

The History of Gold in America

The United States of America has a complicated, often turbulent history with gold. For thousands of years, North America has produced a prolific amount of ore, jewelry, coins, and bullion. From Mesoamericans to colonial Europeans, to the modern American economy, gold has always been a profound part of the American story.

Hundreds of ships crossed the Atlantic, entire civilizations were conquered, and hundreds of thousands relocated westward in the name of gold. Precious metals were also instrumental of the formation of the American economy, and has always been the defining factor of value in currency.

America's early years saw the rise and fall of new currencies, rampant inflation, depreciation, distrust of centralized banks, uproar over absurd taxes, and the complicated finances of war abroad and at home. You may find that these historical sentiments and concerns ring true in America's current situation.

The 20th century was a time of incredible consequence in America. The spirit of innovation and industry of the late 1800's propelled the Americans into a chaotic, yet prosperous new century. The American people saw two World Wars, a devastating market crash, the rise and fall of fascist and communist governments, while transforming into the richest country in the history of the world. Gold's influence is written into the mercurial 20th century and beyond.

Though only decades old, the 21st century has been a time of economic and international insecurity, as national debt and deficits swell to unprecedented heights, and countries around the world descend into economic despair. All the while, gold has maintained its value despite market devastation, trillions in government spending, and a precarious international theater.

Today, United States is a prolific producer of gold, with an estimated 245 metric tons of gold produced in 2017, about 7% of world production. America is currently the fourth leading producer of gold worldwide, after China, Australia, and Russia. Of the estimated 171,300 tonnes of gold mined throughout history, the United States government holds 8,133.5 tonnes today in reserves.

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THE HISTORY OF GOLD

IN AMERICA

Gold has been a fundamental part of American history, from the ancient civilizations of the Aztecs to the turbulent formation of US economy as we know it. Gold was a cause to send ships across the world, the folly of entire civilizations, the financial backing of countless wars, a promise that sent thousands westward, and a real asset in an increasingly abstract economy.

This is the history of gold in America.

Before the American Revolution

600BC-1492

PRE-COLUMBIAN GOLD

Gold was smelted and produced throughout South and Central America, but little to no gold was produced north of the Rio Grande. Mesoamerican peoples, such as the Aztecs, Muiscas, and Mixtec, were adorned with jewelry long before European influence.

1492



COLUMBUS AND THE NEW WORLD

Christopher Columbus arrived in the Bahamas, only to discover gold jewelry on the natives. Columbus enslaved the Taino in the interest of mining their gold. Spanish colonization of America had begun.

1607



JAMESTOWN AND THE ENGLISH COLONIES

Jamestown in Virginia was founded by the London Virginia Company, an English joint stock company seeking gold in the New World. After extreme hardship, and finding very little gold, Jamestown pivoted to tobacco as a cash crop.

1690

FIRST PAPER MONEY

The Province of Massachusetts Bay made the first official paper money issued by a government in the Western World. The paper bills issued by the colonies could not be exchanged for a fixed amount of gold or silver. Colonists often paid their debts to England with money that had lost value.

1774



TAX INCREASE FROM BRITISH PARLIAMENT

British Parliament enacted several taxes on goods enjoyed by the English colonists. Stamps, sugar, tea, and dozens of other colonial imports saw increased taxes, without input from the colonies. This taxation without representation contributed to unrest, and ultimately the American Revolution.

A New Nation

1775



AMERICAN REVOLUTION AND CONTINENTAL CURRENCY

After the onset of the American Revolutionary War in 1775, the Continental Congress issued paper money, known as Continental currency. This currency depreciated at an absurd rate during the war, due to a lack of coordination between states, and economic warfare from the British, who pumped counterfeit Continental currency into the economy.

1782

THE BANK OF NORTH AMERICA

Robert Morris, the Superintendent of Finance of the United States, formed the United States' first chartered financial institution. The Bank of North America was partially funded by gold and silver coins loaned from France. The Bank issued notes convertible into specie.

1783



FIRST MINT OF THE USA: NOVA CONSTELLATIO COINS

Nova Constellatio was the first official specie produced by the United States of America. This would lay the foundation for the US dollar, and the system of decimal accounting, which has been widely adopted as a standard ever since.

1787

CONTRACT CLAUSE OF THE CONSTITUTION

Article I, section 10, clause 1 of the Constitution prohibited a state from passing any law that impairs the obligation of contracts, or made anything but specie (gold and silver coin) a tender in debt payment.

1803

THE LOUISIANA PURCHASE

President Thomas Jefferson purchased the Louisiana territory (828,000 sq miles) from France for \$3 million in gold. Napoleon used the money to finance his planned invasion of England, which never took place. The states included in the purchase would produce hundreds of millions of dollars worth of gold by 2016.

Economic Panic & The California Gold Rush

1819



THE PANIC OF 1819

After the War of 1812, economic uncertainty (in USA and Europe) led to a decline in prices throughout the Western world, due to a scarcity of metallic sources of currency (gold and silver). Anti-bank sentiment would grow in the following years.

1832

ANDREW JACKSON AND THE BANK WAR

Anti-Bank Jacksonian Democrats opposed the Second Bank of the United States, and advocated decentralized banks in various states. As a result, the Second Bank of the United States lapsed.

1837

PANIC OF 1837 AND THE SPECIE CIRCULAR

An economic panic in 1837 led to the Specie Circular, which said western lands could only be purchased by currency backed by gold and silver. The Deposit and Distribution Act transferred federal currency from eastern to western state banks, which led to a speculation frenzy. Banks became insolvent, the national debt skyrocketed, cotton prices dropped, and the US entered an economic depression.

1846

INDEPENDENT TREASURY

When the charter of the Second Bank of the United States expired, Federal revenues were managed by the Independent Treasury, which took over much of the central bank's functions. Many Americans lost faith in the bank, and would redeem their bank notes in huge numbers. As the banks' gold reserves were exceeded, many banks failed during this time.

1848



CALIFORNIA GOLD RUSH

James W. Marshall discovered gold at Sutter's Mill in Coloma, California, which enticed some 300,000 people to rush to California from other states and overseas. California produced around 12 million ounces of gold in the first years of the gold rush. As a result, the American economy experienced a boom, and the enthusiasm for gold went global.

1857

THE PANIC OF 1857

A trade deficit caused the United States to drain gold out of the country. With tariff revenues, the U.S. Treasury held a considerable amount of gold, which kept it out of circulation. In September of 1857, the SS Central America sank with \$1.5 million in Californian gold in its cargo. Secretary of the Treasury Howell Cobb aided New York mercantile interests with a buyback of a portion of the national debt. On September 25, the Bank of Pennsylvania suspended specie payment, starting a nationwide bank run.

The Civil War

1861



THE SOUTH SECEDES AND CONFEDERATE COINAGE

After seceding from the Union, the Confederacy invaded U.S. Mint facilities in New Orleans, Georgia, and North Carolina. The Confederate Treasury found that the cost of minting coins outweighed the benefits, and the Confederacy relied largely on "Greybacks," paper money that would depreciate abysmally as the war progressed.

1862

THE LEGAL TENDER ACT

The Legal Tender act authorized paper money to finance the Civil War without raising taxes. Paper money depreciated in gold value, and debts accrued before the war could be paid in cheaper currency.

1873

THE COINAGE ACT OF 1873 AND THE LONG DEPRESSION

The Coinage Act of 1873 ended the bimetallic standard in America, and would be forced into a pure gold standard. Silver prices plummeted, and deflation caused economic panic. The resulting Panic of 1873 would cause ongoing international economic uncertainty.

The Gold Standard Act

1900

MCKINLEY & THE GOLD STANDARD ACT

President McKinley signed the Gold Standard Act, which officially made gold the basis for redeeming paper money. Bimetallism, which had been on the decline, was eliminated, and set the dollar value of gold to \$20.67 per Troy ounce.

1914



WORLD WAR I & REDUCED DEMAND FOR GOLD

During World War I, European belligerents departed from gold, which reduced the global demand. The result was international inflation, and a plateau of gold prices after the war, and through much of the 1920s.

1929



THE MARKET CRASH OF 1929

An era of rampant market speculation led to the stock market crash of 1929, which started a worldwide run on US gold deposits. The Federal Reserve raised the interest rates, while thousands of banks and other lenders failed.

1930

THE GREAT DEPRESSION

The greatest economic depression in American history resulted from the massive crash, and GDP would fall by 15%, while unemployment rose to 25%. Faith in the US economy fell to an all-time low, and interest in gold as wealth insurance increased. In an attempt to stimulate struggling markets, every major currency abandoned the gold standard over the course of the Great Depression.

The New Deal

1934

THE GOLD RESERVE ACT

President Roosevelt made private ownership of gold coins, bullion, and certificates illegal, allowing him to raise the price of gold to \$35 an ounce. The value of the dollar fell, which created a "healthy inflation".

1937

GOVERNMENT SPENDING DECLINES

To reduce the deficit, President Roosevelt cuts government spending, which re-sparked the depression. By this time, the government's stockpile of gold had tripled to \$12 billion.

1939

GREAT DEPRESSION ENDS

In preparation for World War II, President Roosevelt ramped up defense spending. The economy grew, while the Dust Bowl ended. Renewed faith in the American economy, and a massive war effort pulled the U.S. out of the Great Depression.

1944

US DOLLAR BECOMES OFFICIAL GLOBAL CURRENCY

In the latter part of World War II, the major global powers negotiated the Bretton Woods Agreement, which made the US dollar the global currency. America defended its high gold standard at \$35 an ounce.

The End of The Gold Standard

1971

NIXON AND THE GOLD STANDARD

To combat recession and creeping inflation, President Nixon instructed the Fed to stop honoring the dollar's value in gold, which effectively divorced the gold standard from the US dollar.

1974

THE END OF GOLD PROHIBITION

President Gerald Ford legalized gold ownership, and gold clauses in contracts. Now divorced from the dollar, gold skyrocketed to \$120 per ounce on the open market.

1979

GEOPOLITICAL UNCERTAINTY AND INFLATION WARS

The Soviet invasion of Afghanistan and the Iran Hostage crisis launched gold prices to \$850 an ounce in January 1980, and dropped to \$474 an ounce two months later. The Federal Government put a stop to inflation with higher interest rates, but caused a recession.

Booms, Busts, and Recession

1996

DOT-COM BOOM & ECONOMIC GROWTH

While the American economy steadily grew with the advent of Internet-based commerce, Gold prices dropped to \$288 an ounce.

2001

DOT-COM BUST & 9/11

The stock market plummeted as the "Dot-Com" bubble burst. Shorter after, the September 11th attacks from Islamic terrorist group al-Qaeda sent the economy into a severe recession. The government would go trillions in debt in the following years. As national debt increased, gold prices soared.

2010

HOUSING MARKET CRASH AND THE GREAT RECESSION

A complicated array of economic factors contributed to a massive housing bubble, which led to the 2007 Subprime Mortgage Crisis. As the stock market plummeted and national debt hit unprecedented heights, gold prices hit all-time highs. National debt and the federal deficit have seen massive growth ever since.

GOLD AS WEALTH INSURANCE

In an increasingly abstract world of money and mounting debt, more investors are looking to gold and other precious metals as a recession-proof solutions. Gold has become a tried and true asset to any portfolio, to offset the unpredictable stock market. Those with the foresight to invest in gold have seen massive long-term growth, even as the fiat markets fluctuate.

For more information on investing in gold, contact us today to discuss your options.

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