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# Commemorative Metal Money and Monetary Economy

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***Summary:** The subject of study of monetary economy is money, its forms and functions and its economic and reproductive role. Since modern money is a very heterogeneous category, an adequate money issue policy makes it possible with particular forms of money to achieve some additional effects. This primarily refers to commemorative coins, the issue of which may bring significant economic effects based on numismatic designs. In this way, this kind of money may get another role in monetary economy. Such approach does not lessen the basic functions of commemorative money, such as the function of preserving value, the function of a means of transaction, the function of a means of payment or its commercial function. Planned activities in relation to the introduction of cash money, including commemorative coinage, in most European Union countries in the year 2002, among other things, will also have important influence on Croatian money issue policy regarding commemorative coinage. The reasons for this are the development of money issue activities in the sphere of coinage, especially in the segment of commemorative coins in the European Union countries, and the readiness of Croatia to participate in that association. It will therefore be necessary to harmonize Croatian money issue policy in the sphere of commemorative coinage with the unified policy of these countries that is now being profiled.*

***Key words:** commemorative metal money; numismatics; numismatic marke; money issue; monetary economy.*

## 1. INTRODUCTION

One form of currency - commemorative metal money - has been put in the center of the interest of monetary economy for a number of reasons. It was primarily due to the fact that monetary economy does not study this sort of money in any special way but regards and treats it as any other form of currency, and in the field of theory, commemorative metal money has not been adequately valorized. This confirms the rule that monetary solutions are regularly imposed by the practice, and only then an adequate scientific function of the respective phenomenon follows as well.

The representation, the numerousness of this form of money and the effects of its issuing, as well as the functions it performs are further reasons that make such an approach necessary. This is even more stressed by the changes in the monetary sphere that are about to take place in our immediate neighborhood in relation to European integration processes and that are largely present in the field of issuing of the new currency as well.

## 2. MONETARY ECONOMY AND NUMISMATICS

Monetary economy studies money, forms of money and functions of money, its economic role and its role in the process of reproduction.

Such definition of the interest of monetary economy essentially represents a classical approach to the phenomenon of money.

It is clear that the money, its various forms but also the essence of issuing money have been changing in the long history of its existence. And this process of change is still in progress today. The prognostics given by some experts that money in a material form belongs to history have not become reality. On the contrary, modern life and the needs arising from it, as well as the changes in connection with globalization have resulted in new demands for

some forms of money. In addition to the above, the developed numismatic market in particular countries, but also the global numismatic market are changing some of their existing views and their thus far usual practice. All this imposes the necessity to valorize the commemorative metal money, but also the need for scientific foundation of certain practical solutions in the sphere of this monetary form.

## **2.1. Modern Forms of Money**

The term modern money includes all forms of money in the present day economies. With respect to different levels of development, but also to different market orientation and different traditions in the banking of particular countries, there are significant differences in the representation of particular money forms. Generally, modern money can be divided into:

- money in the material form
- money in non-material form

### **Modern Money in the Material Form**

Recent material form money includes banknotes and all types of metal money. These forms of money are in monetary economy commonly referred to as cash or ready money, and together with the deposit money they form the money supply (monetary aggregate M1).

Conditionally, it is also possible to include plastic cards into this category of money.<sup>1</sup> The reason for this lies in the fact that these cards perform some of the functions of money, such as the function of a means of payment, partially the commercial function and the function of the standard of deferred payments.

Unlike the classical means of payment, this one is not given to another person on the occasion of payment. The card is issued to the name of its owner and he is the only one who can use it. Therefore, the cards are not interesting as a collection object and hence, they are not objects of numismatic interest.

#### **2.1.1. Paper Money**

In addition to monetary economy, paper money<sup>2</sup> is also studied by numismatics. Because its numismatic dimension is far less important than its monetary aspects and because this form of money is less represented in the function of commemorative money, this paper focuses on metal money.

#### **2.1.2. Metal money**

The great variety of forms of metal money<sup>3</sup> today, great opportunities regarding the management of its issue and achieving various effects - from non-fiscal to advertising ones -

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<sup>1</sup> Today, there are various cards, but the most frequently represented are the so-called bankcards, and partially also credit cards

<sup>2</sup> In monetary economy, bank notes are today usually referred to as paper money. But, as everything is changing, in the modern times this form of money is not made exclusively of paper. There is a growing use of plastic material (polymer) and this makes the term "paper money" partially inadequate.

<sup>3</sup> This kind of money is also frequently referred to as coined or struck money. In fact all of the recent metal money has been made with this technology; however, the term metal money may still be more appropriate. since this form of money is, without exception, made of various metals or their alloys.

certainly impose the need to manage this kind of currency and to study it within the field of monetary economy.

### **2.1.3. Other Forms of Money**

Different critical situations such as states of war, problems in providing the sufficient supply of particular denominations of money, but also the time coordination of these activities and some conditions related to psychological grounds and expectations regarding the changes in the value of money or in its purchasing power (expected inflation, the state of hyperinflation, etc.) can result in the occurring of archaic forms of money and various replacements for money. But these are only exceptions confirming the rule.

These forms of money are certainly not representative. They are results of disturbances occurring in every day exchange that still exists even in such states of emergency. This directly illustrates what also happens with all forms of money, namely that the practice and everyday life impose certain practical solutions so that they may take place more or less smoothly. These forms of money are various money substitutes, such as necessitous money, money coupons, and even some forms of war money.

## **3. COMMEMORATIVE METAL MONEY**

One special category of metal money in circulation has been strongly developing in recent years - the category of commemorative metal money. Its development is interesting both from the point of view of its issue (the number of issued coins, denominations, motives, etc.), and from the point of view of the effects this form of money achieves.

Since commemorative metal money is not a unified category of money, this specific feature of this money opens a wide variety of opportunities in its issuing.

Adding various approaches in the issuing of this money form and innovations in its design, gives us additional grounds for the great variety in the design of commemorative metal money.

The fact that there is demand for this kind of money not only in the sphere of money circulation, but that it is also collected like any other archeological and historical money, i.e. that it is interesting for numismatics, additionally underlines its importance. Thus the numismatic function of this money becomes one of its very important functions. In accordance with the tradition, with habits and a number of other reasons, particular countries become numismatically oriented in this segment of money issuing in the modern sense of the word. So it happened that, in spite of the fact that they have been issuing commemorative metal money only for a short time, some countries have - thanks to a scientific approach, studying the needs of the modern numismatic market and satisfying these needs - even developed into great powers in the field of numismatics. Through an intensive issuing policy these countries gradually make up for their historical lagging in this field.

The issuing of commemorative money also has some other dimensions, such as participation on the global numismatic market, advertising effects, attaining national prestige, etc.

### **3.1. The Role, the Importance and the Functions of Commemorative Metal Money in Particular Countries with a Developed Numismatic Activity and in the European Union.**

Commemorative money appeared very early in the development of banking. Among the forerunners of this kind of money there are coins from the period of the Roman Empire (such as e.g. posthumous coins and other commemorative money).

The tradition of producing this kind of money continues almost without interruption in the development of banking. It is quite understandable that some countries are setting the example in this field. Tradition, habits and some other reasons certainly influence the issuing of commemorative coinage.

Recent commemorative metal money finds its existence on the historical development and experiences. Modern life, communication among people, tourism and other achievements of civilization, as well as globalization create additional impulses, but they also develop the need for this form of money. Modern commemorative money is a very heterogeneous category. On this ground and by creating an adequate money issue policy, but also by creating and developing the habit and the need for this money form in the issuer's country and beyond that, some states achieve much better results exclusively connected with the functions of money such as transaction function, payment function or commercial function. At the same time, the issuing of this form of money becomes an important non-fiscal income based on the difference between the costs of the making of this money and its nominal value.

#### **Definitions of Commemorative Money**

Commemorative metal money includes minted (more rarely castings) that are identical, partially different or completely different in their motive, nominal value, name of the monetary unit or material of which the money in circulation has been made. Commemorative metal money may be intended for circulation but need not have this purpose. If it is intended for circulation, then it is usually called commemorative circulation money. In that case, coins are put in circulation at their nominal value, so that its quality of making is the same as that of the money in circulation (mint luster, mint state / uncirculated).

Commemorative metal money that has not been intended for circulation (non-circulating legal tender) has a face value lower than its selling price. Thus, there is some kind of exchange premium on the nominal value. The amount of this additional difference in value differs from country to country, but sometimes it also depends on the type of commemorative money. At the same time, this money is struck by a special technique, in a quality higher than that of circulation money (polirte plate). Due to the quality of their making and their coining characteristics, such coins are always put in circulation packed. Most countries consider this money as their legal tender. Some countries put taxes on such issues of money.

#### **Germany**

This country has a very long issuing activity, which also includes the issues of commemorative metal money. It must be emphasized that the current issue of commemorative coinage has been very simplified because only two denominations (5 and 10 DM) have been struck and there are plans for the issue of another denomination with the face value of 1 DM. Both denominations were put in circulation at their face value; hence we can speak of commemorative circulation money. Germany started issuing the 5 DM denomination in 1952

when 200,000 5 DM coins were struck.<sup>4</sup> Since then, the number of struck coins has been increasing almost every year over a period of 34 years. Eventually, this denomination was struck annually in millions of coins. The 5 DM coins (with 43 different motives) were struck in the total amount of 258,550,000 pieces with a total nominal value of 1,292,750,000 DEM.

The 10 DM denomination was issued for the first time in 1972 and Germany continued issuing it until the present day. Until 1999<sup>5</sup>, Germany has issued 294.8 million coins of this denomination in 36 motives or types.<sup>6</sup> Total nominal value of 10 DM coins is 12,948,000,000 DM. With this denomination the number of issued coins varied depending on the motive and the year of issuing. The above figures extremely well illustrate the importance of this money.

If we also add higher quality coinage<sup>7</sup> to this, then it is easy to conclude, what effects are achieved by the issuing of this money. This primarily refers to non-fiscal effects based on the difference between the nominal and the real value of these denominations, and to deflationary effects because practically the entire issue of such money has been withdrawn out of circulation and hoarded. These denominations then become objects of desire and of search on the numismatic market, where they then also achieve fiscal effects through the taxation of this activity. We also mustn't neglect some other effects, such as advertising, but also national prestige and some other.

### **Austria**

This country with a very long and uninterrupted issuing tradition also achieves extraordinary results with its issues of commemorative money. Austrian program of commemorative issues is a little more complicated. Regarding its influence, the stress in this paper is put on the issuing of commemorative circulation money.<sup>8</sup> The recent issues of Austrian commemorative coins started in 1955 and have continued until today. Over this long period of time there have, of course, been some changes in the denominations (25, 50 and 100 Austrian Schillings), which have since 1980 been reduced only to the denomination of 500 Austrian Schillings. In the said period, Austria issued a total of 167,180,000 pieces of commemorative circulation money with 121 motives and with a total nominal value of 20,616,250,000 Austrian Schillings. These numbers show the importance of commemorative metal money from the point of view of its influence on the money mass, they emphasize the non-fiscal effects with respect to the difference between the face and real value of this money, as well as many other effects that are achieved in every country with a developed numismatic activity.

### **The European Union**

The planned introduction of the Euro as the supranational currency in form of cash money in twelve countries of the European Union in the year 2002 will have significant influence on the commemorative money issuing policies in the countries abandoning their own national currencies.

In fact, the EU member countries - and they were not the only ones - have issued a great number of commemorative coins, both within this period of adjustment to the new

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<sup>4</sup> Present day market value of this coin in mint state quality is 2,400 DM.

<sup>5</sup> All relevant data are available.

<sup>6</sup> Some denominations were struck in all mints, so they are identical in their motives, but different in type

<sup>7</sup> Since 1998 the same motive is struck in all five mints, but only in polished plate quality

<sup>8</sup> Austria also issues its commemorative money in a higher quality (2 gradations: polished plate and HOG) and there is also special commemorative money (in silver, gold, two-part alloys of two precious metals or a precious metal with a base metal; money in the form of gold bars and subsequently struck commemorative money).

currency, and before it, when the common monetary unit was still called ECU. In some of these countries such commemorative coins have even had the force of the legal tender. However, the wide variety of numerous institutional changes and planned activities of the Union in the monetary field have put certain obstacles in the way of such practice. Therefore, and also because of the importance of the commemorative money, it was necessary to begin with the regulations of this problem. This regulation process is still not entirely completed. The jurisdiction in relation to the future issues of commemorative money has been transferred to the Subcommittee (Sub-workgroup presided by Austria) of the Committee for the replacement of currency, which is Committee of the ECOFIN Council consisting of all ministers of finances in the EU.

So far, the following has been agreed in relation to commemorative money:

- commemorative metal money will be issued by the European Central Bank in Frankfurt. The amount of issued commemorative metal money will be a constituent part of the total amount of circulation money issued as Euro,
- commemorative money must have its face value in Euro,
- commemorative money will not have the force of legal tender in the whole of Euroland. It will only have the force of legal tender in the country that has issued it,
- each country is free to choose the motives for their commemorative money,
- coinage aberrations (tolerance, aberrations in weight, diameter, etc.) are regulated identically as with the circulation money,
- nominal value is higher than 5 Euro because this nominal value has been reserved for possible future needs for such face value.

It is understandable that such solutions will demand certain changes, but also that they will at the same time have a number of consequences for the commemorative money issuing policy of the EU countries. This issue is also partially connected with the capacities of mints, with the differences in the issuing of commemorative money in different countries, with the tradition and the preference for specific denominations, motives, materials, etc.

These changes will at the same time cause reactions on the global numismatic market in the sense of adjustment to the new situation, but also in the sense of attempts to make greater profit in this field. However, the final judgement will come from numismatists and all other collectors who have invested into this kind of money so far.

### **3.2. Commemorative Metal Money in Croatia**

Recent Croatian commemorative metal money includes coins denominated in kuna struck since 1994.

Croatian commemorative metal money includes:

- commemorative circulation money,
- commemorative money,
- commemorative money as the source of the present-day monetary system

Croatian commemorative circulation money has been issued in 10 denominations (eight "denominations are identical with the circulation money, one denomination (5 kuna) has a different design and there is also the denomination of 25 kuna) and 15 motives, i.e. catalog items.

Total nominal value of the issued commemorative coins is 52,815,000 kuna, with the total of 10 million coins. All of the commemorative circulation money is made of base metals and alloys in MS quality and is intended for circulation. All catalog items are made in the prooflike technique and are packed and sold at a price higher than their face value. Commemorative money is struck in silver (with nominal values of 100, 150 and 200 kuna) and gold (500 and 1,000 kuna). All together 123,500 such coins were struck with a total nominal value of 37,800,000 kuna (Table 1).

Table 1. Croatian golden and silver commemorative money

	Nominal value (kuna)					Total
	100	150	200	500	1000	
Number of motives (catalog items)	6	9	13	9	5	42
Total number (items)	29.000	27.000	33.000	20.500	14.000	123.500
Nominal value	2.900.000	4.050.000	6.600.000	10.250.000	14.000.000	37.800.000

A greater part of these commemorative issues was struck in series (2 to 5 denominations) where different denominations have the same motive or each denomination has its own different motive. The quantities have been set for all denominations, with the exception of a few for which the maximum quantity is determined.

Also, three denominations had a second issue, which has been specially marked in keeping with the numismatic standards.

A special category of commemorative money is the coin struck in gold in only 200 pieces with the face value of 5 kuna.

The Republic of Croatia has issued commemorative money outside of its existing monetary system in two denominations (two catalog items) with the nominal value of one ducat. These ducats were struck in an issue of 8,000 pieces.

### **3.3. Some Possible Development Directions of Croatian Commemorative Metal Money in the Future**

Modern Croatian issues of commemorative coinage are connected with the year 1994 and in spite of the fact that this is rather a short period of time it resulted in a relatively large number of issued coins. All together, 75 catalog items have been issued.<sup>9</sup> Motives on the coins are different and reach from famous individuals, cities, flora and fauna to sports events and the marking of important dates from Croatian history, of the new millennium as well as those dedicated to the annuals of world organizations, of congresses and exhibitions.

All Croatian commemorative money, except for the issues of metal money outside of the existing monetary system, is used as legal tender in the Republic of Croatia.

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<sup>9</sup> A total of 43 catalog items of commemorative money; - among these, 15 catalog items were in the MS quality, 15 in high MS quality, and two catalog items of commemorative money outside the country's existing monetary system.

Commemorative circulation money is used in monetary transactions.<sup>10</sup> Commemorative golden and silver money was, with some exceptions, sold at its nominal value increased by 30%. The issuing of all forms of commemorative money brings an issuing profit. However, in spite of the lower nominal value of commemorative circulation money, it allows a higher and much more important profit because it is used in financial circulation.

The choice of motives indicates that this can also be one of the crucial elements leading to a successful realization of a particular denomination or of a whole set.

The experience gathered thus far in relation to the issuing policy, as well as the changes that will happen next year on the most important numismatic markets on which Croatia must certainly participate will at the same time indicate the need for Croatia to adjust itself to these circumstances. This will primarily reflect itself on the selection of motives, on the denominational value, but also on the innovations related to the technical and technological side of making metal money. The existing of the Croatian Mint of the Croatian Monetary Institute additionally imposes the need to observe and follow these tendencies and to adjust to them. A great advantage of Croatia in relation to many other states is the fact that our national currency has a very high purchasing power and stability, and hence also in the possibility to make issuing profit with each denomination.

The complexity of such an approach also arises from the changes that are about to take place in the segment of commemorative metal money in the European Union.

Promotion activities in relation to the issuing of the first German commemorative circulation money denominated in the new currency, Euro, indicates the basic tendencies of the future issuing policy, not only in Germany as a country but also in Germany as a numismatic superpower. In the year 2002, the Germans plan to strike silver commemorative money with a nominal value of 10 Euros. This will be silver commemorative circulation money intended for financial transactions, and it will be made of a precious metal, which presents an additional reason for collection, especially for those who are not numismatists.

#### **4. CONCLUSION**

The issuing of special of commemorative metal money is nowadays becoming one of the important elements of monetary economy, as well as of contemporary numismatics. The grounds for this lie primarily in the fact that, if certain conditions are satisfied, the issuing of this sort of money may bring significant monetary and other effects. Here, the economic dimension is not to be neglected either.

Since the issuing of commemorative metal money is not connected exclusively with national boundaries, studying, following, researching and participating in the planning of these activities becomes an imperative for every country that wishes to take part on the global numismatic market.

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<sup>10</sup> The exceptions are packed sets of these coins made in a higher technique and sold at a price augmented by the exchange premium.

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