

Rochester Numismatic Association

America's Oldest Continuously Operating Coin Club – ANA Branch #2 – Life Club #8
Member: American Numismatic Society – Empire State Numismatic Association
Canadian Numismatic Association – Token and Medal Society – Rochester Museum & Science Center
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Letter from the President

by Jason Childers

Hi folks!

First, I would like to send my condolences to the family of Herb VandenBrul, Member #2, who died late last month (see page 4). I did not have the chance to meet Herb, but I have been told many good things about him.

Members have suggested that they would attend social events with the club. Mike Liess is setting up one such event; an RNA Night at the Rochester Knighthawks lacrosse game on Saturday, 29 March, at 7:35 pm. The K-Hawks (who have a 4-2 record at press time) will be playing their rivals, the Buffalo Bandits.

For those of you who are unfamiliar with the Knighthawks, they are in their ninth season playing at the War Memorial and are perennial championship contenders in the National Lacrosse League.

The tickets will be \$8.25 each, a savings of \$5.00, and are open to members and their family and friends. Also in one or more of the upcoming meetings prior to the game, Mike (who, besides being a member, is a Ticket Sales Rep for the Rochester Sports Group) is donating a few tickets to a future game to be auctioned off for the good of the club.

If you have a suggestion for a social event, talk to me or to our esteemed Vice-President, young David Gottfried (who turned 26 on the first of the month!)

By the way, there will be a Board Meeting on Tuesday, 4 March, at 8:00 at a meeting place to be determined. All members in good standing are welcome.

Hope to see you next meeting!

Yours,
Jason

Upcoming Meetings

Tuesday 11 February – 8 PM

Gerry Muhl presents a slide talk about "Philippine Emergency and Guerrilla Currency of World War II," notes made by loyal civilian and military forces while that country was under harsh Japanese occupation. They served as symbols of resistance and eventual victory.

Friday 21 February – 7:30 PM

Rochester Junior Numismatic Assn.

Come join the juniors for their meeting in the Eisenhart Auditorium ballroom! All adult members welcome – and collectors under 18 are encouraged to attend.

Tuesday 25 February – 8 PM

Local historian and longtime RNA member Donovan Shilling discusses "Rochester New York Medals."

Tuesday 4 March – 8 PM

Board Meeting
Location TBA

Tuesday 11 March – 8 PM

The only uniquely American RNA member, Joseph Steven "Hank" Lanzafame III, gives a talk. We haven't a clue what this one's about (and he probably doesn't yet, either), but be there anyway!

Tuesday 25 March – 8 PM

Our own Prez, Jason Childers, takes the floor (and the laser pointer – beware!) to tell us all the latest about "Euro Coins."

March 21-23, Charlotte NC
ANA National Money Show

Visit www.money.org/conventiondept.html for all the details – see you there!

Unless otherwise noted, all meetings are held in the lower level of the Eisenhart Auditorium, 657 East Avenue. Follow the signs from the Eisenhart or Gannett School entrances, as posted, downstairs to our lower-level meeting room.

A visit to the San Francisco Mint

by Richard Kelly and Nancy Oliver

On January 10th, 2003 we got a unique opportunity to receive a tour of the third San Francisco Mint while it was in the process of making the 2003 Proof Sets for sale to the public.

The third SF Mint is not open to the public for tours, so we jumped on the chance for a tour when it was offered to us. A gentleman we know arranged it for us and gave the tour personally. It was an enriching experience to say the least.

Our tour began with the outside of the facility, with its thick walls of granite, to the upper facade where large concrete representations of each commemorative coin made by the mint circle the roof. Inside, we were shown where the blanks for the proof sets arrive, massive vault doors, the storage bins for the blanks for all denominations and then the mint operations.

We were right there with our guide on the floor where all the planchet making operation is conducted. In fact, he reached his hand into the turning burnishing bin and showed us several newly polished dollar blanks. We saw the upset mills, and the storage of newly made planchets.

continued on next page

February 2003

INSIDE: Steve Lanzafame on the price of gold...Gerry Muhl on Diocletian's Mint bags...Herb Vanden Brul, 1927-2003

SF Mint Tour

continued from front page

But, what we saw next gave us a deep appreciation of the delicate and hard work involved in making every proof coin as perfect as possible.

The mint receives all its dies from Philadelphia unpolished, so all the work of polishing and chrome plating has to be done in San Francisco. The work involved in this not only includes the polishing and plating of each die, but the intricate microscopic work required to remove any excess metal or plating in the crevices of each and every die. The dozen or so workers in this room labor over the small detail of their work for eight hours per day. Perfection was the key and these workers were very intent on their task.

With protective ear plugs, we entered the press room where we watched as the massive presses stamped out beautifully frosted, double struck coins. Near each press operator was a bag of reject coins, but the ones we were shown had but smears and light scratches on them. Perfection was also the key here.

Lastly, we saw the packaging process of each 2003 proof set as they made their way down several conveyor belts that made loops and stops as they inserted each individual denomination by machine. Then the filled sets arrived at the sealing operation to eventually be placed into their final packaging to all be sent out to Tennessee for final processing and shipping.

All the people we met during our tour were friendly and were more than willing to answer any questions we might have concerning their department. The tour was an eye-opening event for us both. And we left with a deeper appreciation of the hard work involved in making proof coins for the public.

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An Argument About Au (gold, that is)

by Joseph Steven Lanzafame

At the October 22nd RNA meeting, Ralph D. kindly shared with us an article advertising \$37 "fake" U.S. gold coins and read the blurb that suggested that "experts" predicted that gold would reach \$1500 per ounce. The entire room laughed, but is it so funny?

Several times this year, numismatic friends and acquaintances have asked about "investing" in coins, probably because they're so disappointed in their mutual funds. These questions (that I have a hard time answering) led to my little survey at the October 22nd meeting and to this commentary that explores why \$1500 per ounce is both funny and sad.

I asked in my survey if 100 ounces of gold purchased for \$35 per ounce in 1969 is a good investment if still held today at \$310 per ounce. My \$3500 worth of gold in 1969 is today worth \$31,000. That corresponds to an annual rate of return of only 6.63%. Now, that's not horrible but it's pretty close to what U.S. savings bonds would have done over the same period (6.68% yield for Series E bonds issued in 1969, held to maturity). On the other hand, the S&P 500 has averaged 11% rate of return over the past 78 years. At 11%, that same \$3500 "investment" in 1969 would be worth \$129,800 today.

Is my mythical 100 ounces of gold a good investment? It depends on what you use as a benchmark. It beats buying an expensive car that just rusts and become valueless. It's equivalent to buying a savings bond. It's worse than buying high grade corporate bonds. And, it would have cost me \$98,800 compared to buying an S&P 500 mutual fund.

Why is \$1500 per ounce funny? If you bought gold today at \$310 and held it for 20 years (a benchmark time frame for an "investment"), \$1500 per ounce represents only an 8% annual return on your "investment", better than a savings bond worse than a mutual fund. If you are "investing" in gold for any length of time, you expect \$1500 per ounce. Yet, when Ralph read the statement, everyone thought it was ridiculous.

Now, to be fair, I'm not saying you can't "make money" on gold. But, you need to

be an active trader to make money on gold. The longer you hold gold or any other commodity, the harder it is to realize a reasonable profit when compared to other investments.

Consider the table below showing what a \$310 investment (the current spot price of gold, approximately) will do when compounded at a 4.5% rate of return (Series EE savings bonds) and a 10% rate of return (less than the 74 year average stock market return).

year	4.5%	10%
0	\$310.00	\$310.00
1	\$324.24	\$342.46
2	\$339.14	\$378.32
3	\$354.72	\$417.94
4	\$371.01	\$461.70
5	\$388.06	\$510.05
10	\$485.77	\$839.18
12	\$531.43	\$1,024.13
15	\$608.08	\$1,380.72
20	\$761.19	\$2,271.70
25	\$952.86	\$3,737.65
30	\$1,192.79	\$6,149.59

If you consider the narrow range that gold has traded in for the past 20 years, you see how difficult it is to make any real money relative to other investments. The longer you held gold in the past 20 years, the more money you lost. If you want a 10% rate of return, you're hoping for \$2200 gold in 20 years, which is even funnier than \$1500 gold.

John D. Rockefeller referred to compound interest as the 8th Wonder of the World for the very reason obvious in the above table. The problem with commodities is that they don't compound, they fluctuate. You only win with a commodity if you expect the commodity price to inflate significantly. This is very unlikely to happen with gold, in my opinion, for a number of reasons that I'll spell out in a follow-up article.

Should you buy gold? If you want to, go ahead. Gold is pretty, gold is fun. But gold isn't a good long-term investment risk – although you can feel free to tell your wife otherwise if she then lets you buy that pretty gold coin you want so badly.

Sealed mint bags date to Emperor Diocletian

by Gerard E. Muhl

Collectors and coin dealers met the recent U.S. Mint announcement that the 1,000 coin sealed bags of State Quarters would not be discontinued with a certain sense of relief. The 1,000 coin mint-sealed bags have a long and illustrious history. In fact, they date back at least 1,700 years, to the time of the Roman emperor, Diocletian.

Throughout the Roman Empire, the standard coin exchange was the small silver denarius. About the size of a U.S. dime, it was valued at a day's labor in the first century.

Nearly 100 denarii equaled one pound of silver.

Under the Emperor Nero, silver coins began

to be debased – at first by just a few percent of their silver content. Eventually, however, as the price of silver rose and the greed of the Emperors magnified, the denarius became a silver coin in name only. Silver-washed bronze coins became the norm.

In the third century, various Roman leaders sought to stabilize the economy by coinage reform. The double denarius actually containing silver was issued. Also known as antoninianii, these popular coins portrayed a bust of the



emperor wearing a crown similar to the Statue of Liberty. Soon, however, these coins too began to lose silver content, until by Diocletian's time, they merely had a thin wash of silver, which quickly wore off. Thus, by the



beginning of the fourth century, the typical coin of commerce was a small bronze piece of dubious artistic design. Whereas the denarius was once valued at 20 to the standard gold coin, the aurius, in 201 C.E. it took 833 denarii to equal the same quantity of gold. Inflation was rampant and the economy was so poorly understood that few suggestions at remediation could be offered.

In 301 C.E., Diocletian decided to make a bold move at stabilizing the economy and issued the Edict DePrettiis. This edict tried to halt inflation by posting maximum price controls for nearly 1,000 items, services and even wages. The Emperor prefaced this list with the rationale for its promulgation. He wrote:

"Who is so insensitive and so devoid of human feeling that is unaware or has not perceived that immoderate prices are widespread in the commerce of the markets and the daily life of cities, and that uncontrolled lust for gain is not lessened by abundant supplies or fruitful years?"

"Who does not know that wherever the public safety requires our armies to be sent, the profiteers insolently and covertly attack the public welfare, not only in villages and towns but on every road? They extort prices for merchandise not fourfold, not eightfold, but so great that human speech cannot describe it."

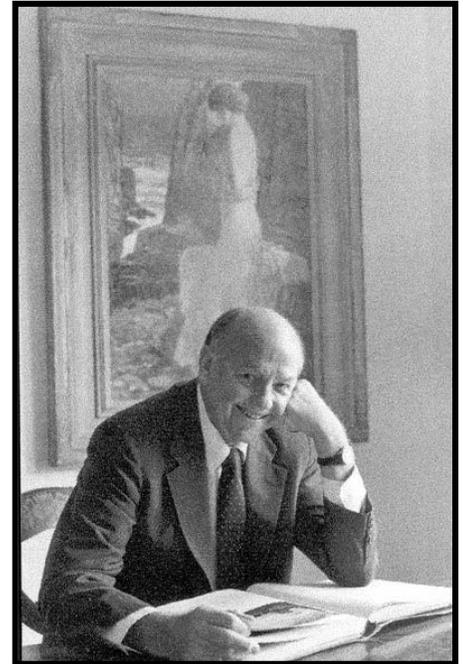
Thus, price ceilings were set, and at a level somewhat lower than those prices prevailing at the time. The new prices were actually cut into stone. The penalty for not following the new price schedule or for withholding goods from the market was death.

One immediate effect of the edict was that good silver coin disappeared from commerce. Gresham's law came into play, and only cheap, debased coin continued to circulate. Perhaps today's numismatists should thank Diocletian, for without this ruling, we probably would not have so many high-grade denarii or surii in collections today.

(Continued next month)

Herbert W. Vanden Brul

January 6, 1927 – January 24, 2003



RNA member #2, Herbert W. Vanden Brul, died on January 24, 2003 at age 76.

Vanden Brul joined the RNA on September 7, 1949; only Charlie Ricard had been a member longer.

Outside the world of numismatics, Vanden Brul was best known as the founder of RF Communications, which made two-way radios used by the military and government.

Vanden Brul sold RF Communications in 1968 and founded Clover Management, a real estate management firm.

A veteran of World War II, Vanden Brul was a graduate of the Aquinas Institute.

In recent years, Vanden Brul was best known for his philanthropy, including a 1987 gift to the Memorial Art Gallery to build a pavilion named for his parents.

Vanden Brul is survived by his wife of 51 years, Joan; sons Bill and Donald; daughters Patricia Nunnari and Kristin Vanden Brul; a sister, three brothers and numerous grandchildren.

Donations in his name can be made to the Vanden Brul Foundation, c/o UBS Paine Webber, 400 Linden Oaks, Rochester NY 14625.

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Coin Show Medals Still Available

Silver-clad 2002 coin show medals are still available! The obverse is a proof rendition of A.A. Weinman's 1916 Liberty Walking design from the 50-cent piece. The reverse is a stylized wreath from the U.S. 1793 half cent with legends proclaiming the club's 30th annual coin show.

To get yours, come to a club meeting or write to: G. Muhl, 50 Rogers Parkway, Rochester NY 14617. Cost is \$7 plus \$1 mailing – or two for \$12 plus \$1 mailing.

Somebody Name This Thing!

“Rochester Numismatic Association Newsletter.”

It doesn't exactly excite the senses the way *Vanity Fair*, *People* or even *Numismatist* do – does it?

Which is why we're having a little contest to give our monthly journal a new moniker. (And no, “Lewinsky” is not a valid entry!)

At press time, we've received 136 entries. That's the good news. The bad news is that all but two came from members whose last name is “Coe.”

So give Bill and Edie a fair contest, won't you? Send *your* entry to the editor (rma@fybush.com or 92 Bonnie Brae Ave, Rochester 14618) by February 28.

The winner, chosen by your Board of Directors, will receive something (in addition to the sheer honor of the thing) – and will be announced in the April issue.

Rochester Numismatic Association
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