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Why a Country Needs a Mint? Or Does a Country Need a Mint?

In 2016, Denmark closes its mint and thereby ends a tradition going back more than a thousand years.

This is not an isolated incident. In Europe alone, five nations have privatised, sold or closed their mints within the last two decades. Time after time, governments weigh their options and how much money it is worth to them to produce their coins in a state mint.

The current economic crisis might be a reason why some governments have reduced their mints to profit centres, and why it has become immaterial that for centuries state minting activity was a matter of pride and national security.

Probably contributing is the fact that the coin as change in daily transactions has become a side issue, as long as politicians and representatives of central banks do not prefer a complete transition to cashless payment transactions.

And let's also add that the production of coins is compared more and more to the production of banknotes, where privately-owned businesses are involved a great deal more and much higher efficiency is achieved.

There is no point denying these developments. In fact, the coin industry has to face the demands of our time and develop approaches which will secure its importance – as a state or as a private mint – for its clients and therefore its own survival.

Ursula Kampmann, Editor

Sales, Closures, Privatisations of Mints in Europe

1998	Privatisation of the Polish Mint as a public limited company
2001	Sale of the Swedish Mint for SEK 200 million to Mint of Finland
2003	Sale of the Norwegian Mint for NOK 44 million to Mint of Finland and Samlerhuset AS Norge
2011	Closure of the Swedish Mint
2016	Closure of the Royal Danish Mint
2016	Sale of Royal Dutch Mint
2017	?

The Historical Perspective… or Why a State Mints Coins

Who does not know the background only knows half of the story. That is why we have briefly summarised here the reasons why states started to mint their own coins.

Private interests group

At some time in the second half of the 7th century BC, the minting of coins started. Who was responsible is still a matter of scholarly debate. In all probability, it was not any government. It is more plausible that coins were used either by mercenary leaders to pay their soldiers or by temples to personalise votive gifts.

State monopolies

Less than 100 years later, minting was in the hands of the state. Governments primarily minted coins to pay for infrastructure, such as temples, a fleet or – particularly important – a standing army.

Therefore the control of the mints became a state monopoly: whoever struck the money for the soldiers was the one who controlled the military. Rome and its coins turned into a model that was to survive the demise of the Roman Empire for centuries to come: powerful states controlled their coinage.

Public-private partnerships

In the Middle Ages, only a very few rulers were truly powerful. Accordingly, minting was mainly done through private-public partnerships.

These partnerships proved a good business, both for the entrepreneur and for the state: the minting authority was guaranteed a seigniorage whereas the entrepreneur took care of his profit himself.

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Going Private - Mennika Polska

The Polish Mint is one of the few cases in which a state-owned enterprise has been successfully converted into a private company. At present, the Mennika Polska is a stock company, of which the Polish state no longer holds any shares.

In 2016, the Polish Mint celebrates the 250th anniversary of its foundation. After King Stanislaus Poniatowski decided to establish a mint in Warsaw in 1766, the Polish Mint, however, was not permanently in operation. Its work was interrupted at regular intervals by the various foreign powers that controlled Poland.

In 1868, for example, the Russian Tsar closed the Polish Mint and had the equipment moved to the Mint of St Petersburg. And during their retreat in 1944, the Germans blew up the Mint, thus terminating coin production, which was only resumed under Communist control.

There are probably only a few nations in which the mint is so closely connected with national independence as in Poland. Therefore, it was self-evident that, after the founding of the third Polish Republic in 1989, a new Mint, with state-of-the-art technology, should be constructed.

But even before the new building was officially inaugurated on 26 September 1994, the Polish government converted the Mint into a stock corporation, effective 1 April 1994, whose shares were initially fully owned by the Treasury.

This allowed the Polish Mint to operate as a self-responsible profit centre. Already in the very first years of its existence, it achieved several successes. In 1995, it issued the first Polish bullion coin and, in 1996, produced blanks for Lithuania as well as a new coin series for Ukraine.

But the order for the production of Polish coins does not necessarily go to the Mint. Instead, it is an international competition.

On 6 February 1998, permission was granted to trade the shares of the Polish Mint on the Stock Exchange. On 7 April 1998, the shares were quoted for the first time. Since then, the shares in the Polish Mint have been freely tradable and highly popular.

After all, in its home country the Mennika Polska is a model for the successful privatisation of a formerly state-owned enterprise. It was elected Company of the Year in 2006 and Company of the Past 20 Years in 2010 by the Polish Business Club Association. In 2013, Forbes listed the Polish Mint as one of the world's most dynamic public companies.

Today the majority of shares are held by Polish entrepreneur Zbigniew Jakubas. The state itself no longer holds any shares in the previously state-owned company.

5 Good Reasons for a Private Mint

1. Market behaviour: Capacity and prices react to demand and offer. Overcapacity will be reduced quickly.

2. Greater customer orientation: Without having to take account of national preferences, a private enterprise can fully concentrate on meeting the needs of the customer.

3. Fewer restrictions: As non-governmental enterprise, a private firm is not in the public eye and does not have to overachieve regulations.

4. Costs: Experience shows that private firms work considerably more cost effectively than state-owned businesses.

5. Innovative strength: Economic competition forces private enterprises to remain innovative, to position themselves sustainably in the market.

The Historical Perspective *(Continued)*

The bill had to be paid by the people. They were given change that was cheap to manufacture and contained only a small amount of silver. And this change always had to be exchanged at a significant premium. Gold or silver money of stable value was only available at considerable extra cost.

This, of course, weakened local economies. Those affected responded with destructive revolts at regular intervals. One of the main characteristics of a strong government, therefore, was to seize control of the coinage, in the best interests of the community, to make for good money.

National money: a question of justice

The French Revolution introduced the decimal system. This was revolutionary – perhaps just as revolutionary as the Declaration of the Rights of Man and of the Citizen. It put an end to a split system consisting of money for the rich that was of stable value and inflationary money for the poor.

The underlying idea was to use a functional currency to boost the nation's economy. With the French Revolution, this idea spread throughout the whole of Europe and from Europe to overseas.

One of the great achievements of the French Revolution was the introduction of a monetary system that did not disadvantage the user of small change: for twenty 5 centimes pieces made of copper he got a franc. During the Ancien Regime, a high fee had to be paid when exchanging small change for silver or gold coins.

From then on, a coinage of one's own meant independence. Until then, the colonies had been supplied with money by their motherland, whereas independent nations founded and operated their own mints.

The mints became a source of national pride. In this spirit, the first President of the United States, George Washington, immediately initiated the construction of a national mint. To the citizens, the images of the joint currency illustrated the values on which their identity was based.

Incidentally, something similar happened in the 1990s. Back then, the dissolution of the Soviet Union led to the foundation of national mints.

The cost factor

In recent decades, national identities have taken a back seat to economic interests, in the same way as the coin has lost its function as a mass medium. The mints have reflected this development insofar as the cost factor has now become the crucial factor in the debate.

The repercussions become clear by a look at the examples in this issue.

The Rise and Fall of a Private Mint: the Birmingham Mint

Founded in 1850, within just ten years the Birmingham Mint, which specialised in bronze coins as the small change of that era, developed into the world's largest private mint. The Birmingham Mint produced change on behalf of many large-scale economic powers of the time (for example France, the UK and Italy).

The Mint could play this crucial role in global coin production because the Royal Mint was prevented from accepting any orders from foreign governments. And so everybody who wanted to benefit from British know-how had to turn to the privately owned Birmingham Mint.

But then, in 1923, the Royal Mint was granted official permission to accept the relevant orders which led to the demise of the Birmingham Mint. In the years between 1940 and 1964, coin production only accounted for 10-20% of the entire business.

Some time at the beginning of the 1960s, the Royal Mint concluded an agreement with the Birmingham Mint. It stipulated that the Birmingham Mint was to receive a specified percentage of all overseas orders of the Royal Mint.

2001 was a bad year for the Royal Mint, which recorded a trading loss of more than £5 million. This was due not just to a decline in orders, but also the high restructuring costs of the loss-making enterprise.

The situation was further exacerbated by the theft of coins worth £25,000, which were taken from the safes of the Royal Mint.

In this beleaguered position, the Royal Mint terminated the contract with the Birmingham Mint. An action for damages, to the tune of £5.4 million, was filed by the Birmingham Mint in October 2002.

Roland Vernon, owner of the Birmingham Mint also requested that the contract for coins and blanks in the UK should now go out for tender: 'The Royal Mint has the monopoly on UK coins and I think these figures confirm it really should be coming out to tender for other people to bid. I believe we could give tax-payers better value for money.'

The lawsuit ground on and the situation became increasingly threatening for the Birmingham Mint, even though it had received a major order for the production of euro blanks in 2002. Because of an acute cash shortage, it was put under KPMG administration in March 2003.

The attempt by a local politician to motivate the Royal Mint to agree to a compromise, by threatening to file a lawsuit with reference to the 1997 Competition Act, failed. In May 2003, the Birmingham Mint closed.

The End of the Danish Mint

Without a comprehensive public debate and without any significant media attention, the Danish Mint has just closed, putting an end to a story which began more than a millennium ago.

Does the fate of the Danish Mint serve as an example for the fact that national mints have outlived their usefulness for cost reasons?

According to the bank, 'Although the volume of cash in circulation remains high in Denmark, demand for new banknotes and coins has been falling for some years, and Danmarks Nationalbank does not expect the trend to reverse. ... All in all, this means that production of banknotes and coins at Danmarks Nationalbank is not economical and will not be economical in the future.'

'Consequently, Dankmarks Nationalbank has decided to initiate a process to discontinue internal printing of banknotes and minting of coins during 2016. Like a number of other central banks, Dankmarks Nationalbank will outsource these functions to external service providers. This decision is expected to yield total savings of Kr 100 million until 2020.'

With these words, the National Bank of Denmark announced its decision on 20 October 2014 to let go of a tradition that harks back more 1,000 years, by terminating the production of coins in the country's own Mint.

The Mint came under the control of the Danish National Bank as late as 1975, having previously been controlled by the Danish Government.

As recently as 2011, it was decided to move the activities of the Danish Mint from its location in Brondby to the premises of the National Bank in Havnegade, where the country's banknotes were already being produced. It was hoped that this amalgamation would make it possible to make synergies and thus save costs. The relocation was scheduled for the first quarter of 2012.

In 2012, the relocation actually took place, and the 'Banknote Printing Works' was renamed 'Banknote Printing Works and The Royal Danish Mint', effective 1 January 2012.

Roughly one year later, the board of directors of Danmarks Nationalbank decided to stop the production of banknotes and abolish the Mint. Principally, it was the fact that Denmark's need for new coins and banknotes was in decline and that, by abolishing the production of these, savings could be made.

On 19 May 2016, meanwhile, a two year contract to produce Danish coins was awarded to the Mint of Finland. The ultimate reason for this decision was that the Finnish Mint had submitted the most inexpensive offer, but quality and security were also taken into consideration.

4 Good Reasons to Not Have a Mint

1. Use of cash declining: Cashless transactions are on the increase, which makes it more and more likely that coins will eventually become superfluous.

2. Cost: A mint not working to capacity generates higher costs than the occasional minting of commemorative and circulation coins through highly efficient contract partners.

3. Not a core competency: Minting coins does not belong to the core competencies of a state. The state and the central banks are responsible for directives, standards and mintages; industrial processing of metal can be outsourced.

4. Deregulation: The state retreats from industrial production and services in order to offer private enterprises and taxpayers fair and free competition.

Why Germany has Five State-Owned Mints

Germany has a population of almost 82 million. That's high compared to France (66.03 million), or the UK (64.1 million). But this size of population does not justify an oversupply by five national mints. Why Germany, nevertheless, has five state-owned mints, and will probably continue to have them for a while, is summarised in this article.

When William I was crowned German Emperor on 18 January 1871, this was a development viewed with great unease by the rulers of the rest of Germany. Traditionally, the princes of the Holy Roman Empire held sovereign rights such as jurisdiction, tax collection and, of course, the right to mint coins in their territories. Despite the crowning of a German emperor, the constituent territories were not willing to transfer all of their rights to a central government. Therefore, the newly founded nation was a patchwork of many little nations, of which each one kept a jealous watch on their privileges.

The Imperial Mints of Germany

And one of those privileges was minting their own coins. Both the Imperial Coinage Act from 1871 and that of 1873 determined that no one united, national mint should strike German coins, but that the mints of the constituent territories, which were willing, should take over this task.

These were mainly the major states and city states: the Kingdom of Prussia, Bavaria, Saxony and Wuerttemberg, the Grand Duchies of Baden and Hesse, as well as the Free Hanseatic City of Hamburg.

Shortly after the introduction of the new currency, several mints closed. Already back then, the active German mints emerged: Prussian Berlin, Bavarian Munich, Stuttgart in Wuerttemberg, Karlsruhe in Baden, and Hamburg.

The only mint currently not active anymore is that of Saxon Muldenhütten, which was closed in 1953 as a GDR (German Democratice Republic) mint, when the entire coin production of the GDR was concentrated in Berlin.

German mints after World War II

The six mints just named produced the coins of the German Empire, the Weimar Republic, and the Third Reich. When it was time – after the victory of the Allies against Nazi Germany – to introduce a new currency, it was decided to keep this system going.

In West Germany, all mints were kept active. A balanced system was developed, after which even today the striking of coins is subject to both the Cabinet of Germany and the federal states.

When the GDR was integrated into the Federal Republic of Germany, this system was adopted for the Berlin mint.

Legal and administrative status

Germany is a country which has three political echelons:

- the municipal level;
- the federal states as the heirs of the former principalities;
- the government, currently under Chancellor Angela Merkel.

While in many other countries the mint is directly subject to the highest financial authority, minting in Germany is divided between the federal government and the federal states, due to the above explained historical reasons.

In section 7 of the Act on the minting of divisional coins from 1950, the legislator determined the following:

- 7.1 Coins will be minted on behalf of and for the account of the Federal Government in the mints of the Federal States which have declared their willingness. The procedure of minting is to be controlled by the Federal Ministry of Finance;
- 7.3 With the approval of the Federal Council, the Minister of Finance determines the distribution of the sums to be minted to each mint and warrants a compensation for every coin type minted.

When the euro was introduced, the German Coinage Act was only slightly rephrased, improving the position of the federal government and weakening the influence of the federal states. The Act, most recently changed on 22 December 2011, stipulates the following in section 6:

- 6.1 The German euro coins and the German commemorative euro coins are to be minted by the mints of Federal States which declare their willingness and which are commissioned by the Federal Government. The procedure of minting is subject to oversight by the Federal Ministry of Finance;
- 6.2 The Federal Ministry of Finance determines the distribution of the sums to be minted to each mint and warrants an equal and adequate compensation for every coin type minted.

This means that Germany would have to change its Coinage Act in order to contract out its minting internationally.

Also, the closure of a German mint cannot be decided by the federal government, but only by the Ministry of Finance of the relevant federal state. To each federal state, the mints represent employers, partially financed by government funding, which contribute to state revenues. So, as long as the state-owned German mints do not produce a loss, why should any of them be closed?

5 Good Reasons for a State-Owned Mint

1. Security: The state controls all security requirements it deems important.

2. Priority: In a state-owned mint, national orders have first priority. Placing an order with a private company can imply a different prioritisation due to economic reasons.

3. Increase of GDP: State-owned mints offer jobs for highly qualified employees, who spend their salaries locally and pay contributions to the national social security system. A mint is an attractive enterprise that strengthens the economy of a country.

4. Independence: For centuries, the control over one's own money has been a sign of independence.

5. Reputation: State-owned mints are perceived as a part of their state and thus enjoy greater trust than privately-run companies. Also, having a state-owned mint is a sign of a powerful, economically strong state.

The Karlsruhe Mint still operates in the same building which was ordered to be erected by Charles I, Grand Duke of Baden, in 1816.

What is the Difference Between Operating as a Private versus a National Mint?

We asked two Mint Directors this question – Ross MacDiarmid, CEO of the of the Royal Australian Mint and Grzegorz Zambrzycki, President of the Board and General Director of the Mint of Poland.

Ross MacDiarmid.

Royal Australian Mint

Q: *What makes the difference between a national and a private mint?*

A: A national or a sovereign mint is generally responsible for the production of circulating coin for that country and has a direct or indirect reporting responsibility to the government of the day. It is generally owned by the government.

Q: *What kind of obligation do you feel, knowing that you are owned by the government?*

A: To avoid embarrassment to the government and thereby any risk of reputational damage, while protecting the Intellectual Property of the country in the form of the national effigy and any other core cultural identifiers.

Q: *If you had to prioritise the following tasks, how would you value them?*

Providing circulation coins for Australia?

A: This is the core business, but it must still be profitable.

Making a profit?

A: If you make a loss on the commercial business, the government may ask you to show the cause.

Operating in a sustainable manner?

A: This is about trying to ensure the business has a future and operates in an environmentally and socially acceptable way.

Increasing the clientele?

A: This is important to continue to grow the numismatic business.

Designing coins which sell well?

A: This is part of the success of the commercial business.

6. Making Australians proud of their history?

A: We can't really guarantee this. Perhaps we are making them aware.

Q: *Does it make a difference concerning coin design, the launch of new technologies, pricing or the way of marketing in not being private, but government-owned?*

A: Yes it potentially does make a difference because a private mint is generally unconstrained in what it does and how it spends money without having bureaucratic oversight. Private mints also operate at a lower cost because they don't have the cost burden of governmental reporting and regulatory compliance.

Q: *In Germany or Switzerland for example, the government is not only fully responsible for the themes of commemorative coins, but also for the design. Does politics have an influence on the coin designs in Australia?*

A: No – only very occasionally. The RAM develops program concepts, themes and event ideas that it puts forward to the government and, when it relates to the use of the Queen's effigy, obtains approval to use.

Q: *If yes, how does it work?*

A: If on the rare occasions the government does have a particular requirement, it will seek advice first and /or the creation of a concept from RAM, and then based on the outcome it may direct a particular theme. In my time at the RAM there have been very few occasions where the mint has been asked / directed to produce a coin.

Q: *You are running a lot of programs to improve the situation of your employees. But isn't it sometimes a financial burden to act as a flagship company of Australia which has to be very sensitive to the needs of its employees, to environmental issues or equality?*

A: No, not really. I would describe much of what we do, within the resources available, as no different to what a private business would do. We are interested in achieving improved productivity and ensuring staff work in a safe, secure and engaging environment.

The WellMint program we have previously described and the Leadership program we described at the Mint Directors Conference in Bangkok are our un-imposed initiatives to help create a more productive, motivated and effective workforce.

Q: *If you had the choice, would you prefer working as a private mint or rather stay a national mint?*

A: A national mint with the flexibility to operate with greater flexibility, ie. in our case a government owned corporation with a skills-based board reporting to the government. The RAM in all appearances operates like a private business and, while benefitting from having the integrity of governmental ownership and respecting the responsibility it has to the government to protect its interests, it could operate more effectively under a corporate structure.

Grzegorz Zambrzycki.

Mint of Poland

Q: *What makes the difference between a national and a private mint?*

A: We use different wording. In our opinion, a national mint is a mint which, irrespective of its ownership structure, is the only production facility located in the country providing coins to the national bank of that particular country. In such a case we are in fact a national mint. Quite another story is whether we are state-controlled or privately owned.

Q: *What kind of obligation do you feel towards your shareholders?*

A: We need to act like any other company listed on the Stock Exchange. We need to be transparent, deliver value to the shareholders by constant growth, proper management of risks, creation of strategy, development, paying dividends as well as delivering market capitalisation.

We have supervisory meetings every month, during which we present and discuss such issues as results, major contracts, obligations, strategy, etc.

Q: *If you had to prioritise the following tasks, how would you value them?*

Making a profit?

A: Obviously, we are economically-driven company, so delivering profit would be important and our top priority.

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Privatisation Disaster

The privatisation of state-owned companies may unburden a state both financially and organisationally. But when a privatisation is as ill-considered as in the case of the German Federal Printing Office (Bundesdruckerei), significant damage to the taxpayers can be done.

In 1989, Germany was re-united, which meant a major increase in work for Bundesdruckerei (BDR). Besides its capacity to print banknotes, this high-security printing company, originally founded as the Imperial Printing Company in 1879, held lucrative monopoly contracts with the German government for identity document printing, stamps, visa and passport printing.

To accommodate the increase of work due to reunification, the workforce was enlarged to 4,500 employees. After the initial workload declined, these overcapacities transformed into a heavy financial burden which the government administration of the time was keen to offload.

For this reason, the Federal Cabinet approved the transformation of the state-owned company into a private limited company in 1994. €270 million of government money was invested to moderise the company.

It was the goal of Finance Minister Hans Eichel to operate in the black by 2004 at the latest– a 'difficult aim' to achieve in respect of all the liabilities caused by the reunification. One of the tools he used was the sale of BDR Office in 2000 for €1 billion to the British private equity firm Apax.

The firm only paid a quarter of the purchase amount. Another quarter was owed to the Federal Ministry of Finance, and the remaining €500 million was loaned by the Hessische Landesbank.

Apax' goal was to restructure and redevelop the slightly dusty company and to float it as an efficient company on the market. The goal was a 30% profit margin per year. For this reason Apax transferred its shares and liabilities to an independent company, Authentos GmbH, to which BDR was supposed to pay €50-€75 million per year in order to satisfy interest rates and pay off debts.

By doing so, the payment of any taxes was avoided, because due to this specification, BDR was certainly not able to make any profit.

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Private versus a National Mint?

(Continued)

Providing circulation coins for Poland, operating in a sustainable manner and Increasing the clientele?

A: Working in a sustainable manner and diversifying our markets as well as maintaining our most important client – the National Bank of Poland – are an important part of our strategy. So, all of these, along with making a profit are equally ranked.

Making Polish people proud of their history?

A: We are one of the oldest entities in the country, with 250 years of history. We were established by the last Polish king. History and legacy, which we are carefully preserving and celebrating, are extremely important to us. We are, therefore, very active in the fields where we can highlight our history, of which we are proud.

However, being realistic, we are a niche operation. Not every citizen of Poland is aware of the historical facts and our centuries-long experience.

Designing coins which sell well?

A: This is important, but only if it is relevant. We are a mint in seven continents. We sell our products to many countries. What sells in the Far East does not find market appreciation in Europe.

What we make for Europe does not exactly meet the expectations of the west side of our globe. We are carefully analysing market needs, specifics, culture and history in order to dedicate products to specific markets.

Q: *Does it make a difference concerning coin design, the launch of new technologies, pricing or the way of marketing being not government-owned, but private? The Polish Mint has developed quite a lot of price-winning technologies within the last few years. Does the need to produce products which sell well influence your decisions about investment in developing new technologies?*

A: I'm not in the position to comment or justify the strategies of others. We have always looked for new techniques and technologies. We own 80+ different techniques which can be used during production and the decoration of our products. It puts us on the top of all mints worldwide.

Are we using all of them? No. But most of them. Some of them are still waiting to be appreciated, some of them are not innovative anymore. And we are still working on the new ones. More than 50% of techniques are invented and developed in-house.

As private entity we follow simple free market rule – either we develop and grow, or we shrink and die. Stagnation is not an option for us.

Q: *If you have to compete with national mints or mints which are at least owned by a government institution, what will be your argument for convincing your client that it's better to cooperate with a private mint?*

A: Any client is extremely important and very demanding. I do not believe there should be any difference in approaching and serving such a client, no matter whether we are private or state-controlled.

We must deliver, in restrictive timescales, quantities of products of high quality with optimised costs, ie. competitive with the others. No national bank can afford to put at risk the timetable of delivery as well as the quality of products.

We are aware that some of the state-owned mints are not run by economic factors. Not always. Sometimes they have different tasks, such as employment obligations made to society by politicians, or other factors. Therefore, sometimes we are not in the position to fairly win tenders.

We are a tailored and slim organisation, sized to the level required by the market. Our decision process, willingness to accept changing conditions, dynamically changing environment and flexibility provide us with another large advantage over the others, particularly state-owned mints.

Q: *If you had the choice, would you prefer working as a national mint or rather stay a private mint?*

A: I was a member of the Supervisory Board of some state-owned companies, but my experience with this sector is rather limited.

I like the decision process and flexibility which characterises the private sector. I like being responsible for delivering results, and I like that what I do is evaluated by owners who base their judgment on known factors.

You can read the full versionof the interview with Grzegorz Zambrzycki at **www.coinsweekly.com**

Serving the Citizen: the US Mint

Jon Cameron of the US Mint stated at The Coin Conference in Madrid in 2015 that it wouldn't make any sense for the Mint to save a few million dollars – and that a change of material for small money would cost industry involved much, much more.

Thus the US Mint has demonstrated that it is more than a profit centre looking to save money; it is a national mint committed to the public. We asked Tom Jurkowsky, Chief of the Office of Corporate Communications, a few questions about the operating principles of the US Mint.

Tom Jurkowsky

Q: *What are the major tasks of the US Mint?*

A: Created by Congress on April 2, 1792, the United States Mint is the world's largest manufacturer of coins and medals. It operates globally alongside leading online retailers and ranks among the most technologically advanced enterprises in the country. The US Mint has approximately 1,700 employees and generates more than $3.1 billion in annual revenue.

The mint produces circulating coinage for the nation to conduct its trade and commerce. Circulating coin production is approximately 16 billion annually.

In addition to producing coins, the US Mint has other responsibilities, including:

- Distributing US coins to the Federal Reserve banks and branches;
- Maintaining physical custody and protection of US gold and silver assets;
- Producing proof and uncirculated coins, congressionally-authorized commemorative coins and medals for sale to the general public;
- Manufacturing and selling platinum, gold and silver bullion coins.

Q: *Who is making the most important decisions concerning minting issues? Politicians or the management of the US Mint?*

A: Since Fiscal Year 1996, the US Mint has operated under the Public Enterprise Fund (PEF). The PEF enables the US Mint to operate without an appropriation.

Revenue is generated through the sale of circulating coins to the Federal Reserve Banks (FRB), numismatic products to the public and bullion coins to authorized purchasers. Revenue in excess of amounts required for operations are transferred to the US Treasury General Fund.

Coins and medals (eg. Congressional Gold Medals) issued by the Mint are under the jurisdiction of congressional 'authorizers', while more general policies are determined by budget 'appropriators.'

In 2004, the House of Representatives Committee on Ways and Means asserted its jurisdiction over coin issues under the US Constitution) – 'All Bills for raising revenue shall originate in the House of Representatives…' by requiring consideration of all commemorative coin program bills by the full body.

Commemorative coin programs are statutorily limited to only two per year. Recipient organizations identified by the authorizing legislation for each program are eligible for surcharges after all costs to produce the coins are recovered by the Mint.

The House of Representatives and Senate authorizing committees have committee rules requiring two-thirds co-sponsorship of each body (290 in the House of Representatives and 67 in the Senate) before the committee considers legislation authorizing commemorative coin programs and Congressional Gold Medals.

Q: *The mintage of US commemorative coins are some of the highest in the world. What are the reasons for producing these commemorative coins?*

A: Congress authorizes commemorative coins that celebrate and honor American people, places, events and institutions. Although these coins are legal tender, they are not minted for general circulation.

As well as commemorating important aspects of American history, culture and respected organizations, these coins help raise money for important causes. Part of the price of these coins is a surcharge that goes to organizations and projects that benefit the community. For example, surcharges on the US Capitol Visitor Center commemorative coins helped build a new visitor center under the US Capitol's East Plaza.

Since the modern commemorative coin program began in 1982, the Mint has generated more than $500 million in surcharges.

Q: *Do you produce coins for other states? Why or why not?*

A: Congressional authorization for the production of foreign coins by the US Mint began with the Act of January 29, 1874. The first foreign coins were produced for Venezuela. By 1962, the US Mint had produced coins for 37 different countries.

Production of foreign coins was not a continuous activity. Under the terms of the proviso in the 1987 legislation, the 1965 annual report [of the directorof the Mint] stated that '…During the year under review the United States Mint temporarily suspended the customary service of minting coins for other governments in order to utilize its entire capacity and facilities for the production of domestic coins…'

Foreign coin production would resume, or be suspended, as needed throughout the history of this activity. The last record of foreign coins produced by the US Mint dates to the Annual Report of 1984, and specifies 45.6 million pieces produced for Panama.

It's difficult to present specific reasons why foreign coinage production was discontinued. It seems that, by 1987, the Mint's own production schedule could no longer support the manufacture of foreign coins. The simultaneous production of foreign coins would have conflicted with the Mint's primary responsibility to manufacture coins for the nation.

The feasibility of producing foreign coinage is reviewed from time to time, but no decision has been made, to date, to reactivate this function.

Q: *Do you think a nation needs a national mint?*

A: When the framers of the US Constitution created a new government for their untried Republic, they realized the critical need for a respected monetary system. Soon after the Constitution's ratification, Secretary of the Treasury Alexander Hamilton personally prepared plans for a national mint.

On April 2, 1792, Congress passed The Coinage Act, which created the Mint and authorized construction of a Mint building in the nation's capital, then Philadelphia. This was the first federal building erected under the Constitution.

Since our institution's founding, the men and women of the Mint have taken great pride in rendering the story of our nation in enduring examples of numismatic art. To hold a coin or medal produced by the Mint is to connect to the founding principles of our nation and the makings of our economy.

Read the complete interview at **www.coinsweekly.com**

A Quasi Unregulated Market? By Daniel Sheffer

In this article, Daniel Sheffer wonders where the moral boundaries of a state-owned mint are, and whether there need to be legal regulations so that public monopoly holders cannot abuse their position for unfair competition.

Daniel Sheffer – Monea.

For the unbiased observer it must occasionally seem that state-run companies are allowed to do anything which is not explicitly forbidden by law. On the international markets some state mints literally scatter their products at 'dumping' prices. These mints can do so unpunished, as they are insured by being national monopolies.

They can offset any losses from those dumping deals against profits made from monopoly deals. While in a privately-owned business the loss or profit of every deal counts, politics and networks are often the most important factors for state-owned companies.

How could this imbalance emerge?

Historically speaking, state-owned mints were the sacrosanct money machines of their owners: monarchs, princes, and other rulers. Their profit was not caused by revenue minus costs, as it is in a free competition, but by the size of the territory which they could force to use their money.

Market prices?

For the demand of coins, blanks or minting-related services, the state mints – with a few exceptions – never had and still don't have to deal with any competition.

This is why neither products nor services for the national market are guided by a price arrived at a free competition. This is how big profits are gained from being a monopoly.

State-owned mints have an important mission. As modern and efficient service providers, they ensure that the coins of 'their' country are genuine and produced reliably, efficiently and sustainably.

State-owned mints are guarantors of trust, which is given by citizens and foreigners in the financial solvency of a nation. Mints, which achieve this mission, work in the interest of tax payers.

But what about state-owned enterprises which abuse profits from their national monopoly in order to take on investments in capacities and the conquest of international markets which have nothing to do with their basic task? They thus use tax money of their citizens to subsidise the coin production of another country.

One has to question whether the turnover of a state-run mint really is the only criteria for its quality. It cannot be in the interest of a nation and a service to the taxpayers to restrict, let alone destroy, free and fair competition in producing coins.

How do we have to value it from an ethical point of view, if representatives of a state organisation influence representatives of foreign central banks in order to assure the workload of their mint, which might be scaled too large?

In the last few years several scandals involving politicians and public officials have brought a change in thinking. Even European supervisory bodies are starting to take on the question of what the function of state-owned, national mints in a united Europe should be.

They will newly define monopolies and the range of services of state-owned mints. They will differentiate which services will be delivered by private providers, which should be taken on by public service, and which rules will apply to both of them.

The current situation shows us that rules are needed in order to determine what a state-owned mint may and may not do. As long as these questions are not discussed publicly and noticed as an issue by the legislature, there will be frustration and lack of orientation on both sides. Private suppliers and especially tax payers are situated at a structural disadvantage.

Privatisation Disaster *(Continued)*

However, profits remained far below expectations. The exact point of Authentos' insolvency cannot determined, because the Hessische Landesbank and the Ministry of Finance waived all interest and other loan payments.

In 2002, a trust company bought Authentos for the symbolic purchase price of €1. It was commissioned to find a buyer. However, due to 9/11, the security consciousness of the German government was heightened.

It was decided that Authentos GmbH was not be sold to a foreign investor again – even though one is said to have outbid the €400 million offered by domestic bidder Giesecke & Devrient by more than double that amount.

Through an ultimatum, the trust company forced the government to make a final decision in 2008. The Federal Government decided to reassume possession of 100% of the Federal Printing Office.

As to the real cost to the German taxpayers, strict silence was maintained.

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