day after that it was X plus a couple of pesos. This created a great deal of confusion and the law was allowed to lapse. The mistake was that the monetary value wasn't stable.

HRN: And that's an issue for the Utah Legal Tender Act?

Hugo Salinas-Price: Yes. It's almost as if gold and silver were not monetized.

HRN: So, people who buy gold or silver coins are merely speculating on metals prices?

Hugo Salinas-Price: In México the majority of people are poor and cannot afford to speculate. If they buy a coin for 500 pesos and it goes down to 480 pesos and they've lost 20 pesos, that's a lot to them. That is why there is relatively little silver in the savings of the Mexican people. People are afraid of speculating. They can't afford to speculate.



The [Asociación Cívica Mexicana Pro Plata](#), based in México City, is actively lobbying the Mexican Congress to institute a new, one ounce silver "Libertad" coin with *no engraved monetary value* as legal tender in México. Making silver legal tender will provide a stable store of value for Mexican citizens to save money so that savings cannot be destroyed by inflation.

To prevent savers from becoming speculators on metals prices, the monetary value, in Mexican pesos, of the new silver Libertad coin will be set by the Banco de México slightly higher than the commodity price of silver. The monetary value of the new silver Libertad coin can be raised by the Banco de México if the price of silver rises, *but must remain fixed if the price of silver falls.*

HRN: Precious metals prices seem to be extremely volatile.

Hugo Salinas-Price: Of course, volatility is constantly reported. They never talk about the fact that silver has gone up seven times in the last twelve years because of inflation. Volatility in gold and silver is artificially induced precisely to scare off savers. It's really very cruel, but that's central banking for you.

HRN: Are you saying that central banks actively discourage people from exiting fiat currencies?

Hugo Salinas-Price: Of course.

HRN: Can monetizing silver work?

Hugo Salinas-Price: Unless the value of a legal tender coin is stable it cannot be used as money. It has to be given a firm value. What we are proposing is that the quote from the central bank be a stable quote. The value of the new one ounce silver Libertad coin will remain fixed unless the price of silver rises to a point where the value should be increased. The Utah Legal Tender Act does not address this. It has to be done at the federal level, not at the state level.

HRN: But what will happen if the price of silver falls?

Hugo Salinas-Price: Nothing will happen. If the silver coin is valued at 500 pesos and the price of silver falls, it's still worth 500 pesos.

HRN: Won't that encourage speculation?

Hugo Salinas-Price: A speculator might sell his silver coins if the price of silver falls and perhaps invest in silver bullion, but speculators are a small number of people. The majority of people would keep the coins because they are better than a 500 peso paper note.

HRN: So, people would hoard silver coins?

Hugo Salinas-Price: That's right. They would have savings. That's the important thing. We need people to get off the drug habit of constant spending. People have to save again.

HRN: You want to encourage saving?

Hugo Salinas-Price: Absolutely. What we want is to create a refuge where those who can save—the middle class—can do so in a medium that will retain its purchasing power. There is no safe harbor for the middle class today. The middle class is being financially raped and decimated.

HRN: Do you believe the same thing is happening in the U.S.?

Hugo Salinas-Price: Yes. The U.S. needs a law like this too.

HRN: Is saving the foundation of small businesses, jobs and of the middle class?

Hugo Salinas-Price: Of course. The withering away of the middle class is a terrible situation for the economy.

HRN: What is the current status of the Mexican legal tender legislation?

Hugo Salinas-Price: In México we have a Congress that is quite well aware of the importance of this legislation and it has broad support both in the Senate and in the Chamber of Deputies, which is like the House of Representatives in the U.S. The idea is well understood and approved, but there is a problem.

HRN: What is the obstacle?

Hugo Salinas-Price: Under our party system, members of Congress rely on the guidance of the party leaders. If they fall into disfavor with their party leader, they will be denied the benefits that the party leader is authorized by law to distribute. The three most important party leaders are under great pressure from the central bank, Banco de México, to prevent party members from voting in favor of this measure.



Excerpt from the bill awaiting a vote in the Mexican Congress:

“In order to palliate the financial crisis and the economic recession, central banks and governments have reacted by injecting more liquidity and credit; these actions have intensified the causes that provoked the instability, further weakened the whole system, caused a world crisis of deficits and sovereign debt and further increased penury and scarcity in the majority of the population.”

These “rescues” and emergency repairs have succeeded in prolonging for some additional months the life of the financial system, but they will cause its collapse to be much more dramatic and painful. The International Monetary Fund has itself warned that “the risk of a double recession has increased” (IMF Report, June 1, 2010).

For families, the inflationary rise in prices, the evaporation of savings and the loss of purchasing power are causing a distressing situation of tightness and anxiety which are depressing and negative for interpersonal relations, as well as setting up a vicious circle of want and scarcity.

The ultimate origin of the financial and economic problems of today dates to August 1971 when real money – backed by precious metal – was substituted by fictitious money, which can be issued exorbitantly because it consists of nothing other than paper and computer digits.”

HRN: Banco de México is blocking the legislation?

Hugo Salinas-Price: If it wasn't for the central bank, this measure would have passed a long time ago. The party leaders are afraid to jeopardize their careers by becoming enemies of the central bank.

HRN: What do you think might change the situation?

Hugo Salinas-Price: The Congressional Finance Committee will hold a hearing this month, before the Congress goes into recess, to hear the objections of the central bank. It is possible they may decide that the objections are not materially important and they may approve the bill. In that case, the bill will be sent to the house for a vote. The party leaders will be able to vote for the bill if the Committee approves the law.

HRN: Do you think it will pass if the Finance Committee approves it?

Hugo Salinas-Price: We would be hesitant to submit the bill to a vote without assurances from the party leaders that they will give it a green light.

HRN: If México passes this law, do you think other countries in Latin America will follow México's example?

Hugo Salinas-Price: Yes. I think they would and they would do it soon after.

HRN: Thank you for being so generous with your time.

Hugo Salinas-Price: I hope what I've said will be of some use.

After Words



With the encouragement of Hugo Salinas-Price, the country of México may become the first country to provide its citizens with a guaranteed store of value. Enabling citizens to save hard money offsets the inflationary power of the central bank and protects the savings of ordinary people from financial system turmoil and profligate government policies. Savings represents capital formation and capital, in the hands of ordinary citizens, is the foundation of small businesses, jobs and of the middle class. Without savings, there can be no middle class. A strong middle class is a fundamental requirement for higher living standards and for a strong and vibrant economy. Without a middle class, the overall wealth of society is reduced, upward mobility evaporates and the economy becomes less resilient. While the United States seems to be heading in the direction of a 3rd world country, México may soon lead the way to a brighter future for the Mexican people and for Latin America.

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