

Bullion & Numismatic Coins: an interview with Walter Perschke

Walter Perschke possesses a unique set of credentials that make him an ideal source of information on all types of coin investments of both the numismatic and bullion classification. He is proprietor of NUMISCO, one of the oldest and largest coin dealerships in the United States. He is president of both the National Numismatic Network, Inc.; a teletype network for coin dealers, and Aureus Ltd., a unique closed-end investment fund in gold and silver coins. He is an active trading member of the MidAmerica Commodity Exchange and a contributor to the GUIDEBOOK and HANDBOOK of United States Coins. In addition he also assembles and manages investment portfolios in coins and publishes a newsletter.

Robert H. Meier, REASON's Special Editor for this issue, asked Perschke about his views on good and bad buys in numismatic and bullion coins. In addition to giving specific tips concerning the advantages of purchasing particular coins, Perschke suggests how the investor can avoid pitfalls posed by unscrupulous dealers, and tells how investors have fared who have bought coins from the government.

REASON: When investors enter the gold coin market, it seems that they will commonly purchase quantities of both the Mexican 50 peso and the American \$20 gold piece. Since these two coins are about the same size but have decidedly different price structures could you please discuss their relative merits for the investor?

PERSCHKE: The 50 peso represents the best bullion buy for your investment dollar today. That was not always the case, for there was a time last year when the \$20 gold piece sold for less than the 50 peso. Today that situation has reversed and it does not

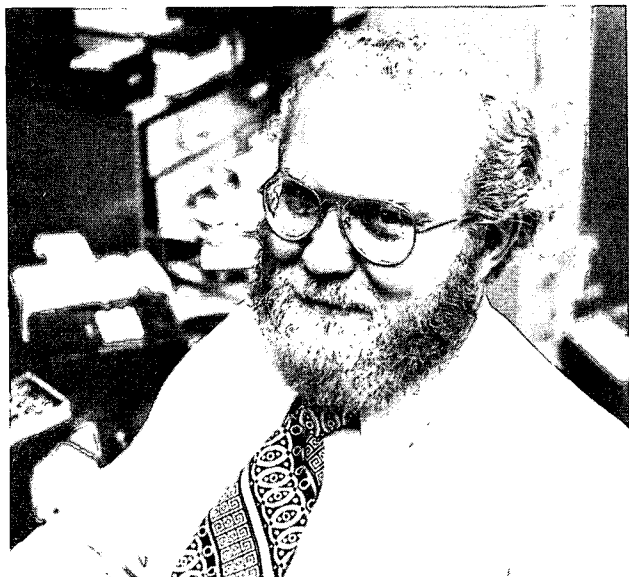
appear that relationship will change. If anything, I expect to see the \$20 gold piece continue to go higher in relation to the 50 peso coin. Nonetheless for the maximum bullion hedge the 50 peso is the safest investment an American can make in gold coins today.

REASON: When an investor decides to buy the \$20 gold piece he has the problem of which type to buy, namely, either a St. Gaudens or a Liberty. What do you consider to be the better buy in the common date coins?

PERSCHKE: The situation changes from time to time, but at present the St. Gaudens is a much better buy for the money because most of the Liberties represented on the market today as uncirculated are actually circulated coins. During the monetary crisis in May 1973, circulated \$20's sold at a \$40 discount to the uncirculated ones. Today that discount is approximately \$10. For this reason the investor should stick with the St. Gaudens as most of these are not circulated, helping minimize the chance that they would unknowingly buy circulated as uncirculated coins.

REASON: It seems that the \$10 Liberty is a coin that might be neglected in the rush for the \$20 gold piece. What are your personal feelings about this coin and some of the special advantages it might have?

PERSCHKE: At the present time you can purchase two \$10 Liberties for less than the price of one \$20 Liberty. With that parity situation I think it is definitely advisable for the investor to turn to the \$10 coin. I would only advise this, however, for the longer term portfolios, say, three years or longer. Eventually the \$20 coin is going to price itself out of the average income market and will be ultimately replaced by the \$10 Liberty. But you may have a



situation where the spread between the circulated \$10 and the circulated \$20 temporarily changes against you and becomes even wider in the short run. Consequently, this type of investment should not be made for the short term, like six months or a year.

REASON: The British sovereign is perhaps the best known gold coin in the world. How do you feel about the coin for investment purposes?

PERSCHKE: The sovereign still maintains a substantial premium over its melting weight. Today's price is approximately \$216 per ounce of gold. The Mexican 50 peso, which is today the best bullion buy, can be purchased for \$177 per ounce, these figures being based on a gold price of \$150 per ounce. You can see the premium on the 50 peso is much smaller than on the sovereign. Bear in mind that there is no shortage of either sovereigns or 50 pesos. The premium on the sovereigns has varied in a wide range from 11 percent to as high as 65 percent over its melting weight and I don't feel as safe putting an investor into sovereigns as I would into either U.S. gold or the Mexican 50 peso.

REASON: Can you think of any lesser known gold coins that might be good buys for the investor?

PERSCHKE: Although coins of this type have their advantages, they share one common detriment in that they are not as marketable as the Mexican or U.S. coins. The Turkish 100 piastres is an excellent bullion buy but the re-sale market is soft. The Russian 5 ruble was at one point the lowest premium gold coin available, but this is no longer the case. The 5 ruble is popular because it is small and could be readily used in barter if necessary. The Swiss 20 franc, the Italian 20 lira, and the German 20 mark were all formerly low premium coins which are no longer in this bracket. Nevertheless, they represent excellent long term buys but they should be considered as numismatic gold. The French 20 franc has been, and is

being restruck by the French government; consequently, I would not consider adding this to a normal portfolio at this time. The Netherlands 20 guilder is similar in that it is also being restruck along with the Netherlands 1 ducat and these two should only be considered as low premium gold. The Columbian 5 peso has closely followed the price of the sovereign. We advised our investors some months ago to trade their 5 pesos for Mexican 50 pesos. The premium on the 5 peso, like the premium on the sovereign, has subsequently come down. At the time of the recommended trade, people were able to increase their actual bullion holdings by 40 percent without any additional cash, simply by trading the 5 pesos into the lower premiumed Mexican 50 pesos.

The only other coin that occurs to me is the Hungarian 20 korona. I consider this to be an excellent long term buy. It has not been a very popular coin and is not heavily promoted. The 20 korona is not likely to be restruck and consequently affords both a numismatic and a low premium bullion hedge. Most of these coins in varying portions should be included in a larger portfolio.

REASON: Since the Treasury is now allowing the importation of the Austrian 100 corona restrike we are seeing it take some of the limelight from the Mexican 50 peso as the coin commonly purchased for a bullion position. How do you rate these two coins that seem to perform similar functions?

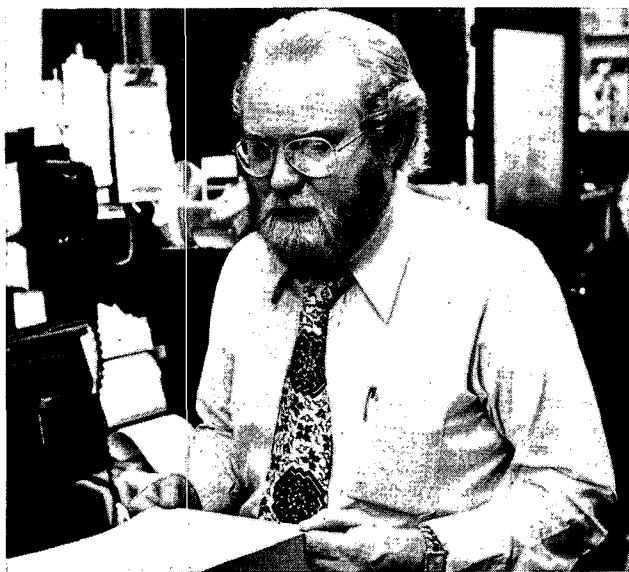
"The Mexican 50 peso represents the best bullion buy for your investment dollar today."

PERSCHKE: Right at the present time the Mexican 50 peso is still the better bullion buy. If the Austrian restrikes are the cheapest gold available to the U.S. citizen by a function of 10 percent under the 50 peso, then he might consider putting them in his portfolio. But, for instance, if the premium on the Mexican 50 peso is 25 percent and the premium on the 100 corona is 22 percent, for the 3 percent difference the investor should definitely purchase the Mexican coin. First of all they are more marketable; secondly, they have at least some potential numismatic value.

REASON: When one considers making an investment in numismatic coins as opposed to bullion coins there is always the question of how well numismatic premiums would hold up if we were to get a serious recession and/or depression.

PERSCHKE: First of all I don't think we are going to have *all* the symptoms of a recession. We may very well have an inflation coupled with a recession. Therefore, I feel the numismatic coins cannot only be related to a recession or a depression but must be considered in the light of an ongoing inflation. Numismatics provide the holder with a far better inflation hedge than anything else I have ever seen. In addition, the market for these coins is broadly based. Quite obviously the longer the recession, the less the numismatic premiums will hold up. Nonetheless, I feel there is no finer inflationary hedge than numismatic gold and silver coins. If we change the scenario and begin talking about a depression then we have a different situation. There is no question that numismatic coins are not a satisfactory depression hedge; for that we have to start dealing more with low premium coins, not silver, but gold coins. Silver is very much tied to the world economy and its price will never hold up in a classic depression.

REASON: Some people feel that the time is already at hand to begin converting their numismatic holdings to a bullion portfolio. I would guess that you feel that this is not the time for that market strategy, but I would appreciate some further comments.



PERSCHKE: I think the decision to convert from numismatic to bullion type coins is premature. I don't think we can satisfactorily assume that we are not going to have the inflation that numismatics will protect you against. For instance, we have done our own in-house projections that are talking about food costs being 60 percent higher between a year and 18 months from now. That is certainly a very substantial inflation, and numismatics will do a far better job of protecting you against that inflation than low premium gold or silver coins. In the period of time that gold rose from \$35 per ounce to its present level of \$150 the numismatic gold coins outperformed the lower premium bullion coins. In addition, during the

long period of time that gold was fixed at \$35 the numismatic gold coins had appreciations of between 15 and 20 percent a year.

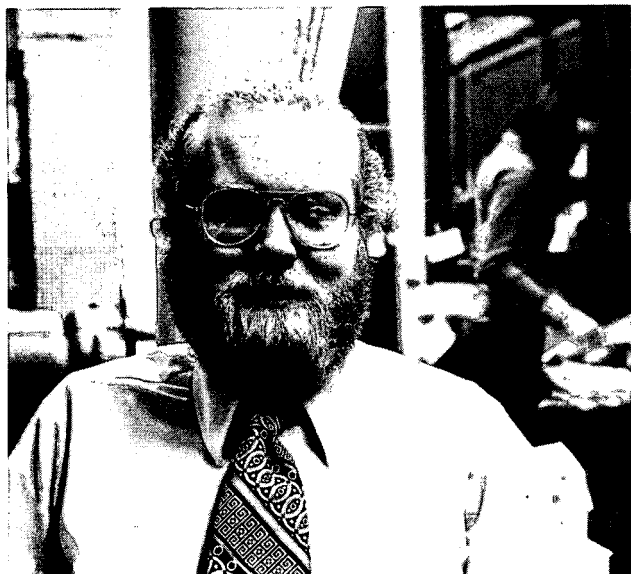
REASON: It would seem very important to understand the grading of coins if an investor decides to enter the numismatic market. I understand that there is more than one grading system and that subtleties are very important. Perhaps you could explain some of the ramifications of coin grades vis-a-vis the price of the same coin in a different grade.

“Numismatic coins provide the holder with a far better inflation hedge than anything else today.”

PERSCHKE: There is no question that grading is vital and that the investor's best protection is his own expertise. However, this can be acquired from a competent dealer who is willing to take time to show the difference in grades visually. We have on occasion sold an investor a complete set of common gold or silver coins in every grade so that he would have them for benchmark purposes. The major distinction of concern is the difference between circulated and uncirculated. For example, in 1970 the type II one dollar gold coin in extremely fine circulated condition sold for approximately \$200. The same coin in uncirculated condition sold for \$500. Today the circulated coin is worth approximately \$450, and the uncirculated one, \$3,000. However, these two grades can appear very similar to the novice investor. In addition, there are people who are “processing” or “whizzing” coins to give them a sheen so that they have the appearance of being uncirculated. Needless to say they are unscrupulous and prey on people who are new to numismatic investing. The most substantial protection you have after personal knowledge is to patronize a reputable dealer who has been in business at least five years and who knows, and is willing to explain, all these factors to you.

REASON: Counterfeiting is another problem which has scared some people from coin investments. Just how big a problem is this to the industry and the investor?

PERSCHKE: I believe that counterfeiting is a grossly overrated problem. It is a problem, but nowhere near what the uninformed press would have you believe. People frequently ask, “Well, how can I be sure these Mexican 50 pesos are real?” The answer is simply a matter of economics. It would not pay any counterfeiter to counterfeit a 50 peso or any other low



premium gold coin, any more than it would to counterfeit one dollar bills. In numismatics the problem is more difficult to define but the technological requirements for minting are such that it prevents the market from being flooded with anything approaching quality fakes.

REASON: How about foreign numismatics?

PERSCHKE: The risk you run with foreign numismatics is that many foreign governments have shown no reluctance whatsoever to restrike their own rarities. Consequently, the investor is in some jeopardy that his rare coin will be restruck by the government that officially issued it.

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REASON: What do you consider to be the ideal commitment for the beginning numismatic investor?

PERSCHKE: The basic numismatic investment any investor should make is a U.S. type set. This is one of each of the 12 different gold coins minted in this century. This would include three one dollar coins, a \$3 coin, two 2½'s, two 5's, two 10's and two \$20 dollar gold coins. Beyond that, I think I would start date sets of the U.S. \$10 Liberty and both gold pieces (St. Gaudens - Liberty). In addition, I would begin buying some common date \$5 gold pieces in both the Indian and Liberty series. And finally, I would recommend the purchase of common date \$10 Indians, preferably in uncirculated condition.

However, an interesting combination of numismatic and intrinsic values would be to assemble a date set of Mexican 50 peso coins from 1921 through 1931 inclusive. There are several other excellent investments in foreign numismatics, unfortunately, market availability of most of these coins would preclude me from mentioning them in this interview. It must also be remembered that in a crisis situation the market for these coins could simply disappear.

REASON: How are the people faring that have been buying coins from the government over the years?

PERSCHKE: Generally people who have purchased coins from the government's special issues over the years have lost money on their investments. These coins and coin sets normally sell at a discount in the after market and it is many years before the initial purchase price can be recovered. There are a few notable exceptions, the 1970 mint and proof sets are selling at a premium to their issue price and a few of the silver dollars which the government issued in the special sales are selling at a premium, but part of this can be attributed to the enormous rise in the price of silver. The Carson City series of silver dollars with a few exceptions are all selling at a discount to the issue price of \$30 per coin. The exceptions would be the 1890 and 1891 Carson City coins, which are currently selling at about their open market minimum bid price.

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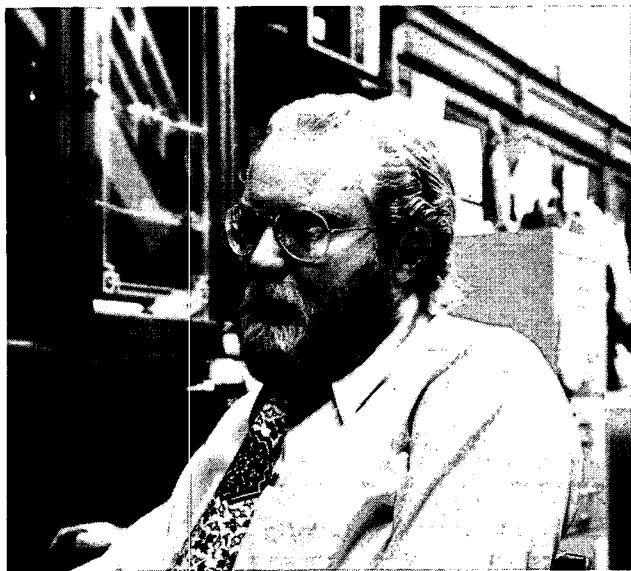
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REASON: Do you have any further suggestions for silver numismatic investments?

PERSCHKE: Well, the quality issues, the scarce issues, not necessarily the most expensive ones will over any long period of time, say 5 years or more, always show a nice appreciation and by that I mean 20 to 40 percent a year. Particular suggestions would be uncirculated silver dollars, uncirculated walking Liberty halves, uncirculated Mercury dimes and the early uncirculated Washington quarters. In the Washington quarters I am speaking of the 1949 and earlier dates.

REASON: How about proof sets?

PERSCHKE: Proof sets should be looked at as not necessarily a long range investment but should be bought in periods of price depression and sold when everybody else wants them. The early proof sets (1950 and prior) probably represent the best long-term hedge. The late proof sets (1957 to 1964) will benefit from the rise in the price of silver and represent a combination of some numismatic and intrinsic value. I personally do not recommend proof sets for long-term appreciation. They have proven to be an extremely conservative investment and not as productive as other alternatives.



REASON: The silver bar market has experienced tremendous growth in the last several years but the whole market has that "Tulipomania" quality about it. Would you care to comment?

PERSCHKE: Possibly the only difference between Tulipomania and the silver bar market is that silver bars do have *some* intrinsic value. It has been their only saving grace in the last six months. Bars with premiums as high as \$150 are now selling for \$20 to \$30 per one ounce bar. We advised people to get out

of the high premium bars as long as nine months ago. Now the lower premium bars have risen in price but the rise is completely attributable to the increase in the silver's price. When silver was \$2 per ounce these bars sold for \$4 an ounce. Now these bars sell for \$5.50 an ounce but silver also sells for \$5.50 an ounce. So while a bar owner has realized a 35 or 40 percent appreciation on his money, if he had had the same money invested in silver coins he would have realized an appreciation of 275 percent. The gimmick used in selling these bars is the limited edition concept. In most cases the edition is only limited by the number of people that are willing to buy it. After all, if there are only 10 bars of one type and you have only 9 buyers you have a glut on the market. The limited edition craze has reached its logical extension in the fact that now even pot and pan companies are issuing limited editions of their wares.

If you wish to purchase silver plates and other commemorative pieces produced by various private mints, you should do so because their artistic merit appeals to you; not because you rationalize them as a high intrinsic value investment.

"We have done our own in-house projections that are talking about food costs being 60 percent higher between a year and 18 months from now."

REASON: Although the collecting of ancient coins might seem a bit esoteric to some people I would be interested in hearing your opinion on this investment area, also.

PERSCHKE: This market for many years lay essentially dormant. The supply situation was substantial, the demand was very small. In the last three years I would say this has reversed, particularly with the gold and silver issues. For instance, a high quality Roman Aureus four years ago sold for \$1,200 to \$1,500; today the same coin would be priced at between 8 to \$12,000 and most of this increase has been within the last 18 months. The silver coins have not experienced such a spectacular rise in price, but nonetheless they have also represented an excellent numismatic investment, and to a lesser extent the high quality copper coins also. The difficulty here is getting into the market. The expertise required is substantial; again there are counterfeits of the more expensive coins and in many cases they are not as easy to distinguish and in many cases were made 700 or 800 years ago. However, an investment company with the properly qualified personnel can provide you with the expertise necessary for buying these coins. □



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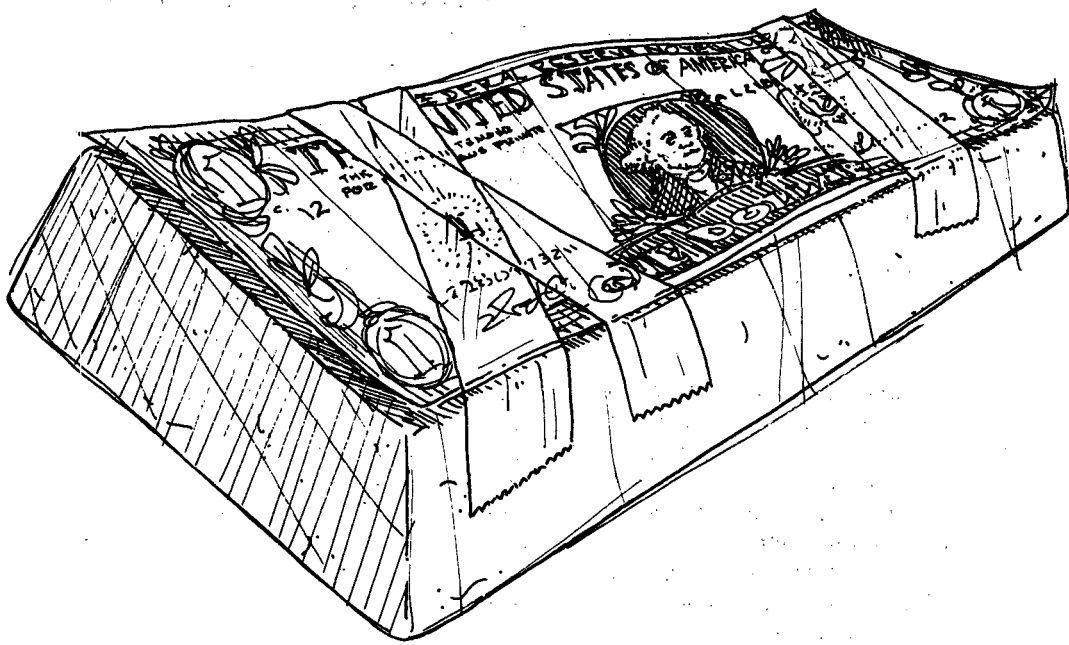
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Alden Rice Wells is the editor and publisher of the ALDEN R. WELLS MONETARY REPORT, an investment advisory newsletter, and the ALDEN R. WELLS QUARTERLY, a general review of society with emphasis on money and taxes. Mr. Wells presented the text of this article to the 1974 Monetary Symposium, sponsored by the National Committee to Legalize Gold, in New Orleans in January.

When the fabric of society is torn, as it is today, wise men do not shout "Chaos" just as they do not shout "Fire" in a crowded auditorium. At such times they remain cool. They recognize that those in charge have become confused by poor judgment and serious mistakes. We here today have increased our own capital while others were losing theirs and earned the respect of our fellows because we correctly anticipated these present disorders. If we are to continue as useful members of society we cannot say "I told you so" nor shout "The Russians are coming." America is big enough to correct itself. Let us help.

Why does our government declare it illegal for us to own gold? Is it not because Congress steadily abdicated its functions in favor of the President until in recent years he became sovereign? He alone engages us in wars. Control of money was given by Congress to the Federal Reserve, a bureaucracy held in fief by the sovereign. Constitutionally both war making powers and the regulation of money are Congressional functions. When power is so centralized, it is fought over by power hungry men. From such conflicts emerge men unfit to govern. Instead they steadily restrict our freedoms so that they can rule without restraint. The freedom to own gold is among the first to be lost.

But I am encouraged. Congress is now trying to recover its authority. A mild limit on the President's power to wage war was passed over his