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STATEMENT OF
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BEFORE THE
SENATE COMMITTEE ON BANKING, HOUSING,
AND URBAN AFFAIRS

ON
1984 OLYMPIC COMMEMORATIVE COINAGE

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to comment on the need for an effective strategy to market coins commemorating the 1984 Los Angeles Summer Olympic Games. Our analysis of this issue is limited primarily to a January 11, 1982, report 1/ addressing problems associated with past Treasury-run coinage programs and factors that could be combined to stimulate public demand.

1/U.S. General Accounting Office, "National Defense-Related Silver Needs Should Be Reevaluated and Alternative Disposal Methods Explored," EMD-82-24, January 11, 1982.

U.S. 2466 / 118732

On May 20, 1982, the House of Representatives passed a bill to mint 50 million \$1 silver coins and 2 million \$10 gold coins to commemorate the 1984 Los Angeles Summer Olympic Games. The coins are to be sold within the United States by the Secretary of the Treasury, while the rights to market the coins outside the United States will be assigned to a private marketing organization. You requested that our testimony today focus on this legislative proposal within the context of the effective marketing strategy factors identified in our report.

We believe that a well-designed coinage program can provide important financial support for the 1984 Summer Olympic Games and U.S. amateur athletics. In our January 11, 1982, report, we identify what marketing analysts consider to be an effective marketing strategy directed towards developing new demand and participation by investors of modest financial means. This strategy includes issuing the coins

--in a price range affordable to most American families;

--with artistic beauty, commemorating an important historical event, person(s), or place;

--with a high percentage of bullion purity and in easily tendered amounts, creating a buy-back market;

--bearing the year of mintage and in a condition similar to that of other coins issued for general circulation, giving them the appearance of money; and

--through an economical, readily accessible, and simplified distribution system.

Market analysts agreed that the coins should be distributed without the necessity of order forms and special packaging, but suggested that a percentage of the coins could be marketed as proofs at premium prices to numismatists. They stated that making the coins easier to obtain than other forms of bullion could increase participation by first-time and small investors.

The market analysts we interviewed stated that with an effective marketing strategy over 100 million coins could be sold within 3 years, including a 1-year minting and marketing lead time.

The coins proposed in the House-passed bill favorably address many of these factors. At today's market price, 1/ the silver and gold coins will be sold for about \$20 and \$220,

1/June 7, 1982, market prices were about \$6 per troy ounce for silver and \$325 per troy ounce for gold.

respectively, making them affordable to most American families. Their design is to be emblematic of the 1984 Summer Olympic Games, thus commemorating an important historical event. The coins will have a high percentage of bullion purity with each coin containing 90 percent silver or gold.

The silver coin's diameter, total weight, and metal composition coincide with the traditional Liberty Head or Morgan type silver dollar while the gold coin's technical specifications coincide with the Coronet and Indian Head gold eagles. This should make the coins easily tendered and create a resale market. The coins will be legal tender and issued in uncirculated and proof qualities. They will also be inscribed with the year of issuance and the words "Liberty," "In God We Trust," "United States of America," and "E Pluribus Unum," making them similar to coins issued for general circulation.

Despite all these apparent advantages to an effective Olympic coinage program, market analysts we interviewed believe that the success of any coinage program is contingent on an economical, readily accessible, and simplified channel of distribution. In our January 11, 1982, report, we note that poor merchandising and marketing efforts resulted in less than expected demand for the 40 percent silver-clad Eisenhower dollar and the American arts gold medallions, in part because the Treasury's ordering procedures are both complex and time-consuming. In our report, we identify commercial banks as an attractive alternative

to overcoming distribution problems associated with these past U.S. coinage programs.

This Committee has also addressed the issue of an effective distribution system for the American arts gold medallions. The Senate-passed Olympic coinage bill includes an amendment, adopted by this Committee, to require the Department of the Treasury to begin bulk sales of the American arts gold medallions to the public and interested retailers. The amendment is intended to simplify and expedite sales of the gold medallions which this Committee has found to be unnecessarily complex and inconvenient under the existing marketing program. The Committee report also states that to make the medallions as readily available to the public as are the numerous medals and coins from other countries which can be quickly and easily purchased in many locations, the Secretary should be permitted to conduct sales through the facilities of the Federal Reserve and commercial banking systems.

The House-passed Olympic coinage bill permits the Secretary to make bulk sales of the Olympic coins at a reasonable discount to reflect the lower costs of such sales. While the bill does not direct the Secretary to explore the feasibility of issuing the coins through the Federal Reserve System to this Nation's commercial banks, it does not preclude this distribution alternative.

We believe that a successful Olympic coinage program may require that sales be conducted through commercial banks in addition to interested retailers. This readily accessible and simplified channel of distribution may stimulate public demand for the coins by making them easier to obtain. Therefore, we recommend that this Committee take the appropriate action to require the Secretary of the Treasury to determine the appropriateness of conducting sales of Olympic coins through the Federal Reserve and commercial banking systems.

Mr. Chairman, that concludes my statement. I welcome any questions the Committee may have.