

The Hunt Brothers Silver Episode, an Austrian Reinterpretation

By Joseph Solis-Mullen

ABSTRACT: This essay by Joseph Solis-Mullen re-examines the episode in the late 1970s-early 1980s when the silver price surged and crashed. Most who pontificate about this chapter blame the excessive greed of the Hunt brothers, who attempted to corner the silver market. This paper challenges this narrative by reinterpreting this event through a lens of Austrian economics. Citing post-Bretton Woods monetary expansion, inflation, and shifting regulatory requirements, Solis-Mullen argues that investment in silver was rational behavior and the Hunt brothers' behavior was consistent with this thesis. This paper offers monetary instability and institutional intervention as more compelling analysis explaining this episode than simply private greed.

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Introduction

After seeing a steady increase in price over the course of the 1960s and 70s, the price of silver suddenly soared at the end of that decade into 1980. It then crashed abruptly at the beginning of that year. An interested contemporary wishing to know what had happened would have found a simple and ubiquitous narrative quick to hand in any paper of record they chose: greedy Texas billionaires had manipulated the market, stoked a speculative excess, and created a bubble so dangerous it threatened the entire U.S. financial system.¹ Indeed, the dominant narrative of events then and now is overwhelming moralizing and personalizing, making the episode not a question of economics but morality, not one of broader monetary or regulatory contexts, but of a man's, or pair of men's, selfish individual pursuits.²

This is wrong. And with silver once again dominating headlines, it is more important than ever that the deficiencies of popular understanding be corrected.³ That is the purpose of the present study: to reinterpret the specific events of the 1960s, 70s and 1980 through the lens of Austrian economics in order to show that the crisis was effectively a manufactured one, the product of inflation and intervention. The subject of this analysis, then, is not what happened – that has been amply and ably documented in the press, then and now, as well as in a handful of books and chapters that deal directly with the events that culminated in the final crash of silver in March 1980.⁴ Rather, it examines how monetary uncertainty and regulatory intervention caused the crisis. It will show that the Hunts' silver strategy was shaped by rational responses to inflation, and how the crisis itself was a product of exchange rule changes and regulatory uncertainty. It will also propose further avenues for research on this subject, which will confirm the thesis of this analysis.

Before illustrating this, it is necessary to situate the events of the latter half of 1979 and early 1980 in

their proper context. Since the Hunts' accumulation of silver took place over the course of the 1970s, amidst the backdrop of turbulent happenings in the global monetary system, this must form the starting point of any analysis.

Part I. The Death of Bretton Woods

On August 15, 1971, Nixon closed the gold window, thereby ending dollar convertibility.⁵ There had been little choice in the matter; Washington had been running a structural balance of payments deficit for years, and the welfare-warfare-state promised no end in sight. This rapidly eroding confidence in the post-war Bretton Woods system was manifest in the drain of gold from Washington in the years prior.⁶ Indeed, from their post-war high of approximately 20,000 metric tons, by the time of the "Nixon Shock," U.S. gold reserves had dwindled to around 8,000. Faced with chronic instability and the looming threat of redemption in the face of an obvious dollar glut, Nixon moved without warning, severing the last formal link between the international monetary system and a physical commodity.⁷ An attempt was made to reestablish fixed exchange rates under the new fiat regime, consisting of repeated revaluations as the dollar was continually devalued, but by 1973 the game was up: floating exchange rates among depreciating fiats was all that remained.⁸

Predictably, the money supply, accelerating in its expansion since the 1960's dual folly of Vietnam and welfare expansion, accelerated further. From 1971-1979, the Federal Reserve, first under Arthur Burns and then William Miller produced average year-on-year M2 expansion of over 10 percent, doubling the money stock over that time.⁹ In addition to this monetary inflation were added multiple supply side shocks. These put further upward pressure on prices. To this monetary inflation, multiple supply-side shocks were added that put further upward pressure on prices. From 1972-74, U.S. food prices

rose nearly 20 percent due to a combination of poor harvests (most especially in 1972 in the USSR), large export volumes (again, especially to the USSR in 1972), and adverse weather conditions in various regions, from Australia to India. This coincided with the first oil shock, 1973-74, which saw the price of a barrel of oil rise by roughly 300 percent (from around \$3/barrel to \$12).¹⁰ Unsurprisingly, then, the period 1971-79 saw average year-on-year CPI increases of approximately 7.6 percent.¹¹

In terms of Americans' pocketbooks and bank accounts, things were actually worse than these headline numbers suggest. This is because, at the same time Washington was destroying roughly 44 percent of the dollar's value, it was engaged in mass acts of financial repression, preventing savers from obtaining what would have been properly priced market rates of return. Under Regulation Q, banks and savings institutions were subject to ceilings on the interest they could pay depositors. During periods of high inflation, these caps left savers earning deeply negative real returns. The predictable result was a widespread search for alternatives. Money began to pour into new money-market instruments and jumbo CDs, real estate, collectibles, and commodities. Meanwhile, institutional investors increasingly sought higher returns through riskier ventures; this "reach for yield" manifested itself in several ways, most memorably and destructively in the form of the eventual Latin American debt crisis.¹² In short, the destructive fruits of Washington's fiscal and monetary profligacy were prompting Americans of all economic backgrounds to seek protection from the silent, or not so silent, tax of inflation. Seen against this backdrop, the Hunts beginning to accumulate silver with the express intent of protecting themselves from the erosion of their wealth by inflation made them not an aberration but entirely in line with the times.

Part II. The Hunt Brothers and the Accumulation of Silver

The Hunts began purposefully buying silver in the early 1970s.¹³ This fact alone is telling, since even Streeter, a decidedly hostile source as far

as the Hunts are concerned, admits, "The silver mania started sometime in the 1960s."¹⁴ Indeed, the price of silver doubled during the course of that decade.¹⁵ Properly contextualized, then, the Hunts' decision to begin buying silver was no different than the decisions of many other investors concerned about inflation and the stability of the international monetary system, and who viewed precious metals as a store of value capable of preserving wealth.¹⁶ Testifying before Congress, Herbert Hunt put it as clearly as one could: "My analysis of the recent economic history of the United States had led me to believe that the wisest investment is the one which is protected from inflation. In my opinion, natural resources meet this criterion, and to that end, in oil, gas, coal, and precious metals, including silver."¹⁷

Beginning gradually, the Hunts began accumulating first bullion and then silver contracts on the CBOT.¹⁸ While the precise scale of the Hunts' silver holdings remains the subject of debate, even the most conservative estimates place their position by late 1979 at well over 100 million ounces.¹⁹ Also subject to debate, indeed a principal point of controversy, is the claim that the Hunts' purchases were coordinated with a cabal of wealthy Sheiks and Oriental expatriates in an attempt to corner the market.²⁰ This, however, was never conclusively shown.²¹ Also controversial is whether the Hunts' holdings violated existing rules prior to the critical changes of October 1979 and early January 1980 (As the exchanges had not yet adopted specific position limits, these would have been violations of the existing anti-manipulation provisions of the Commodity Exchange Act). This, too, is unsubstantiated by a preponderance of the evidence.²² While neither of the above charges is the subject of the present analysis, they will be dealt with tangentially in the course of the detailed examination of the regulatory intervention that follows.

Setting such matters aside for a moment, and taking the Hunts' investment decisions at face value, it is clear that the Hunts' decision to buy silver as a hedge against the rampant inflation of the fiat regime was prudent – indeed, even setting aside the recent rise in prices beyond \$50/ounce, purchasing silver in 1971 at \$1.50/ounce and holding it would

have led to appreciation of somewhere in the area of 1,400 percent, while holding the same \$1.50 in paper would have seen a decline in value of approximately 82 percent.²³ What was not prudent, however, were the decisions to buy on margin and to hold positions in the futures market.²⁴ Both were fundamentally dangerous for the same reason: they made the Hunts susceptible to sudden changes in the rules of the game. This is precisely what happened.²⁵ By the dawn of 1979, the Hunts and the other large players in the silver market together controlled somewhere in the range of 70 percent of the silver stock, in bullion or in contracts. The price at the end of August had climbed over \$8/ounce and would double by the end of October. It was at this point that the rumblings of intervention began to be heard.

Part III: The Regulators Become Involved

We now come to the heart of the present analysis: the interplay of the response of the Fed, regulators, and decision-makers governing the exchanges. These ultimately put a stop to the rise in the price of silver. And, as it slowly fell thereafter, it triggered cascading margin calls and sell orders that reduced the price from a high of just over \$50 dollars at the end of January to just over \$10 by March. In Parts III and IV, a host of questions shall be raised: Why were position limits imposed in January, rather than earlier? How is it possible that position limits set in January could be applied in an ex post facto fashion to positions opened prior to the new rules being put in place? From where did the authority of exchanges to institute “sell only” order, the so-called “Silver Rule 7,” come? What conflicts of interest existed, and were the politics of the Hunts at issue? How did the specific structure of the Hunts’ investments in silver contribute to the rapid rise and fall in price?

That said, a few notes are necessary at the outset. First, that while all organizations change over time, it is particularly important to appreciate the changes that have taken place with regard to the Commodity Futures Trading Commission (CFTC). It was barely ten years old at the time of the Hunt Silver episode, and its lack of clarity over its own authority

and conflicts over its mission among its members introduced a high level of uncertainty to the situation that is frankly shocking to contemporary observers. Second, for all that the specific authority of the CFTC or Federal Reserve, vis a vis private financial actors, might have evolved in the four decades since Silver Thursday, the fundamental power dynamics of their relationship remain: what appear to the ears of the laity as mere “observations” or “complaints,” by the Fed Chair or key regulator, are recognized by those initiated into the arcana of their discourse as more akin to warnings if not outright directions. Third, the players involved in commodity market futures at that time almost solely consisted of active participants in the physical commodity in question, hedging against falls in the price of their stores or else locking in a guaranteed price for delivery, and that by taking delivery the Hunts were seen by other participants as violating the purpose of the market if not sacrosanct, albeit unwritten, rules. Fourth, the exchanges were operated by those with definite stakes in them. Fifth, with regard to statements of intent by interested actors involved in certain decisions, their statements will be presented as given, with any relevant information that throws doubt on the face value of their statements outlined in a footnote. Finally, while what follows draws from all available literature, there necessarily exist gaps where we must either make qualified speculations or remain entirely silent.

The Commodity Futures Trading Commission

We begin, then, with the Commodity Futures Trading Commission (CFTC). The CFTC had been established through the Commodity Futures Trading Commission Act of 1974. Prior to its creation, federal oversight of commodity markets had been comparatively limited and dispersed. The new agency was intended to provide comprehensive supervision of futures markets, prevent manipulation, and maintain public confidence in organized exchanges.²⁶ The futures markets were thus a hybrid arrangement in which private exchanges continued to exercise substantial self-regulatory authority while operating under federal supervision. Critically, although it had virtually unlimited power to intervene should

any “person manipulate or attempt to manipulate the price of any commodity,” thus allegedly “preventing the market accurately reflecting supply and demand,” the Act omits any definition of what might constitute “manipulation,” such as a corner or squeeze.²⁷ Lastly, at the time of the Hunt episode the Commission was controlled, like much of bureaucratic Washington, by Democrats: James Stone (a technocrat who had been a state insurance commissioner for Michael Dukakis), David Gartner (a long-time staffer of Hubert Humphrey), Robert Martin (Read Dunn (a reporter for the Democrat-Times and spokesman for the Commodity Credit Corporation), and Robert Martin (a founding member of the commission).²⁸ These were, in short, men unlikely to be favorably inclined to the Hunts.²⁹ Off the agenda for a couple of years, since their brush over soybean futures in 1977, beginning in July of 1979 the brothers became an increasingly prominent topic of conversation, and eventually concern.³⁰

The Commodity Exchanges

The exchanges were also places where the Hunts were unlikely to find allies. They were outsiders, from Texas rather than the East Coast; they were new money, rather than old; they violated the unwritten rules of the exchanges, taking delivery rather than settling the difference in cash at expiry; and perhaps most obnoxious of all, they were avowed silver bulls at a time when the silver futures markets were the almost exclusive domain of those whose business was highly sensitive to price swings in the commodities in question, and who used the contracts to hedge price movements rather than profit from their movement one way or the other. Two other peculiarities need noting, as well. First, that the exchanges were also run by those with direct stakes in them, their boards consisting largely of major exchange members; and second, that the exchanges depended for revenue on their trading volume. With regard to the latter, it is therefore easy to see why the exchanges were hesitant to crack down on the increasingly high volumes of trade in silver in the latter half of the 1970s: it was a boon to revenue.³¹ With regard to the former, it is easy to see why once prices began to move upward

exponentially, rather than as hitherto gradually on an upward slope, major stakeholders of the exchanges, either powerful in their own right or in key decision-making positions, began to grow uncomfortable. Their typical hedging positions were becoming extremely expensive.³² By late summer of 1979, then, at the same time the commissioners of the CFTC were becoming concerned, consternation on the exchanges was growing as well.³³

The Federal Reserve

For his part, newly minted Fed Chair Paul Volcker was also less than pleased by what he saw unfolding in the commodity markets. Nominated in 1980 and determined to crush inflation by hiking interest rates and contracting the money supply,³⁴ he spoke openly multiple times about his desire to see lenders not making loans to fund additional speculative purchases.³⁵ While he and the rest of the Fed did not directly intervene, then, their policy of credit restriction and higher interest rates did help stoke what would become a crisis, making the credit the Hunts were using in their purchases scarcer, their positions much more expensive to finance, and alternatives much more attractive.³⁶

The Rumbblings of Intervention

By the second half of 1979, talk at the CFTC had turned in a decidedly interventionist direction. In August the question of intervention was specifically raised, and through September actions were discussed and debated, though a divided board could agree on nothing.³⁷ On the exchanges, too, talk of restrictions was in the air. In September, COMEX raised margin requirements, but it made no impact on the rising price of silver, which approached \$15/ounce by the end of that month.³⁸ In October, officials from the COMEX and CBOT approached the Hunts about decreasing their position, but were rebuffed by Bunker on the grounds that he wasn't interested in selling something valuable, which he expected to become more valuable, and the sale of which in any case would create massive tax liabilities for him.³⁹ Accordingly, the CBOT resolved to take action “immediately” and imposed stringent limits on future futures contracts. “They’re

not playing fair,” Bunker would complain.⁴⁰ Be that as it may, the intervention had begun.

Part IV. Intervention and Crisis

And so it was that the table was set for the most turbulent six months the silver market has arguably ever seen. Following the September actions of COMEX to raise margin requirements, and the CBOT to place limits on the size of futures contracts in October, COMEX raised margin requirements multiple times in November and December. Neither of these stemmed the rise in the price of silver, nor did they deter the Hunts, who continued rolling their giant variety of positions. Then, in early January, COMEX took the first of the drastic actions that were to prompt the crisis: they imposed retroactive position limits.⁴¹ Still not satisfied that their intervention would end the rise in silver’s price, indeed, a week and a half later silver would hit its highs for the episode,⁴² COMEX declared liquidation only.⁴³ The CBOT followed their example, imposing liquidation-only restrictions and ordering reductions in February long positions.⁴⁴ COMEX wasn’t finished, however, ordering aggregation of all Hunt-related positions for the purposes of enforcing limits, then doubling margin requirements.⁴⁵ Unsurprisingly, the price of silver began its decline.⁴⁶ As it fell, the Hunts began receiving margin calls - \$10 million here, another \$15 million there, day after day, until they were finally handed the March 27th call of \$100 million by Bache which they just couldn’t meet.⁴⁷ It was this failure that precipitated the climax of the episode: Silver Thursday, when the price of silver hit its bottom, and the Hunts were forced out.⁴⁸

But what had prompted the intervention? What had actually been in danger? Not the U.S. financial system – not even any of its central players. What had the threat been? More expensive jewelry? More expensive photographs? Even the firms involved in the silver market, banks such as First Chicago, brokers like ACLI, Conti, Merrill Lynch, Shearson, Paine Webber, and dealers Moccata and Engelhard, even Bache, ultimately made money on the quarter, much of it from the Hunts.⁴⁹ The answer, unless one takes the conspiratorial line (which the Hunts

certainly did),⁵⁰ is that it was fear. It was fear of what “might happen” should the price continue to rise, were the Hunts not stopped. Businesses hate uncertainty, and the exchanges were and remain businesses, run for the benefit of themselves and their most important customers. With the support of the CFTC, they acted with the intention of protecting themselves and said principal players. By so doing, however, it is almost certain that they caused the near crisis of early 1980, which otherwise would not have occurred.⁵¹ For the Hunts’ position would not have become untenable had the price of silver not been manipulated by the actions of the exchanges – and therefore, even those firms who had exposure to them, again, most principally Bache, would have been in no danger.

To further understand why intervention by the exchanges with the support of the CFTC was responsible for the crisis that actually unfolded, it is important to highlight an extremely neglected aspect of the episode that is critical: the institutional mechanics through which prices in physically settled commodity markets are actually formed. Intervention in those mechanics caused an array of specialized problems.⁵² Silver was a deliverable commodity whose spot and futures prices were linked through arbitrageurs, whether merchants, dealers, refiners, and traders, willing to finance purchases, warehouse bullion, and make or take delivery. As monetary instability increased demand for physical silver throughout the 1970s, deliverable stocks tightened, convenience yields rose, and the relationship between paper claims and underlying bullion became progressively more fragile. Viewed from this perspective, the decisive events of late 1979 and early 1980 were not simply the accumulation of an unusually large, long position on the part of the Hunts but a series of regulatory interventions that fundamentally altered the arbitrage mechanism responsible for coordinating the physical and futures markets. The resulting collapse in silver prices was not merely the bursting of a speculative bubble; it was, at least in part, the product of an abrupt change in the institutional architecture through which price discovery itself occurred. This is testable, and it presents the most fruitful avenue for future research. By accessing the historical

record, pulling the physical receipts for warehouse stocks, open interest, delivery notices, et cetera, this relationship could be empirically established and mathematically proved.

Part V. Aftermath

For all that we may rationally analyze from the security of the calm present, rare was the contemporaneous observer who could step back from the overwhelming narrative of greed, deception, and imminent danger to state the obvious: that while the Hunts had been less than forthcoming with their array of lenders and brokers, the responsibility for due diligence was on them, and they failed predictably and spectacularly.⁵³ What danger had been present, in the case of Bache, to take the most prominent example, could have been entirely averted by proper due diligence, verifying accounts, not making exceptions for “special customers,” et cetera.⁵⁴ In the civil case of *Minpeco vs. Hunt*, one finds the same. Minpeco’s losses were almost exclusively the result of its own failed corporate controls.⁵⁵ Then as now, none of these facts mattered in the court of public opinion. The Hunts were tarred, made a legal example of, and made significantly poorer as a result of the episode. The Hunts had violated an unwritten rule of an institution, the commodity exchanges, over which they had no control, but which held their fate in its hands.⁵⁶ They had offended public opinion and officials in Washington.⁵⁷ They thus became a cautionary tale, the facts underlying the narrative seldom questioned. Clearly, whatever their faults, and there were plenty, this was not entirely fair.⁵⁸ And for those who believe in silver as a long-term investment, this was not helpful.

Part VI. Conclusion

Whatever one may think of the Hunts, good or bad – that they were far-sighted entrepreneurial victims of an insider plot, that they were greedy schemers rightly thwarted, et cetera – one cannot escape the conclusion that they were reckless, or at the very least heedless, of the needless danger they were placing themselves in. If one takes

Herbert’s testimony at face value, as this analysis has done, and that their silver strategy was based on expectations of continual devaluation of the new fiat U.S. dollar and the need for a hard money hedge, the thing to have done was to hold their own physical bullion and their own dollar. From the Austrian perspective, this is entirely sound. The U.S. dollar has and will continue to be devalued. Meanwhile, trust in the system, even a nominally private one like a commodity exchange – nominally because of its extremely close relationship with federal regulators – will make one a party to their own expropriation if and when it finally comes.

Footnotes

[1] Some of the most memorable and representative come courtesy of the March 26 New York Times and the May 12 Time, both in 1980, which referred to the Hunts' activities as "unconscionable" and as creators of a "speculative bubble," respectively. Not to be outdone, the April 7 Newsweek offered the title, "The Billion-Dollar Gambler."

[2] Later representative examples include Phoenix's Refining's January 29, 2026 commentary "How Two Billionaires Broke the Silver Market," and or even the WSJ's notice of Herbert Hunt's death on May 3, 2024.

[3] This is particularly important as beginning in late 2025 the spot price of silver began climbing, surpassing even its 1980 high; and, then as now, it has occurred against the backdrop of inflation, international monetary uncertainty, supply side shocks, and geopolitical instability.

[4] Even definitely moralizing and ideologically hostile accounts, such as that of former Sunvday Times Labour editor Stephen Fay, are faultless in their presentation of the relevant events, number of buys, position size, dates, et cetera.

[5] It is always worth remembering that actual dollar convertibility by the population had been killed in the 1930s, by a combination of Executive Order (6102, in 1933) and Congressional action (The Emergency Banking Act of 1933 and the Gold Reserve Act of 1934), and that what was ended by Nixon was convertibility by other governments and central banks with claims on the U.S. Treasury.

[6] See, the Triffin Dilemma.

[7] By 1971 the dollar's overvaluation no secret: France had been redeeming dollars for gold since the mid-1960s (DeGaulle's speech denouncing Bretton Woods took place in 1965), the London Gold Pool had collapsed in 1968, West Germany effectively abandoned Bretton Woods in May of '71 by allowing the Mark to float (rapidly appreciating), and shortly thereafter the Swiss and British requested redemptions of \$50 million and \$3 billion respectively.

[8] This was the Smithsonian Agreement, December 71-73.

[9] For data, <https://fred.stlouisfed.org/series/M2REAL>, and then for calculations $FV = PV(1 + r)^n$ and $r = (1530 / 710)^{1/8} - 1 = 10\%$ (approximately).

[10] The second oil shock, which followed the Iranian Revolution of 1979, and which coincided with the central episodes under later discussion, pushed the price over \$40 by 1980.

[11] For CPI data, <https://www.bls.gov/cpi/tables/historical-cpi-u-201710.pdf> – given CPI-U of 40.5 in 71 and 72.6 in 79, we find $r = (72.6 / 40.5)^{1/8} - 1 = 7.6\%$ (approximately).

[12] Joseph Solis-Mullen, "How the Fed's Easy Money Spurred Today's Financial Frenzies," Mises Wire, July 18, 2024, <https://mises.org/mises-wire/how-feds-easy-money-spurred-todays-financial-frenzies>; Joseph Solis-Mullen, "How the Fed Helped Create Another Calamity: The Ongoing Emerging Market Debt Crisis," Mises Wire, August 26, 2024, <https://mises.org/mises-wire/how-fed-helped-create-another-calamity-ongoing-emerging-market-debt-crisis>; Joseph Solis-Mullen, "Money and Banking in the US after the Crises of the 1970s and '80s," Mises Wire, September 16, 2024, <https://mises.org/mises-wire/money-and-banking-us-after-crises-1970s-and-80s>; Joseph Solis-Mullen, "The Federal Reserve, Interest-Rate Suppression, and the Reach for Yield," Libertarian Institute, July 25, 2024, <https://libertarianinstitute.org/articles/the-federal-reserve-interest-rate-suppression-and-the-reach-for-yield/>; Joseph Solis-Mullen, "Yeah, It Was Mostly the Fed's Fault," Libertarian Institute, September 5, 2024, <https://libertarianinstitute.org/articles/yeah-it-was-mostly-the-feds-fault/>.

[13] Absolutely no later than 1974.

[14] R. W. Streeter, *The Silver Mania: An Expose of the Causes of High Price Volatility of Silver* (Dordrecht: D. Reidel Publishing Company 1984), 179.

[15] From around \$0.92 to just under \$2.00.

[16] Purportedly influenced by Jerome F. Smith's *Silver Profits in the 70s: the Coming Boom in Silver, Gold, and Platinum*, Bunker was on the record repeatedly saying silver was an investment to be held for the long run. As a potential counterpoint, Fay claims to have Smith on the record as meeting Hunt in early 1979 and the latter being uninterested in Smith's thoughts on his (Bunker's) strategy, specifically the use of futures contracts (Fay, pg. 43). What does not seem debatable, however, is that the Hunts believed in the strategy of holding for the long term. As shall be seen, they devoted enormous resources to the venture, did not sell when they could have, never had a clear exit strategy, and were on the record as saying their goal was to amass and hold as much silver as they could.

[17] Congressional testimony on page 280: <https://babel.hathitrust.org/cgi/pt?id=pur1.32754076879802&seq=286>
Note: An interesting fact underlying the Hunts' decision to move aggressively into silver in the early 1970s was that it was prior government distortion of the silver market that made it look like such an attractive investment. Not only was it a hard money, but a massive gap in production and industrial demand was growing – temporarily offset by sales from government stores, which were soon to run dry, sending the price skyrocketing. As Streeter, no friend of free markets, was forced to admit, “Since the law of supply and demand had been repealed for silver [a consequence of the Thomas Amendment of 1933 and Silver Purchase Act of 1934] it was not operating when industrial usage started its climb [...] Speculative demand was developing [by] 1961 [...] Treasury had a big problem” (Streeter 31-34).

[18] That is, on the Chicago Board of Trade (and eventually on the bigger COMEX, that is the Commodity Exchange of New York. More on these in Part III). With respect to futures contracts, these are standard derivative instruments whose value is based on price movements in the underlying asset, and which are agreements between the seller of the contract and the buyer on an agreed amount of a given commodity, at a given price, for delivery by a certain date of expiry. In the case of the Hunts, these were contracts that bought them the option of taking delivery of a certain amount of silver at a predetermined price by a specific date – again, more on these in Parts III and IV.

[19] This included holdings in physical bullion and futures contracts, both of which were owned by Herbert and Bunker separately, jointly, and through various companies formed for this purpose. These included the International Metals Investment Company (IMIC), accounts with Merrill Lynch and Bache Halsey Stuart Shields (henceforth referred to simply as “Bache”), a variety of Hunt family partnerships, corporations, and Hunt-controlled investment entities – even positions held on behalf of or in the name of their children. Critically, the majority of these holdings were not owned outright, but were rather financed, and thus exposed to the vagaries of price movements and subsequent margin calls.

[20] The alleged goal being to execute a short squeeze, an unsubstantiated charge that became central to subsequent mistaken interpretations of the silver episode. Indeed, it is sharply at odds with the Hunts' behavior during the period – at no point, for example, even when it was clear that the price of silver would not be going back up, after the institution of Silver Rule 7, did they take their enormous profits (measured in the billions almost until the very end). In his Congressional testimony the charge was categorically denied. He said, “At no time did I attempt to corner, squeeze, or manipulate the silver market. At no time did I participate in an agreement to corner, squeeze, or manipulate the silver market. At no time did I attempt or agree with others to manipulate the silver market,” <https://babel.hathitrust.org/cgi/pt?id=pur1.32754076879802&seq=287> from page 281.

section V during discussion of the civil case MINPECO, S.A. v. Hunt.

[21] While it is absolutely certain that the Hunts spoke with wealthy associates about what they were doing, such as Khalid bin Mahfouz, Abdullah al-Mubarak, Naji Nahas, and encouraged the buying of silver as an investment, indeed had a joint position in the IMIC, and associates used fronts such as Gillian Financial and Litardex Traders, to increase their positions, such activities do not de facto constitute an attempt to corner the market. More on this in section V during discussion of the civil case MINPECO, S.A. v. Hunt.

[22] As shall be demonstrated in Part III, prior to the restrictions adopted by the CBOT beginning in October 1979 and the more sweeping COMEX rule changes of January 1980 the Hunts had violated no exchange rules; that, in fact, it was in response to the ability of large players in the silver market to continue accumulating as much silver as their resources allowed that the rules were implemented with the design of preventing further accumulation. These the Hunts definitely sought to evade, definitely in spirit if not in point of fact.

[23] During 1971 silver fluctuated between \$1.80 and \$1.30, while the period 2015-2025 saw prices range between \$15 and \$30 (therefore, $22.50 - 1.50 / 1.50 \times 100 = 1400$), with the dollar having lost 82% of its value over the same period due to inflation ($1/8.2 \times 100 = .12195$).

[24] In an interview with Barbara Walters, Bunker actually said, “Invest in silver if you want a good investment on a long-term basis [...] With silver you can't go wrong. I think Prices are going up. It is too risky to buy on credit [...] You need to hold it, because if the price come down, you're in serious trouble. You could lose your shirt if you did it on credit” (Fay 188).

[25] At times the brothers displayed an incredible naivete with regards to the American system – given their recent experience in Libya, their failure to foresee such a possibility is striking

[26] Specifically, the 1974 Act gave the CFTC the broad authority to promulgate regulations under the Authority of the Commodity Exchange Act of 1936, approve or disapprove changes to rules by the exchanges, to investigate manipulation and fraud, bring enforcement actions, seek federal injunctions, declare market emergencies, or even direct exchanges to take emergency actions.

[27] Something even the zealously anti-Hunt Fay is forced to concede (page 112).

[28] As shall be discussed in Part IV, this did not mean a course of action was automatically guaranteed – Gartner, for example, was skeptical of government intervention in commodity markets, while Stone was a zealous supporter of “consumer protection.” There were also personal conflicts that likely prevented easier cooperation – again, as between Gartner and Stone.

[29] Whose support of the Birchers and Christianity, opposition to communism, regulation, and the eastern establishment, et cetera, were well-known.

[30] Fay 110.

[31] Note: because the CBOT was a member-owned non-profit, and thus was not forced to file SEC disclosures or file quarterly earnings reports, this must be inferred by things like trading volume, transaction fees, and seat values, all of which correlate positively with revenue. For a discussion of demutualization, which in the case of the CBOT occurred in 2007, when CME acquired it, ending 150 years of independence, see Roberta S. Karmel’s “Turning Seats into Shares: Causes and Implications of Demutualization of Stock and Futures Exchanges,” available at: https://repository.uclawsf.edu/hastings_law_journal/vol53/iss2/2

[32] To take a prominent example, that of Henry Jarecki of Mocatta, in the latter half of 1979 his company was holding 30 million ounces of silver and so, following standard practice, he took an equivalent 30 million ounce short position: as the price rose, margin calls came in at the tune of \$30 million per \$1 dollar rise in silver’s price (Fay 127).

[33] Key players included, at COMEX John Rainbolt (Chairman of the Board of Governors), William McDonough (President of COMEX), Vincent D’Ambrosio (COMEX Governor), and Morris Schapiro (former Governor and Executive Committee Member), and at the CBOT James Lovell (Chairman of the Board of Governors), James Worthy (CBOT Governor), Charles Carey (Senior CBOT Officer, later Chairman and President), and Patrick Arbor (Governor). Along with these were key players on the exchanges like Jarecki and Richard Dennis, who were influential though not in a position to explicitly make policy.

[34] In fact the money supply did not contract – although it is likely that the rise in interest rates at least temporarily slowed the rate of expansion – proving this via a simulated counterfactual is not within the scope of the present argument. What is important for our analysis, is to note that the price of funding their leverage became almost twice as expensive as a result of the rate hikes Volcker introduced shortly after becoming Fed Chair in August of 1979.

[35] Initially a heavily hinted at suggestion in the form of a request in October, by March it would be official policy under the Special Credit Restraint Program (SCRCP) (Fay 185).

[36] Banks had been specifically instructed to avoid making speculative loans in commodity markets, interest expenses were skyrocketing as the Fed began its tightening, and money was beginning to flow heavily into Treasuries and CDs as interest rates rose dramatically.

[37] This was when the question of position limits were first raised – with Stone and Dunn on one side and Martin and Gartner on the other (Fay 132).

[38] Ibid. 124.

[39] He did offer in that same meeting to “work” with the exchange on delivery until reserves could be built up – a frankly incredible gesture of good-will, though it did nothing to mollify the exchange, particularly as in the same conversation Bunker said he intended to add to his position (Tucille page 340).

[40] Ibid. 341.

[41] The so-called Silver Rule 7, effective January 7, 1980.

[42] This was on January 18, when it hit a spot price in London of \$49.45/oz and prices of \$50.36 and \$52.80 on COMEX and the CBOT, respectively (all prices were intraday).

[43] Effective January 21, 1980.

[44] This was a day later, on January 22.

[45] On January 23 and February 4, respectively; the latter raised margin requirements from \$30,000 per contract to \$60,000, putting unbearable pressure on the Hunts' already strained liquidity; while the former gathered together all the Hunt family positions, Bunker's, Herbert's, Lamar's, those they had taken out in the children's names, their IMIC positions – in short, everything – in order to force liquidation.

[46] From their highs on January 18, they fell into the \$30s through late January and February, below \$20 by the third week of March, and finally cratering on Silver Thursday at just over \$10/oz.

[47] Technically, the Hunts hadn't made a margin call in over a week by that point, the first technical lapse having occurred on March 17 – Bache, which was by that point tied to the hip with the Hunts, had chosen to accept warehouse receipts as collateral and make the call itself.

[48] As should be obvious to the reader, despite the hyperbolic narratives surrounding the day by the time it came Silver Thursday was actually rather anti-climactic. Silver had already fallen. Despite the rumors of the day about systemic risk, in fact the danger was confined to a handful of institutions, chiefly Bache. The broader market was able to sort through the noise with remarkable efficiency – the panic selling in stocks lasting all of thirty minutes, from about 3:00 when the announcement of the Hunts failing to make their margin call to 3:30, when panic selling subsided and buyers stepped in, the market ending the day down just two points (Tuccille 353) – silver, too, rallied in the following days.

[49] Fay 266.

[50] Bunker: "They got themselves a real nice club there. The exchanges are run by the shorts, for the shirts, with the connivance of the shorts [...] there are twenty-three people on the COMEX and almost half of them went short on silver before they changed the rules on us. One guy alone, I heard, made \$15 or \$20 million from us. It was a sting, a scam" (Tuccille 369).

[51] The pressure of hundreds of thousands and millions of market participants was already working hard against further upward price movements in silver – on the one hand were those who had rode the precious metals ride up and could now, thanks to aggressive Federal Reserve tightening, get so-called "risk free" returns of double digits by pouring that same money into Treasuries; on the other hand, there were the many attics and basements that were being emptied out and silver was pouring onto the market: tea-pots, cutlery, fixings, et cetera (Ibid. 347).

[52] The original insight was prompted by the mechanics of the 1987 crash, where arbitrageurs were constantly trying to pull the value of futures contracts in line with the current price of the actual market. Unlike equity index futures during the 1987 crash, where program trading and portfolio insurance generated arbitrage between futures and the underlying basket of stocks, silver futures represented claims on a physically deliverable commodity. And so under normal conditions, cash-and-carry arbitrage constrained deviations between spot and futures prices by inducing traders to purchase, warehouse, finance, and ultimately deliver physical silver whenever futures traded above carrying costs, while reverse arbitrage operated in the opposite direction. As the Hunts and other investors increasingly withdrew deliverable metal from circulation, the convenience yield associated with immediate possession rose, warehouse inventories tightened, and the linkage between paper claims and physical metal became progressively more fragile. Emergency position limits, followed by liquidation-only trading, did not merely suppress so-called speculative demand, they interrupted the very arbitrage mechanism through which futures and spot prices ordinarily converged, forcing liquidation of paper positions while leaving the underlying scarcity of bullion unresolved.

[53] The business had been profitable for them, particularly at a time of immense economic difficulty for the financial sector – See: Richard Donnelly, "Hunt for a Scapegoat," *Barron's*, March 31, 1980.

[54] Indeed, we have a good example of a firm exercising precisely this diligence and eschewing business with the Hunts for that reason.

[55] Ismael Fonseca, the company's chief silver trader, accumulated short futures positions that extended far beyond Minpeco's ordinary commercial hedging requirements. That is, rather than limiting his trades to those that would offset the Peruvian company's anticipated silver production, Fonseca believed the price had gone far higher than justified and took large, naked short positions – a bet on the price of silver that exposed the company to escalating

margin obligations as silver prices rose. His activities represent a classic case of rogue trading, worthy of standing alongside the more well-known infamous cases of Nick Leeson and Jerome Kerviel. Just as with Barings and Soc. Gen. senior management in Lima allegedly remained unaware of Fonseca's activities, with internal reporting and risk controls inadequate to the task.

[56] Again, that rule being that so-called speculators, or non-commercial participants, not take physical deliveries.

[57] As has been demonstrated the press was decidedly one-sided, and the Congressional hearings did nothing to counter the narrative – if anything, it offered political opponents like Rosenthal (D-NY) an opportunity to pillory them on a grand stage. With regard to the notion that the globalists – the Trilateralists, Bushes, et cetera – were out to get him, Bunker's belief, there is much suggestive, but nothing conclusive. To take one example: after getting a deal in place for one of his companies, whereby sugar would be effectively paid for with silver, he was informed by Ferdinand Marcos that the IMF had put the kybosh on the idea, threatening to yank its money lines if the country attempted to use silver as a currency (Trucille 331).

[58] One of the faults one can probably rightly accuse them of is deliberately seeking to evade position limits after they were imposed – though this is perhaps understandable as a defense response, though it could equally well be argued that the proper thing to have done at that point was close out their exposed (i.e. leveraged contract) positions.

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