

“Silver Stackers”—Boon or Bane for Medal Collectors

Bob H

The recent run-up in precious metals (gold increasing from about \$2000 to \$5000 and silver from about \$25 to \$75 per ounce) has brought new attention to the phenomenon of “stackers”. These are people who buy fabricated types of metals, including coins, bars, and coin-like stamped items, in the anticipation of profit when, as they expect, metal prices rise. Stackers generally target gold and silver, though there are a few products available in copper. This phenomenon is at least twenty years old, but seems to have been recently increasing. One can find these people buying at coin shows and from brick and mortar dealers, bidding at low-end coin auctions—Ebay, AuctionZip, What Not and iCollector are popular, and buying directly from specialized bullion dealers such as AMPEX and J M Bullion.

They are termed “stackers” rather than “collectors” mostly because that is the term they prefer. Many turn to metals because they believe that future inflation will greatly depreciate fiat currency and bank deposits relative to the safe haven of metals. And they have historically had their enthusiasm whipped up by near-continuous online forecasts of \$10,000 gold and \$200 silver. Some see their metal purchases as a means of systematic forced savings, buying a silver object weekly or monthly with the idea that they can easily liquidate all or part of their holdings if needed for a personal emergency or large non-silver purchase. Although they stack both gold and silver (and occasionally copper and platinum) most are forced by the high price of gold to be mainly “silver stackers”. Dozens, if not hundreds, of stackers can be found on YouTube, FaceBook and TikTok, showing off their piles of metal.

What should medal collectors think about the stacking phenomenon? Let me offer a personal view. One obvious concern for our community is how the recent increase of \$50 per ounce of silver might affect the price of silver medals. We should realize that this uptick is “melt value” and should have no

impact at all on a silver medal selling for, say, \$200 or more, as most do. There is just no way that anyone would buy a \$200 medal and sell it to a smelter, whether at \$25 per ounce or \$75. There would be much more impact on the production of new silver medals. Adding \$50 to the production cost of a medal intended to sell for, as not atypical, \$150 to \$250, is not a trivial thing.

The situation for gold is more complicated. I have read in a number of outlets that at a gold price of \$5000 per ounce or more, some lovely but common date pre-1933 US gold coins are being melted. And it is possible that this might extend to the gold medal market. We should take solace, I think, in the likelihood that the medals being melted are likely to be those of the lowest quality (or most common) so that their market price is at or below melt value. And for all gold medals, the rise in intrinsic metal price raises the overall minimum price for collectors, making gold medal collecting even more a sport for the affluent than it has been in the past.

Are the stackers a cause of high metal prices? I think that they probably have little impact. More than half of annual silver demand is for industrial uses. In the last couple of years we have seen an increase in demand for silver for solar panels, batteries and other electronics uses, a category that accounts for 50-60% of annual purchases. This demand increase has bumped up against a cumulative deficit in mine production going back several years. Most new silver is a by-product of mining other metals such as copper and zinc, and it is difficult for mines of all types to quickly ramp up production when price rises. Stacker demand is tiny compared to the overall market. And in fact we have seen many silver stackers rush to sell when the price rose above \$100 per ounce, in some cases overwhelming wholesalers and refiners to the extent that some were unwilling to buy any fabricated silver, whether coins or bars. For gold, the recent price rise seems to stem from demands by several governments to convert dollars into gold holdings, again bumping against inelastic supply response.

There is also a great deal of speculative demand for both gold and silver, manifested not in stacking but in purchase of forward contracts and exchange

traded funds (ETF) that hold physical silver or gold in vaults and sell shares on security markets. In fact, if an individual thinks that the price of gold or silver will rise, it makes much more financial sense to buy an ETF, with an annual storage charge of 0.5 percent and essentially zero to buy and sell. A stacker must contend with a bid/ask spread of close to 10 percent in ordinary times and perhaps 20 percent when markets are volatile. So stacking, supposedly motivated by greed, turns out to be a very inefficient way to express it.

Let me posit an alternative explanation for stacking. If one looks at the human behavior of “collecting,” a human malady that affects (according to some likely inexact surveys) perhaps a third of the population, one finds it associated with a series of motives. These are: learning, shopping (the act of buying and selling), investing, classifying, admiring and display to others. If I look at medal collectors, myself included, I believe that I see an emphasis on learning, shopping and classifying (e.g. finding and filling gaps), with a lesser role, obviously depending on the individual, on investing, admiring and display.

In the past couple of months, I have looked at dozens of YouTube and other videos (there are hundreds) by precious metal stackers. I think that I see admiring, investing, shopping and display, in roughly that order. Why doesn't investing dominate an activity supposedly motivated entirely by greed? Simply because buying a metal ETF or a share in a mine is so much more economically efficient as an investment than buying a piece of fabricated metal. But stackers, I believe, want to touch their pieces of metal. Moreover, they are willing to pay a premium, often a non-trivial one, for fabricated gold or silver in forms they find attractive. These can be products of a national mint—Walking Liberty dollars from the US Mint, Britannias from the UK Royal Mint, Libertads from the Mexican Mint. These are beautiful coins, often offered in specially struck editions (proofs) at as much as double the metal value. There are also many privately issued gold notes, often called “Goldbacks” that contain as little as a gram of gold, but have intricate, many would say beautiful, designs. They typically sell at five or more times the underlying value of the gold content.

Stackers seem to want to admire the designs of their hoards and show them off to others. There is even some rarity value, with substantial premiums awarded to items like low mintage dates of the Libertad and even for “vintage” 20-ounce bars from recognized mints. Government mint products often offer a substantial dose of history, as illustrated by the practice of the US Mint of offering new editions, in new metals, of old coins considered beautiful (e.g. a gold Buffalo nickel). Similarly, one finds products commemorating the coronation or anniversary dates of British monarchs or Mexican products with the Aztec calendar. We can be sure that the 250th anniversary of the founding of the US will find the government mint, and likely many private mints, issuing special commemorative strikes.

If we want to turn “stacking” into the language of our own hobby, we might say that a substantial amount of stacking is actually collecting “so-called dollars” made of silver and in BU or Proof condition.

I’ve argued that stacking does little to hurt us medal collectors, besides a small hit to the manufacture of new medal strikes. On the other hand, I see great opportunity for the numismatic hobby and (perhaps surprisingly) especially to our little corner of it. Stackers seem to share many of the same collecting motives that impel our own behavior. It is interesting that stackers also share something important with us—neither they nor we care about whether or not a metallic object is legal tender, the province of coin collectors. The big difference, I think, is the educational drive. We tend to hew strongly to the old adage, “Buy the book before you buy the object.” We look for beauty, but we also want historical context. Many stackers are literal innocents in this aspect of collecting.

I am reminded a bit of how we treat the Young Numismatists in my local coin club. They frequently do a “show and tell” for the adults of their new acquisitions. We listen with interest and admiration to a 12-year-old who proudly displays a proof edition of a common Washington quarter. Our attitude is “We know you are the future of the hobby. We admire your enthusiasm and are certain that sophistication will come with time and

exposure to more material.” We excuse their lack of knowledge because we know that this aspect of the hobby will come in time.

Is it possible that stackers, rather than being ignorant consumers of trash products, are actually part of our best hope for a new influx of medal collectors? From my own observation, and while there are many exceptions, stackers tend to be from the young adult (20-40) demographic. I also note that while many of our own purchases lean heavily to beauty, craftsmanship and historical associations, few of us turn up our noses at things like cheap souvenirs of Worlds Fairs and expositions or topical material like school medals or business tokens. We cannot change stackers desire to acquire precious metals as an investment or an inflation hedge. But we might, I think, take advantage of their interest in the beauty of metal objects to supplement their collecting with the kind of medals that intrigue us.

In closing, let me mention a YouTube presentation I saw last night. It was a man of about 30 bragging over a heap of Mexican silver objects he had accumulated—well over 100 ounces of silver. It happens that I devoted much of my professional life to studying the economics and politics of Mexico. This fellow, for all his braggadocio, impressed me in two ways. First, some of his material, such as the Libertad silver coins and the 1970s onzas (silver one ounce strikes) were truly beautiful productions of the Casa de Moneda, the government mint of Mexico, which is the oldest mint in the Western hemisphere. Second, he had picked up a knowledge of the history of Mexico and its coinage that was probably equaled by no more than a dozen people at my large and elite university.

Might something be going on here that we might use to perpetuate and advance the hobby that has given us so much delight?