

Introduction to Auctions

Historically, auctions provide the best method of selling items of unknown value or in limited supply.

WHAT EXACTLY is a public auction? You've probably seen an auction or two in the movies or on television, or maybe you've seen advertisements in the news-

papers for auctions of antiques, cars or farm equipment. You've probably attended a silent charity auction, and you've certainly read about numismatic auctions in the pages of *The Numismatist*. From the outside looking in, an auction couldn't be simpler. The auctioneer offers up an item for sale to the audience, and one person or other responds with a bid. The price goes up, another person bids and so forth, until finally the auctioneer calls and no one answers. The room quiets, and the property is sold—going, going, gone to the highest bidder. Then the next item comes up for bid. You might ask yourself, “Is that all there is?”

Well, the answer is “yes” . . . and “no.” Public auctions—sales that are open to all qualified buyers—are big business in the United States and around the world, with hundreds of billions of dollars exchanging hands for every imaginable product and commodity. People have been bidding at auctions perhaps since the very first person wanted something that was in limited supply.

The English term “auction” can be traced to the Latin *auctus*, meaning “increase.” Though this is, at best, a misnomer, because not all modern auctions are “price ascending,” it does begin to give you an idea of just how old the auction venue is. Auctions are,

and always have been, best used to sell items of undetermined value or in limited supply to buyers unknown to the seller. Single items of value, such as rare coins and stamps, fine art, antiques and wine, regularly are sold at auction.

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and always have been, best used to sell items of undetermined value or in limited supply to buyers unknown to the seller. Single items of value, such as rare coins and stamps, fine art, antiques and wine, regularly are sold at auction. For the seller who is unsure of the value of the item he is offering—either auction is easier, faster and more flexible than selling with fixed prices. Auctions are less time-consuming and less expensive than negotiating a price, and, in the case of multiple items, the seller can reach more buyers faster. He doesn't have to consider the buyers' offers individually, because in a public auction, all offers are on the table at virtually the same time.

In its simplest form, a public auction is the most basic method of allocating scarce or desirable goods to those who most want them most with maximum price competition. The seller wants to receive as much money as possible, and the buyer wants to pay as little as possible. This is as basic as free-market pricing gets.

Public auction ensures that resources accrue to those who value them the most. At the same time, it ensures that sellers receive collective value assessments of their products from all those willing to buy them.

What makes auctions different from other forms of commerce or trade is that the buyer, not the seller, sets the price paid for an item. Auctions also are unusual in that the auctioneer usually does not own the goods being auctioned, but rather acts as an agent for the seller. In the real world, and at numismatic auctions in particular, the buyer often knows as much or more than either the seller or the auction house about the item being sold. An informed seller does not want to set the price for fear that his ignorance will cost him money, no matter how much effort he puts into learning the value of his property.

In the months to come, I'll look at early coin auctions and notable sales.

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because of rarity, unknown demand or simply lack of knowledge—auctions are particularly helpful, especially if the item has not sold in recent times and therefore has no history of value or interest. An auction is a good venue anytime it is impossible to determine who wants a particular item and what a willing, but unknown, buyer might pay.

All auctions have one thing in common: the value of each item sold varies enough to generally eliminate or preclude fixed pricing. Selling by