



Written by [Raven Clabough](#) on May 23, 2011

Utah Legalizes Gold and Silver Currency

In order to provide its residents some much-needed security as the U.S. dollar continues to decline, the state of Utah has become the first to legalize gold and silver coins as currency. Sponsored by Republican state Rep. Brad Galvez, the same law exempts the sale of the coins from state capital gains taxes.



The Associated Press [explains](#), “Galvez says Americans are losing faith in the dollar. If you’re mad about government debt, ditch the cash. Spend your gold and silver, he says. His idea isn’t to return to the gold standard, when the dollar was backed by gold instead of government goodwill. Instead, he just wanted to create options for consumers.”

A number of countries including the United States moved away from gold-backed currency during World War II because of the necessity to print more money to fund the war. A second blow to American gold-backed currency came during the Great Depression, when President Franklin D. Roosevelt prohibited the exchange of gold and silver as legal currency. The final nail in the coffin of gold-backed currency came in 1971, when President Richard Nixon abandoned the gold standard altogether.

Galvez asserts, “We’re too far down the road to go back to the gold standard. This will move us toward an alternative currency.”

Likewise, lawmakers in Utah are pursuing efforts that would remove tax burdens that ultimately discourage the use of coins, most notably, the federal capital gains tax.

“Making gold and silver coins legal tender sends a strong signal to Congress and the Federal Reserve that their monetary policy is failing,” said Ralph Danka, project director for economics at the Washington, D.C.-based American Principles in Action, an organization that helped draft Utah’s new law. “The dollar should be backed by gold and silver, so we have hard money.”

Utah resident Craig Franco stands to benefit from the new legislation, as he owns the Utah Gold and Silver Depository. His business, which will open on June 1, stores the gold and silver coins in a vault and issues a debit-like credit card for the coin owners to use on an everyday basis to make purchases. The debit card is backed by the holdings. Franco’s business is reportedly the first of its kind in the country.

Franco hopes that his business will encourage similar endeavors to be pursued, and that Utah residents will come to trust the depository: “Because we’re dealing with something so forward thinking, I expect a wait-and-see attitude. Once the depository is executed and transactions can occur, then I think people will move into the marketplace.”

The Associated Press reports:



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At the moment, Franco's idea would generally be the only practical use of the law in Utah, given the legislation doesn't require merchants to accept the coins, either at face value — \$50 for a 1-ounce gold coin — or market value, currently almost \$1,500 per ounce. And no one expects people will be walking around town with pockets full of gold and silver.

Other states are already inching towards similar legislation. Republican lawmakers in Minnesota have introduced a bill to set up a special exploratory committee to gauge the option. North Carolina, Idaho, and a number of other states have drafted similar bills.

According to Matt Zeman, market strategist for Kingsview Financial, Americans are likely to increasingly invest in gold as the debt continues to grow and instability in other countries decreases the value of government-backed money.

"You've seen gold replacing these currencies as safety instruments," Zeman explains. "If I don't feel good about the dollar or other currencies, I'm putting my money in precious metals."

In the 1990s, the U.S. Mint began to produce gold and silver American Eagle coins, mostly for the purpose of investment portfolios so that people could trade them at market value. The profits were taxed, however.

Utah's law seeks to allow the coins to be used as currency without fear of taxation.

Critics of the law contend that it could lead to increased inflation as states across the nation pursue similar laws and could potentially destabilize international markets as it removes government's role in the regulation of currency prices.

Carlos Sanchez, director of Commodities Management for The CPM Group in New York, claims, "We'd be going backward in financial development. What backs currency is confidence in a government's ability to pay debt, its government system and its economy."

Utah attorney Larry Hilton, who helped draft the law, disagrees. He contends that the law will help to restore faith in American currency.

"We view this as a dollar-friendly measure," Hilton declares. "It will strengthen the dollar by refocusing policy matters in Washington on what led to the phrase, 'the dollar is as good as gold.'"



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