

CHAPTER FOUR

GRADING AND AUTHENTICITY, RARITY AND THE ESTABLISHMENT OF VALUE

Grading

We have consistently stressed the critical importance of rarity and quality when investing in rare coins, and illustrated the vast price differentials generated by even the slightest incremental changes in a coin's grade, defined as condition or state of wear of the coin. Grading remains the single most important element of numismatics. Few skills among Numismatists and Coin Dealers are more important to know or more difficult to learn. And there are very few really fine coin graders in the world.

While grading is not a foolproof or exact science, neither is it strictly guess work or a matter of opinion. It is an art governed by exacting standards and rules that insure a relative uniformity of appraisal from dealer to dealer at any given point in time. At one time, a collector was forced to depend almost entirely upon his own knowledge, intuition and "eyeballing" abilities—all of which were, of course, uncertain, and could and did change with time. Over the last sixty years, however, owing in large part to the Sheldon Scale, the rigorous application of clearly defined specifications has made grading more objective and, thus, much more uniform. Minor disagreements can and do occur; but the investor should not receive radically different estimates of grade from competent but competing Numismatists.

Until the rare coin market became primarily investor-based, and the need for greater degrees of accuracy and consistency arose, grading was a relatively subjective business, based on the knowledge and experience of whoever happened to be grading a coin. While it did not matter as much as it does today, needless to say, the result was a lack of standardization.

In 1948, Dr. William Sheldon, in his book about Large Cents, *Early American Coppers*, introduced a grading scale that in a highly modified form has become the standard for the industry today. Other significant landmarks included Martin R. Brown and John W. Dunn's, *A Guide To The Grading of Rare Coins* (1958) and James F. Ruddy's *Photograde* (1970), both of which contributed substantially to the evolution and standardization of grading.

In 1977, *The Official American Numismatic Association Grading Standards For U.S. Coins* expanded the Sheldon Scale to include all coins, thus further legitimizing this most comprehensive and effective of methods. That same year, *Grading Coins: A Collection of Readings*, edited by Dr. Richard Bagg, drew together in summary form almost everything written on the subject since the 1890s, thus providing a valuable guide to the evolution of numismatics' most critical science. In 1986 Numismatist James Halperin released his classic *How to Grade United States Coins*. In about 1985 or 1986 the first reliable professional grading services were founded, more about this later.

A variety of factors affects a coin's grade. The die may inflict marks during the minting process, or result from the condition of the planchet, which is the metal disc on which a coin is struck. Irregularities and imperfections found on the die may stem from the engraver's errors, or something as simple as wear and tear. Substandard manufacturing often resulted in coins that seemed to be in worse

condition than they really were. This is particularly true of early American issues, most of which were produced under primitive conditions. Coins minted with poorly made or overused dies sometimes seem more worn than they really are — a condition known as apparent wear. Worn dies were often polished and reused repeatedly, resulting in the removal of fine design details found in the original design or the addition of a new date or mint mark. This is one of the reasons that some of the resulting coins produced are what are called “varieties” of the original coins.

However, while die marks in general have the least bearing on a coin’s worth, planchet irregularities can be more serious. These have various causes. For example, planchets for gold coins and large silver coins were weighed before striking, to insure the presence of the proper amount of precious metal; those found in excess were filed down to the appropriate weight. This left file grooves on the planchet, called adjustment marks, that often remained visible after the coin was struck. If present, they will be taken into consideration when the coin is graded. Other planchet marks result from irregular blanks and some numismatists specialize in collecting such coins.

By far the most common marks that appear on coins are inflicted after minting. So-called “bag marks” result from the banging together of coins after they have been bagged for shipment or storage, and the number of marks, and their placement, makes a difference. Coins are also subject to the effects of daily use — dents, scratches, bends, rim damage, and the like. Alternatively, they may have been damaged intentionally, as is the case with coins worn as jewelry, and marred in the mounting process. Such insults will significantly diminish a coin’s worth.

Toning or coloration is also a consideration. Metals often react to their environments by changing color; and numismatists must learn how coins of differing alloys can be expected to color after years of use — or, for that matter, disuse. This knowledge is necessary and invaluable. If a coin is shiny and bright, just as if it left the mint, but its surface is scratched and marred, a competent numismatist should suspect polishing, chemical or even laser treatment at the hand of an unscrupulous vendor.

Of all the metals used in the creation of American coins, copper is the most susceptible to changes in color. A copper coin, when minted, will have the familiar brilliant pale red color we associate with new pennies; this mellows first to a reddish brown, and finally a glossy brown color. When an expert grades a copper coin, its color will be taken seriously into consideration: those that retain their original mint brilliance are considerably more valuable than those having a darker tone. Additionally, the surfaces of some copper coins may become spotted with corrosion, and investors living in humid locations should be particularly careful to store them in dry environments.

Like copper, silver is a highly active metal, and may darken from its initial brightness into various colors or hues. The value of a silver coin can be greatly increased by attractive original toning. Nickel’s silvery brilliance pales with time into a dull grey color. Nickel is very susceptible to corrosion. Moreover, gold, the least reactive of coin metals, exchanges its alluring bright yellow-orange for a deeper, more full-bodied tone, sometimes containing brown streaks produced by the alloying material. A handsomely-toned gold coin will be especially prized by investors.

Natural or original toning is caused by the surface of a coin being exposed to the atmosphere for years and oxidizing. The toning process is accelerated when a coin is housed in one of the old type paper envelopes, due to the sulfuric content in the paper. Coins stored in these paper envelopes tend to tone evenly

because the obverse and reverse are in full contact with the paper surfaces. On the other hand, when coins are kept in coin albums, toning first occurs by the rim or edge and progresses toward the center of the coin. Coins are often taken out of these paper albums before the toning process is complete, resulting in a ring of peripheral toning.

Coins may tone in almost any hue of the rainbow, or a combination of colors. A choice coin may often bring a tremendous premium because of its gorgeous toning, which is derived from the amount of "flash" or eye appeal a coin offers. This is part of the subjective value of a rare coin or any collectable for that matter. Some uninformed buyers consider toned coins "dirty." Others prefer to buy toned coins rather than brilliant specimens. In the end, if the coin is original it is a matter of personal taste.

In the grading process, coins are divided into two broad categories: Circulated, which means coins used in commerce, and Uncirculated, which means coins that are new and have not been used in commerce. Because Uncirculated or Mint State coins (UNC or MS) have never been used they will appear virtually as minted, without any signs of wear. Uncirculated coins are not necessarily perfect in every respect as they are struck without any special care, and packed en masse in bags, and are then ready to be placed into commerce. Marks are thus to be expected as bags of coins are recounted and shipped between the mint and banks, where they are carelessly dragged around various vaults with each inventory as they sit for years unreleased into commerce. The larger the coin, the more marks are likely. To accommodate imperfections, Uncirculated coins are graded with Mint State designations, from MS-60 (Uncirculated) through MS-65 (Choice Uncirculated) to MS-70 (Gem Uncirculated), with grading dependent upon the degree or lack of imperfections.

MS-70 Perfect Uncirculated 70

A flawless coin, exactly as it was minted, with no trace of wear or injury. The coin must have full mint luster, and brilliance, or original toning, and a full strike. For all intents and purposes, this grade is theoretical. Only a highly trained specialist can grade this coin.

MS-67 Gem Uncirculated 67

Minutely disturbed surfaces, well struck, superior luster, and incredible eye appeal. Any marks must be where you can not see them easily.

MS-65 Choice Uncirculated 65

A coin that is far above average Uncirculated; a coin that possesses a superior strike, exceptional luster or desirable original toning with only some minor marks which do not detract from the overall pleasing appearance of the coin.

MS-63 Select Uncirculated 63

A mid-range Uncirculated coin which may exhibit numerous but non-severe marks. It may have a weak but not a poor strike, and it may not be fully brilliant, although it will not have a dull finish.

MS-60 Uncirculated 60

A coin that will have no trace of wear but may show numerous contact or bag marks, nicks or spots. It may lack luster and/or have a weak strike. This is the lowest grade a coin can be and still be new.

Circulated coins, as their designation suggests, are coins that have been used to some degree. The grading scale for such specimens stems from Poor-1; applicable to an example so worn its features are barely visible, to About Uncirculated-58, which denotes a nearly Uncirculated appearance. It is virtually impossible to make distinctions between used coins adjacent on the grading scale—for example, a 30 and a 31; as a result, the scale has been divided into groups:

AU-58 Choice About Uncirculated 58

This is a virtually new coin, with luster and the basic appearance of a new coin, but has slight wear. It was sometimes called a “slider” in the trade if the wear was barely noticeable and if, to the untrained eye, the coin could pass as uncirculated. Slight slide marks, called “cabinet friction” or rub from a holder is the reason for many coins getting graded this way.

AU-55 Choice About Uncirculated 55

The wear is barely distinguishable but is visible on the highest points.

AU-50 About Uncirculated 50

Nearly all of the detail and most of the luster are still present, but there is light wear on the high points.

EF-45 or XF 45 Choice Extremely Fine 45

There is visible wear on the highest points and most of the luster is still present.

EF-40 or XF-40 Extremely Fine 40

Most of the detail and some of the luster still present.

VF Very Fine 20, 25, 30 or 35

Light to moderate wear with most of the design still visible and the high points rubbed smooth.

F Fine 12 or 15

Moderate to heavy wear with up to half of the design rubbed smooth.

VG Very Good 8 or 10

Some of the design still visible but still having full rims.

G Good 4 or 6

Some of the design still visible but will be weak and may not have full rims.

AG-3 About Good 3

Most of the design will be gone.

FR-2 Fair 2

Design will be barely distinguishable but still recognizable.

PO-1 Poor 1

Design is recognizable by date and type but no more.

It is recommended that you consult an expert to grade all coins that are AU-50 (About Uncirculated) or better. A circulated coin's grade is usually more straightforward, although there is just as much over grading and under grading among circulated coins as Uncirculated coins. Nonetheless, when one side of a coin has worn at a different rate than the other, the Numismatist used to resort to a so-called "split grade": two grades for one coin. A coin with an obverse (head) grade of EF-40 and a reverse (tail) of EF-45 would be graded at EF-40/EF-45 (or, commonly, 40/45). It is by the lower of the two grades by which the coin was traded under this arcane grading system.

Precision Grading

Due to changing market conditions in the mid and late 1980's, such as the increased importance of mint state coins, the most commonly traded investment material, and near mint state coins, and the demand for gem or perfect specimens, discrepancies developed between the various grades and their pricing structure. Because of the geometric climb in value of quality coins from one grade to the next, a circumstance which is characteristic in the real world of investing in and collecting objects of art, Precision Grading was developed by a group of coin dealers to overcome the discrepancies in the pricing of middle grade Uncirculated coins. This was the beginning of professional grading services and the beginning of order in the coin business. The following two tables illustrate what Precision Grading is and how it works.

Example 1:

	AU-58	MS-60	MS-63	MS-65
1867 Nickel	\$85	\$115	\$160	\$700
1886 Quarter	550	625	900	2,200
1892 Half Dollar	210	360	710	2,875
1909 Half Eagle	325	345	2,600	15,000
1921 Double Eagle	19,500	68,000	168,000	660,000

This example illustrates the dramatic rise in price toward the higher grades. When choice material falls between these grades, it causes general confusion among collectors, investors and marginal coin dealers as to what these coins should be worth. Thus, Precision Grading came about to develop slots into which middle grade coins could fit, not perfectly, but much more precisely to eliminate this confusion. This was the natural extension of what I would call Precision Pricing, as coins of the same technical grade but minute differences in quality brought different prices all along among knowledgeable coin dealers. The following table illustrates how middle grade Uncirculated coins would be priced on the Precision Grading scale.

Example 2:

	MS-60	MS-61	MS-62	MS-63	MS-64	MS-65
1859 Cent	\$210	\$245	\$300	\$500	\$1,200	\$3,190
1896 Quarter	245	270	290	450	660	1,560
1907-S Half Dollar	1,020	1,530	2,310	3,910	7,660	13,500
1884-S Dollar	5,220	6,780	10,470	33,130	106,250	193,750
1796 Eagle	96,880	123,500	141,000	265,000	494,000	780,000

Both professional grading services and all knowledgeable dealers use Precision Grading. A dealer using this system would use a chart much like the one we have just seen, with the addition of the middle grade Uncirculated coins.

MS-70 Perfect Uncirculated 70

A flawless coin, exactly as it was minted, with no trace of wear or injury anywhere. The coin must have full mint luster and brilliance, or original toning, and a full strike. For all intents and purposes, this coin is perfect and therefore theoretical. Only a highly trained and experienced specialist can grade this coin.

MS-69 Superb Gem Uncirculated 69

The late Norman Stack would have said "As made." A coin that is exactly as it was minted, with virtually undetectable flaws and only a few minor marks that keep it from being nearly perfect. The coin must be brilliant or have original toning. You need a specialist to grade this coin, as well.

MS-68 Gem Uncirculated 68

One or two barely noticeable, minor marks or abrasions, slight weakness of strike allowed, blazing luster and spectacular eye appeal.

MS-67 Gem Uncirculated 67

Minutely disturbed surfaces, well struck, superior luster, and incredible eye appeal.

MS-66 Choice Uncirculated 66

This grade coin is basically a premium quality MS-65 specimen; an MS-65 which possesses extra special appeal that adds to the overall beauty of the coin.

MS-65 Choice Uncirculated 65

A coin that is far above average Uncirculated; a coin that possesses a superior strike, exceptional luster or desirable original toning with only some minor marks which do not detract from the overall pleasing appearance of the coin.

MS-64 Select Uncirculated 64

A nearly MS-65 coin; a coin that may slightly lack in one of the key areas. It possesses either slightly more marks, slightly less luster or a weaker strike.

MS-63 Select Uncirculated 63

A mid-range Uncirculated coin which may exhibit numerous but non-severe marks. It may have a weak but not a poor strike, and it may not be fully brilliant, although it will not have a dull finish.

MS-62 Uncirculated 62

A coin that is nearly MS-63; a piece that may have one excessive mark, or reasonably weak strike.

MS-61 Uncirculated 61

A high-end range MS-60 coin. It may have excessive marks and possess a weak strike, but it is not in the worst mint state grade available.

MS-60 Uncirculated 60

A coin that will have no trace of wear but may show numerous contact or bag marks, nicks or spots. It may lack luster and/or have a weak strike. This is the lowest grade a coin can be and still be a new coin.

Eye Appeal

Eye appeal is one of the most difficult attributes to the grading process to describe, and yet it is one of the most important. Regardless of the technical grade of the coin, that is the Mint State number assigned to the grade, the coin has to have an overall appearance that is just about as important but nearly ethereal to describe. The coin can be brilliant with flash, proof like with a mirror finish, matte white, or completely or spherically toned. Coins without eye appeal may be poorly struck, have dull or spotty luster, splotchy or irregular toning dark spots. A dealer can be very helpful on this subject as it can take years to learn what good eye appeal is if it does not come to you naturally. The best way to summarize this is to paraphrase Justice Black of the United States Supreme Court, who in describing pornography once noted that although he did not know how to describe it, he knew it when he saw it.

Consistency of Grading

When the two major grading services started grading coins in 1986 and 1987 respectively, they were new businesses endeavoring to build successful firms in an unproven area of the industry solving a problem that had never been before systematically attacked. It was natural for them to start out conservatively and cautiously in an area than had never been seriously attempted before. They need to test the waters to see how their approaches to the problem would be accepted in the marketplace. They had to appeal to and satisfy the population of coin dealers that were largely the ones submitting coins for certification, and later those members of the public in addition to the professional dealers who would ultimately be buying their product of certified coins. Due to the very nature of what they were trying to accomplish, there were conflicts of interest, honest differences of opinion, plenty of bad judgments, and just as many mistakes. They were also overly bold and a lot more sure of themselves than they really had a right to be. This is common for a new company looking for a position in an existing marketplace.

The 1988-90 bull market was to a great extent founded on the promises of ending grading conflicts and giving the public a firm sense of security about what they were buying. While there was a boom market, no one really seemed to care as much about the overly strict grading. As the market collapsed after 1990, dealers complained about the overly strict grading in that, in addition to the slow market, made it difficult to earn living selling coins.

Despite the lofty claims by the grading services that their grading would be accurate and consistent over time and forever, they were after all new at this service and had basically no idea just how large a problem they had bitten off. In fact one grading service owner stated to me that had he had any idea of what he was getting into he would have stopped and given it very serious thought as to whether he should have gone into the business in the first place. The conservative attitude that both services tended to display in their early years gave way to a more balanced and experienced attitude as their graders and grade finalizers, who once graded hundreds of coins at a time now graded tens of thousands of coins, and in the process got a much broader and more accurate idea as to what was really out there terms of both quantity and quality.

Until the 1990s, very few coins were graded with high numbers like MS-66, MS-67, MS-68 and higher due the grading services reluctance to use such high numbers regardless of what a coin looked like. Coins had to be virtually perfect to get even grades of MS-65, MS-66 or PR-65 or PF-66. As the market grew and expanded, higher prices brought out more expensive coins and the grading serv-

ices saw more and more of the entire coin population, coins in the higher grades were assigned grades matching their lofty conditions, allowing for coins of an ever so slightly lower grade to assume the position that these slightly better coins had once occupied. Once the issue of grading superb coins was resolved, it was natural that fantastic coins ever so slightly inferior would fill the now vacant spot that these superb coins once occupied. Now that these two grading services have seen between them over twenty million coins, they have a better idea of what coins in the general coin population look like and in following with that information, what they grade.

The two grading services shed their conservative and cautious nature and became more proficient at the grading services that they offered. No doubt the grading model as we know it will continue to grow and change, not only because it is done by human beings, but because market conditions change and dictate what the market will and will not accept. All of this is natural, and is the same procedural method changes that other hard asset items, like diamonds and antiques have already gone through and continue to go through as we speak.

Above all, Maurice Rosen, noted Numismatist, would tell you to look at what you buy. Does it look like the description? Use your common sense and your God given brains. Anyone, whenever they want, can say whatever they like about a coin. Remember what Abe Lincoln once said. When asked, "How many legs does a horse have if you call his tail a leg?" he replied, "Four legs. You can call his tail anything you want and he still has four legs." You have to buy the coin and not the story about the coin.

Proofs, Patterns and Specimens

Originally, from 1794 to the mid 1800's, specimen and proof coins were made exclusively for presentation to visiting dignitaries and heads of state and are very rare; today, modern proof coins are readily available to investors from the U.S. Mint. Early Specimen and Proof coins were minted from carefully selected blanks, which were hand-fed into the minting press. The proof dies are specially cared for, and highly polished, and the coin itself is struck repeatedly, to heighten and enhance all the engraver's details. Most proof coins have a reflective, mirror-like appearance, although some proof coins dating from 1909 through 1915 show a variety of matte and satin finishes. Specimens are basically the first, very best made business strike of a coin. Either way, the finished product was then carefully handled to prevent even the most negligible marks found even in top-grade Uncirculated coins. The result is a memorable work of art. Proof coins are graded the same way coins made for uses in commerce, called business strikes, are graded. "Proof" is not and never was a grade; it is a method of manufacture.

Several other types of coins, never intended for circulation, are of interest to more advanced investors. One of these is known as a "pattern", or an experimental coin design, which, for one reason or another, was never manufactured for circulation. Another is the die "trial piece," usually struck from other than a circulating metal to test a die, or determine the correct pressure for achieving the proper level of relief.

Over-grading

Any discussion of coin grading must include a caveat: in the world of numismatics, like the world of all investments, the buyer must indeed beware. While traders in stocks, bonds, commodities, foreign exchange, and real estate are strictly licensed by federal and state authorities and still manage to routinely break the law, coin dealers are not monitored at all. It is relatively easy for an incompetent

or unscrupulous merchant to call himself a numismatist, open an office, and sell uncertified over-graded coins for exorbitant sums to unsuspecting buyers. Overgrading may be very simply avoided by dealing with an established and reliable coin dealer or broker and insisting on certified coins from the two major grading services.

Grading Guarantees

Investors often locate trustworthy dealers via word of mouth, or through familiar coin organizations; but investors unfamiliar with the terrain would do well to find a broker who has been around awhile. Most reputable grading services and coin dealers guarantee the grades of the coins they sell. A few offer grading insurance, which guarantee that, if the firm goes out of business, and the coins they graded or sold to you prove to be over-graded at a later date, you can, within a prescribed time period, get back what you paid for them, plus a ten or fifteen percent per year premium. This is an excellent deal; moreover, any grading service or numismatist making such an offer obviously has confidence in his or hers grading abilities.

There is one last changing market factor. The personal tastes of the people who buy coins. At one time, toning on a coin commanded a large premium. Today, it only commands a premium if it is original, attractive and on a top-quality coin. Once collectors preferred proof-like Silver Dollars to Uncirculated, white bagmark-free ones, but then they fell out of favor to proof-likes, and now they both are in fashion again. From time to time these personal standards change, and this affects the market.

Lastly, it is very important to remember that while authenticity is absolute, grading, toning and the overall look are the subjective verbal description of an opinion of a particular Numismatist or Grading Service at a particular point in time as to the state of preservation of a particular coin. Knowledge and technology change over time. No warranty is absolute, even when it is made in good faith by a knowledgeable and reputable Numismatist, Grading Service or Coin Broker. Whether it is written, expressed or implied, no warranty can be made with respect to these adjectival or numerical descriptions, which can and often do vary among experts at any given time or over time. Grading standards have changed in the past, and they very well might do so again in the future. Coins, like all other investments and collectables, are bought and sold at your own risk.

Authenticity and Originality

Throughout history, whenever an article of value has been produced, an attempt has been made to duplicate it at a far lesser cost or with inferior materials, or make another article of lesser quality appear of higher quality. Every major and most minor tangible assets have been played with, counterfeited or altered. Rare United States Coins, fortunately, remain under the scrutiny of the U.S. Secret Service. It is against federal law to sell, transport, trade or own counterfeit coins of U.S. or foreign origin. Because of this law, and primarily due to the technical difficulties inherent in the production of coinage, the determination of authenticity of coins has become a science. Coins, and United States coins especially, are the only collectibles that can make this claim.

The term "counterfeiter" usually brings to mind a mild-mannered chiseler, sitting in his basement, patiently carving plates for \$1,000 bills. We, however, are concerned with the criminal producing coins or altering real coins for the investor market; and the dishonest or ignorant dealer who sells them. Counterfeit coins have all but disappeared from the market, chased away by the two professional

grading services. However, altered rare coins are more common than might be expected, and many dealers and investors, some of them quite experienced, have been taken. Dealing with a savvy Numismatist and buying only certified coins by the two major services is ultimately your best protection, and will save you considerable pain.

The matter of authentication is complicated by the fact that rare coins were not always finely fashioned and minted. Early American issues were often crude, resembling nothing so much as amateur attempts at coining — which, in fact, they were. Thus, it can be difficult to distinguish a bad replica from a bad original. In the 1850's, for example, a person named Mr. Getchell faked several examples of the famed Pine Tree Shilling issued in Massachusetts in 1652. Not satisfied with capitalizing on its already considerable numismatic popularity, Getchell produced dated shillings that preceded all other known specimens by two years. A prominent Boston collector quickly snapped these up in a mail order deal, and no one was the wiser until the decade's end, when the diary of John Hull, the coin's designer, was published. The document made it apparent that this rare date was so rare as to be nonexistent. The ruse was discovered — but only through luck. Getchell's fakes were no more primitive looking than the originals, and his implausible dates might have been convincingly explained as Hull's first pattern attempts. Fortunately, the science and study of numismatics have progressed considerably since then. A contemporary expert would not be so easily fooled.

Today's counterfeiters tend to be less imaginative than Getchell, often content to skillfully alter existing coins using a variety of common techniques. While no longer making coins from scratch, a counterfeiter may remove the mint mark, or part of the date, from an otherwise authentic specimen. Conversely, he may add a mint mark, either with solder or glue, or by stamping it into the coin. In the latter case, the surrounding area is carefully buffed so as to make the phony mint mark appear raised. A more recent method involves drilling a hole in the side of a coin and inserting a tool, to raise a mint mark from within. Another rather crude technique involves joining together halves of different coins; this is effected by hollowing out one half of a coin, leaving the edge intact, after which a second half, with its edge shaved off, is fitted into the "shell." Perhaps the simplest, oldest and most common altering technique, called "whizzing", involves the polishing of coins with a wire brush to make them appear Uncirculated.

Much of the counterfeiter's craft is obvious, and there are different things a purchaser may look for to avoid victimization. Probably 99.99% of all American coins were struck and not cast; and cast coins, regularly counterfeited earlier in the last century from rubber or sand molds, have recognizable characteristics. They lack crisp details, may be inaccurate in size or weight, and often exhibit surface bubbles or air holes. Made of joined halves, such fakes may show seams on their rims; and often are soft and greasy to the touch. Nor will cast coins ring when tapped against a hard surface, producing instead a dull thud.

A coin's edges, known as reeding, may also give away the game: counterfeits often show irregular, poorly fashioned lines. In addition, evidence of polishing will show, under magnification, telling light parallel scratches.

A bigger problem is color. Determining whether the color on a coin is original or retoned artificially is a skill few numismatists can do well and all but the savviest of dealers and collectors should stay away from uncertified toned coins if they can not tell if the color is correct, or bright coins, if they can not tell if the color has been removed. Investors should buy coins certified by one of the two large grading services to avoid this issue in its entirety.

Having read these pages, however, you are not now armed with sufficient knowledge to authenticate even an obvious fake. It ordinarily takes professional decades to acquire the skills and learn the nuances of authentication, and frankly, many Numismatists never really learn how. The novice should no more attempt his own authentication than perform his own brain surgery. For a novice, the simple solution is to buy from a known coin broker or dealer and stick with coins certified by the two major grading certification services, which guarantee authenticity, thereby eliminating the risk entirely.

Rarity and the Establishment of Value

Factors other than a coin's grade contribute to the establishment of value — most notably rarity. If a coin is not well-preserved, but is in scarce supply due to a low original or surviving mintage, its value may be higher than a similar grade coin much of whose mintage was saved, and is therefore more common and available. The following example demonstrates this point:

Type	Condition	Scarcity	Value
1849-C Gold Dollar	MS-63	11,634 minted	\$13,800
Closed Wreath (14 Uncirculated pieces known)		(Bass Sale)	
1849-C Gold Dollar	MS-63	5 known	\$690,000
Open Wreath (one Uncirculated piece known)		(Richmond Sale)	

Lower mintage alone, however, does not in itself guarantee scarcity or value, or necessarily make for a good investment, as the following chart shows:

Date	Condition	Mintage	Value
1877 Indian Cent	MS-65	571,990	\$1,000
1909-S Indian Cent	MS-65	309,000	\$500

Although there were more 1877 cents minted, there are far fewer survivors and thus greater demand than for the 1909-S, and the price differential in the market reflects this difference.

Comparing two silver dollars with the same mintage again illustrates the unreliability of mintage figures alone in determining scarcity and value:

Year	Condition	Mintage	Value
1893-S Morgan Dollar	MS-65	100,000	\$200,000
1894 Morgan Dollar	MS-65	110,000	\$14,500

Relatively few 1893-S dollars have survived as compared with 1894 dollars, and, of those, even fewer are in Uncirculated condition, thus the same mintage but the discrepancy or difference in the market value.

There are actually two principal forms of rarity Numismatists consider when establishing value with rarity — absolute and condition. An **Absolute Rarity** is a coin in which the entire population known is very small. A good example is the 1822 Half Eagle, an R-8, which means Rarity 8 on the rarity scale, of which there are only three in existence. (See Glossary). Under such circumstances, obviously grade is of virtually no significance.

A **Condition Rarity**, on the other hand, is a coin that may be widely available in lower conditions, but remains extremely rare in the top grades. The 1878-S Morgan Dollar, for example, in MS-65, sells for approximately under a \$200,

because there are quite a few, however, the finest known in MS-68 nearly perfect condition sold for \$34,700 in February, 1986, probably still a record price for the date. There are always people willing to pay to own the best of anything.

As is evident, mintage figures are not always a reliable determinant of value. This is the reason why, once again, quality is of such extreme importance in numismatic investing.

Market Demand and Survival Rate

The overall state of market demand is also of considerable importance. Although condition and rarity may be the same, the market demand for a particular coin may drive values up. For example, the high relief is more popular than the Three Dollar gold piece or the dime, and has always been more in demand.

Type	Condition	Scarcity Value	
1879 Liberty Dime	MS-65	15,100 minted	\$670
1859 \$3 Gold	MS-65	15,638 minted	\$23,700
1907 \$20 Gold High Relief	MS-65	12,367 minted	\$43,000

The Three Dollar gold piece is a larger coin with way more status and collectability than the dime. There are far fewer 1859 Three Dollar gold pieces than 1879 Dimes. But there are more collectors of the more desirable Three Dollar coins, both by type, and by date and mint, than collectors of Liberty Seated Dimes, and again, the price differential reflects this difference in the markets demand. A High Relief is thirty time more common than an 1859 Three Dollar gold piece and yet trades for three times as much in the same grade. This is because the High Relief is more popular and has a greater demand. While the Three Dollar is rarer, it will never appreciate to the same degree as the High Relief.

There you have the four influences on the value of a coin: **rarity, condition, market supply and demand, and popularity with collectors.** The greater the combination of these factors, the more valuable the coin will be. Theoretically, and given a choice, you would want to invest in a extremely rare high grade coin that is popular and in great demand by collectors.

As always, *diversification* is the key — not just within your overall portfolio, but within that portion of your portfolio devoted to rare coins. In Chapter Five, we will discuss some important things to keep in mind when planning your investment strategy and look, as well, at sample coin portfolios.