

Currency exchange: Are these the tools that will destroy the Federal Reserve?

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POLSON - On Jan. 1, 2000, the Y2K scare fizzled for most of us. Our computers still worked. Our electric power didn't surge, sputter or sizzle home appliances. And on the subsequent Monday morning, our money was still safe in the bank and good enough to spend.

But a number of folks in Montana who exchanged American dollars for special "Y2K Survival Money" now have a supply of their alternative currency on hand. They don't seem unhappy about it.

"When a push comes to shove, this Y2K currency will be worth \$10, regardless of the price of silver or what happens to the Federal Reserve," said Dick Wells, Y2K money enthusiast who accepts and redeems the alternative currency at his curio shop on Thompson Falls' Main Street.

Wells is among about 300 "redeemers" of the currency nationwide, and about four businesses that will accept it for their products or services.

But is this the currency for the rest of us?

The Y2K money is hard to spend. Almost no businesses take it, and most have never heard of it. Exchanging it for regular Federal Reserve money - the familiar greenbacks in your wallet - could mean a financial loss, and you can't even put it in the bank for safekeeping, since banks won't accept it.

Nevertheless, the perceived Y2K crisis made for a pretty good year for NORFED, the organization that prints and exchanges the money, taking U.S. government-backed Federal Reserve notes in exchange at par, dollar for dollar.

The National Organization for the Repeal of the Federal Reserve Act and the Internal Revenue Code was founded by Bernard von NotHaus, a numismatist by profession, an architect by training and a political protester by avocation. He jumped on the Y2K crisis last year to promote his newly minted money, even writing a book about the benefits of the alternative currency in the event of the social meltdown that many people expected at the turn of the century.

Despite the Y2K fizzle, he predicts the American Liberty currency he invented and designed will eventually replace the U.S. dollar, as people come to prefer it over government dollars. Congress will then be forced to repeal the Federal Reserve Act, and maybe even do away with the income tax, he said. A new millennium then will indeed be at hand, he says.

Circulation of NORFED's silver-backed American Liberty currency more than doubled since April, when his book was published, according to audit figures published on the NORFED Web site, libertydollar.org.

NORFED is a nonprofit Nevada corporation. Von NotHaus is the spokesman, founder and self-appointed "senior economist" of the corporation, which has its headquarters in Evansville, Ind.

Last April, von NotHaus published his book, "Y2K Money: Your Survival Currency." The book uses intemperate (some would say extreme) language to criticize the usual suspects of the far right - Congress, President Clinton, the Federal Reserve, the Council on Foreign Relations, the Bilderberg Group.

But its main thrust is to promote the new alternative currency designed and distributed by von NotHaus. He has gained a network of some 300 supporters nationwide, including a handful of folks in western Montana. These folks have an inventory of the currency, and are willing to sell it to you - that is, exchange it for regular Federal Reserve notes. NORFED and the exchanger pocket a certain amount of the spread between the Fed and NORFED notes, for their time and trouble.

Von NotHaus' goal is not to make money, but to foster political change, he said. NORFED money is not marketed as an investment, nor as a cheap way to hoard silver. It is a way to register a political statement, and foster political change, Von NotHaus and his supporters said in interviews last week.

Von NotHaus warns of dire consequences that will befall the United States and its citizens if Congress does not return the country to a "hard money" standard backed by gold or silver reserves.

The United States has not had gold-backed currency domestically since 1933, and internationally since about 1971. Yet it is widely acknowledged to be the strongest, most politically stable nation in the world, with remarkably low inflation, high employment and economic growth in recent years - all a house of cards waiting to collapse, according to NORFED.

Because American money is not backed by precious metals, social and economic collapse is inevitable, von NotHaus says.

It is von NotHaus' belief that the Federal Reserve system, the nation's central bank, and the Internal Revenue codes are unconstitutional "legalized swindles," according to his book.

Meanwhile, Federal Reserve notes are accepted to obtain his currency.

Folks who agree to obtain a supply of his currency, and redeem it on demand, are promised a monetary return on their investment.

Redeemers are able to buy the currency at a discount, and also make a margin of profit for each "referral" (new NORFED customer) that signs up to obtain currency from NORFED.

"Spread the truth and make money on your referrals," von NotHaus counsels his currency redeemers.

Another way to profit is to offer customers NORFED money as change for their purchases, or as tips at the coffee shop.

"Many will accept it. The more you use, the more money you will make," von NotHaus writes.

But trying to spend that hard-earned NORFED money remains essentially an exercise in futility.

A few folks in Montana will accept NORFED dollars for products and services they sell. The Missoulian found a Mary Kay distributor in the Bitterroot Valley, a computer service business in Polson and Dick Well's curio shop in Thompson Falls - and that's about it.

Mostly, the currency lies dormant in cash registers or dresser drawers, during one of the greatest peacetime economic expansions in history, awaiting the collapse of the U.S. dollar, when NORFED currency will prove its worth as a store of value, von NotHaus asserts.

The specially engraved paper money comes in three subdued colors - gray, purple and blue - in three sizes, and in three handy denominations, \$1, \$5 and \$10. For customers who want real jingle in their pockets, NORFED also manufactures the 99.9 percent pure \$10 Silver Liberty. The round silver object is not a coin, von NotHaus said in interviews with the Missoulian.

"They are Silver Liberties. 'Coin' is a controlled-use word," he said. Only the U.S. government has constitutional authority to mint coins, said von NotHaus, a stickler for strict interpretation of the Constitution.

According to U.S. Treasury Department spokesmen and NORFED's lawyer, Y2K money is perfectly legal, as long as it doesn't claim to be legal tender. Only congressional authorized Federal Reserve notes are legal tender in the United States, meaning this money must be accepted if offered in payment.

Receipts at the private mint in Idaho where the NORFED silver to back the currency is stored rose from 8,000 troy ounces in December 1998 to 23,260 ounces in December 1999, according to the official audit by the Coeur d'Alene accounting firm Clark Anderson McNelis and Co.

Thus, about \$232,260 in NORFED currency is now in circulation - not very much, compared to the billions in Federal Reserve currency floating around.

Yet, NORFED is still enthusiastically endorsed by several conservative activists in Montana who have agreed to redeem the currency.

Michael Heit of Elmo is the Montana leader of the Constitution Party, a small political party formerly known as the U.S. Taxpayers' Party, the main goal of which is to abolish the income tax.

Why should nonpolitical folks accept Y2K money, since \$10 in Y2K currency is backed by only one troy ounce of silver, which is worth about \$5.50 to \$6 (in Federal Reserve notes) at your local coin dealer?

"The whole Federal Reserve Act is a huge fraud and the income tax is a huge fraud," he said. "We're losing more and more of our rights ever day. The only way we can make sincere progress in restoring the morality of this nation is to put it back on the gold or silver standard, and from that beginning, we can try taking control back of our society."

He said he has managed to use his NORFED currency in payment for a meal, and to purchase a hunting license at a cooperating license agent. The firm he works for in Polson, Valley Business Solutions, will accept the money, too, he said. But it has little "currency" elsewhere.

A Bitterroot Valley distributor of Mary Kay products is an enthusiastic NORFED supporter. She accepts Y2K money for her Mary Kay products because, she says, "I believe you should put your money where your mouth is" with regard to political convictions. (No one has yet offered her NORFED money for a May Kay order, she acknowledged.)

"I enjoy offering it to small businesses because it piques their interest in the political issues. I haven't actually bought much of anything. There's a guy I know that sells fruit, and I bought a box of peaches from him. At the Farmers Market I bought some vegetables. I offer it in change for Mary Kay purchases. It's an interesting concept. It's kind of something fun for me, and it would be interesting if it would go," she said.

One caution: Y2K money cannot be used to pay taxes. The federal government still demands Federal Reserve notes. And it is promoted neither as an investment nor as a vehicle for tax avoidance, von NotHaus cautions.

He is not surprised that Y2K money has yet to take the country by storm.

"This is deliberately engineered to be a slow-growth project. This is not revolutionary; it is not militia-based. It grows slowly, one person to another," he said.

"The currency is very much like Federal Express. Federal Express brought competition to the Postal Service. We emulate the same (business) model - bringing competition to the marketplace, using this as a proactive tool for people to realize we could have a vastly superior currency if it were backed by gold and silver."