

Liberty Dollars face legal scrutiny

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ASHEVILLE — Spending stamped pieces of silver making the rounds in Western North Carolina could get you up to five years in prison.

That's what prosecutors with the U.S. Justice Department are saying about "Liberty Dollars," an alternative currency whose distribution is motivated by politics and profit.

But those promoting the private currency said they never called the dollars official U.S. tender and questioned whether the Justice Department's assertion would hold up in court.

The company Liberty Dollar in Evansville, Ind., sells the dollars, and the not-for-profit NORFED, the National Organization for the Repeal of the Federal Reserve Act and the Internal Revenue Code, promotes them. Asheville has a Liberty Dollar distributor.

On Thursday, the U.S. Mint sent out an alert saying the dollars were illegal.

"The prosecutors have determined that using gold or silver medallions as circulating money is a federal crime," mint spokeswoman Becky Bailey said. "By producing and promoting these as circulating money they are abetting a crime."

In 2004, officials with the local Better Business Bureau and the U.S. Bureau of Engraving and Printing said they saw nothing wrong with the currency since individuals are free to barter for goods or services.

But Bailey said Engraving and Printing is responsible for paper money, while the Mint is in charge of coins. Also, NORFED's motivation — to change the federal monetary system — factored into the decision to issue the alert.

"There may be an argument if it is a very small discreet exchange, but NORFED claims that \$20 million worth (of Liberty Dollars) are in circulation."

Justice Department offices and banks around the country were getting calls about the dollars, she said.

Bank of Asheville President Buddy Greenwood said Thursday he had heard of the coins but knew of no customers demanding they be accepted. A spokeswoman for the regional Justice Department office in Charlotte said she couldn't comment as to whether any cases regarding the currency were in progress.

In West Asheville, West End Bakery co-owner Krista Stearns said her staff used some of the dollars but stopped about six months ago. Stearns said she liked some of the stated goals of promoters, including encouraging the use of local businesses that accepted the currency. But customer interest lagged and bookkeeping was difficult.

"And it kind of started to seem like this Libertarian scam thing. It didn't make us feel too comfortable," Stearns said.

But local Liberty Dollar distributor Kevin Innes said the currency is legal.

"One of the first things I did when I started this in Asheville was go to the police and tell them what I was doing," Innes said.

As an associate of the Liberty Dollar company, Innes gets the dollars at a discounted price and can give them to businesses at a discount. He said he explains that the dollars are not official currency and maintains a Web site of participating businesses.

The point of the currency, he said is to have a "real" thing such as silver to exchange for goods and services, instead of Federal Reserve notes, such as dollar bills, that are based on U.S. debt. Unlike notes, silver is not subject to dramatic inflationary changes, he said. He questioned whether a judge would rule in the Justice Department's favor and why prosecutors had taken an interest.

"Who knows what their motivation is," Innes said. "It might just be the competition."

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