

Private Money: if You Were a Merchant, Would You Accept These Coins - June 01, 2006

Albuquerque Journal, By Andrew Webb

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By: Andrew Webb Staff Reporter

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Remember being told as a kid that the United States' currency is backed by stacks of gleaming gold bricks buried in Fort Knox?

That hasn't been true since at least 1971.

But a small group of New Mexicans are part of a nationwide network of business owners, consumers and money hobbyists who use an 8-year-old private currency, which they say is backed by guarded precious metal in an Idaho warehouse, called the Liberty Dollar.

Some call it funny money— indeed, from time to time, news reports circulate about someone being arrested for passing what police initially think are counterfeit coins. Banks won't take them, and most coin dealers dismiss Liberty Dollars as little more than a multilevel marketing scam.

But Liberty Dollar backers say they'll have the last laugh when the plummeting value of the U.S. currency leaves unsuspecting Americans holding money whose value is little more than the paper it's printed on.

"The federal Constitution states that no state shall use anything but silver or gold in payment or debt, but look where we are today— it's all just paper," says Michael Lunnon, owner and operator of a Gallup-based franchise of The UPS

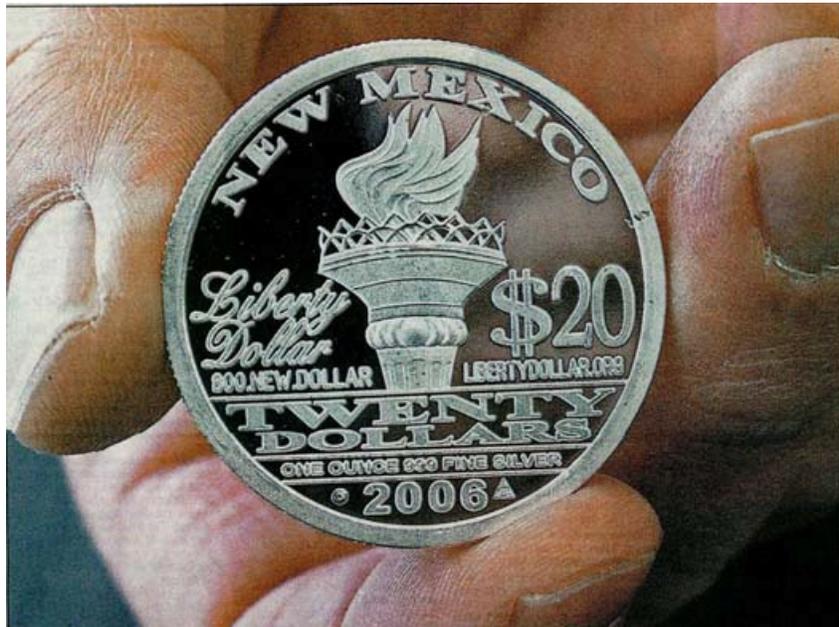
Store, a copy and mailing shop.

Lunnon is one of two New Mexico distributors, or regional currency officers, for the Liberty Dollar. Besides accepting them at his business, he says he has helped create a small local network, including a gas station, a restaurant, a beauty salon and an auto mechanic, that will take Liberty Dollars and offer them as change.

Liberty Dollars are billed by its producers as inflation-proof.

Because the U.S. dollar's value is no longer based on precious metal— it was taken off the so-called gold standard in the mid-1970s— Federal Reserve Notes have plummeted to a fraction of their value decades ago, Lunnon says. China, among other nations, has recently divested portions of its U.S. currency.

"All of these foreign countries dumping their U.S. dollars have to be doing it for a reason," he says.



'Moral obligation'

The Liberty Dollar is the brainchild of Bernard von NotHaus, a self-described "money

architect" and former mintmaster at a private commemorative-coin mint in Hawaii.

Now retired from that mint, which he still owns, von NotHaus tours the country promoting the Liberty Dollar.

"I live in my car— on perpetual tour," an animated von NotHaus said in a telephone interview from Florida.

The dollars are issued in silver and gold coins— von NotHaus advocates calling them Libertys (sic)— and in colorful paper certificates sold as "warehouse receipts," which come in denominations as low as \$1 and can be redeemed for Liberty Dollar coins.

Liberty Dollars are distributed through an Indiana organization, led by NotHaus, called NORFED, which stands for National Organization for the Repeal of the Federal Reserve and the Internal Revenue Service.

Von NotHaus says NORFED does not aim to make a profit from the Liberty Dollars.

"I started this as my philanthropic project when I retired from the mint," he says. "I felt like I had a moral obligation to use my money in a positive way for society."

The coins are minted, and the precious metals stored, by a for-profit business in Idaho called Sunshine Minting Inc. Besides minting unofficial collector and commemorative coins, Sunshine Minting also sells bullion and blanks to the U.S. Mint and other customers.

The coins are intended to be used just like regular money— the price of a product in Liberty Dollars would be the same as the price marked in Federal Reserve Notes.

NORFED advocates use of the Liberty Dollars in local economies and compares them to local and private currencies, such as airline miles and virtual representations of money used for Internet purchases, as through PayPal. Others, including the U.S. Treasury Department, have compared them to "Disney Dollars" or video game tokens.

"Liberty Dollars bring choice to the monetary equation, just like FedEx did to the post office," von NotHaus says. He says he uses both currencies.

No value drops

According to statistics NORFED says it gathered from government reports, the value of the U.S. dollar has dropped 96 percent since 1913. Though it is hard to track the value of the dollar, especially since the gold standard was dropped in the 1970s, it is generally accepted that the dollar, like many international "fiat" currencies not based on precious metal, has lost significant value, especially in the last 30 years.

Von NotHaus says as long as the U.S. is at war, the Federal Reserve will continue to print money to cover the costs, which will add to the nation's \$8 trillion debt and continue to fuel inflation.

"The more people you have in any community using Libertys, the more you're protected from mounting inflation," says NotHaus.

Businesses that would like to accept Liberty Dollars can request door decals from NORFED.

Though NORFED advertises in various publications, Liberty Dollars are heavily marketed through conservative or Libertarian-leaning Web sites or publications like the Spring Lake, Idaho-based monthly newspaper the Idaho Observer, whose coverage ranges from railing against tax policies to espousing conspiracy theories. For example, a recent issue has stories claiming the government is plotting to plant tracking chips in every living person and animal, and that intelligence agencies faked the September 2001

attacks to help justify invasions of foreign countries.

The currency is also marketed locally through networks of resellers.

NORFED encourages enthusiasts to become Liberty Dollar "Associates" by paying \$250 to qualify for discounts on Liberty Dollars. The \$250— in conventional Federal Reserve Notes— gets you \$100 in Liberty Dollars, while \$50 goes to NORFED and the other \$100 goes to the person who referred you— a structure that has led to comparisons of NORFED to multilevel marketing schemes.

Von NotHaus says critics are mistaken. Unlike a multilevel marketing scheme, which requires an ever-increasing and unsustainable base of new recruits, he says, the Liberty Associate program is a single-tier program, comparing it to popular Internet referral-for-pay programs like that run since 1999 by Amazon.



Michael Lunnon wants the United States to return to a currency backed by precious metal. "Look where we are today — it's all just paper," he says.

Critics speak up

The group recently began minting \$20 coins with the names of 25 states, including New Mexico, and has urged local distributors to form political action committees aimed at getting states and banks to officially recognize the currency.

"They're the only thing my husband will carry in his wallet," says Glorietta Miller, a retired banker who lives in Carrizozo and is also a regional currency distributor.

Miller says quite a few businesses in Carrizozo and nearby Alamogordo accept her Liberty Dollars for everything from groceries to gasoline. She has received a phone call

or two from store managers whose employees took the coins, but she says once she explained what they were, the stores typically kept them.

Nationwide, she says, NORFED says about \$18 million worth of coins and warehouse certificates are in circulation, and about 100,000 people use the Liberty Dollars.

"This is actually money," says William Ritch, who cheerfully accepts Liberty Dollars at Ritch's Pecan and Candy Shop, which he runs with his wife in Cuchillo, south of Truth or Consequences. "It's been OK'd by Alan Greenspan and company, and it is what (NORFED says) it is. This isn't fractional money like Federal Reserve Notes. They have the silver available on demand if anyone wants it."

Backers say precious metal will always be valuable, even in the event of a collapse of the U.S. financial system. A city government, were it to have its money socked away in Liberty Dollars instead of in banks, would be able to continue to offer services and pay employees in the event of such a nationwide shutdown, Lunnon says.

"The city ... would be responsible for saving the community, for being able to make the local community into an island," he says.

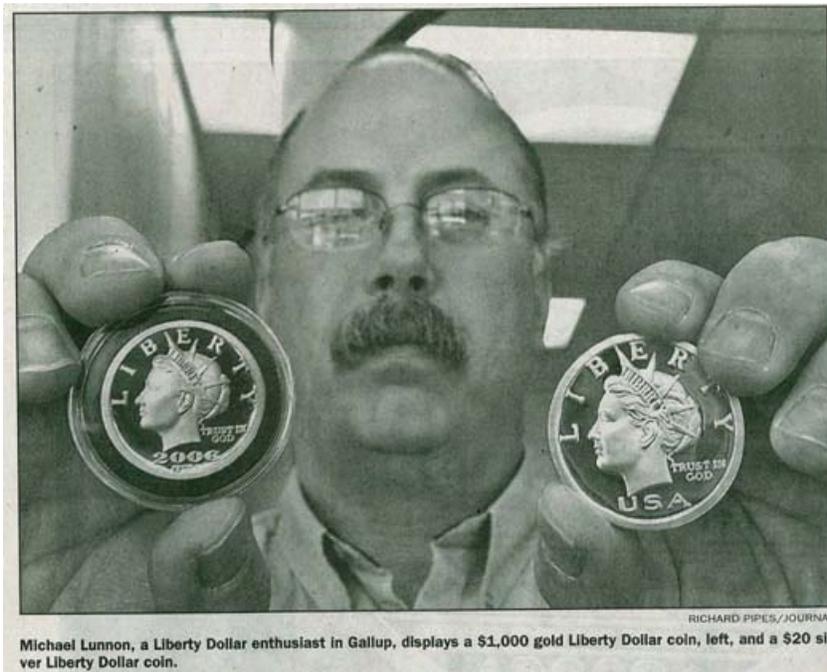
Last Thanksgiving, NORFED upped the value of what were once \$10 1-ounce silver coins to \$20. Some critics say the \$20 value is misleading, since an ounce of silver has a market price of about \$11.

"We'd buy them for \$10.60," says Richard Smith, president of The Coin and Stamp Gallery in Phoenix. "That \$20 face value is someone else's idea. Somebody's pocketing \$9."

At its Web site, www.libertydollar.org, NORFED says the extra costs are used for marketing, support and to cover minting and printing costs.

While NORFED's concept sounds good, Smith says, the coins "aren't inflation proof if you have to pay \$20 for an ounce of silver."

However, he says, silver speculation, like gambling on any precious metal or company stock, can pay off. Silver was up to about \$40 an ounce in 1980, though it tanked soon thereafter and has only within the last six years become a respectable metal to investors.



Michael Lunn, a Liberty Dollar enthusiast in Gallup, displays a \$1,000 gold Liberty Dollar coin, left, and a \$20 silver Liberty Dollar coin.

At a glance

WHAT IS THE LIBERTY DOLLAR?

It's a private currency issued by an Indiana organization called NORFED, or National Organization for the Repeal of the Federal Reserve and the Internal Revenue Service. NORFED advertises the Liberty Dollar as "inflation proof" because, the group claims, the face values of the coin and paper currency are backed by precious metal, unlike the currency distributed by the Federal Reserve.

"Libertys" are issued in \$20 silver coins, \$500 gold coins and paper "warehouse certificates" in denominations from \$1 to \$500. They are intended to be used alongside regular Federal Reserve money.

IS IT LEGAL?

Yes.

Like other forms of alternative currency, from airline "miles" to virtual money used on the Internet by companies such as Paypal, any merchant or individual who wants to accept the Liberty Dollar may do so.

WHERE CAN I GET IT?

Liberty Dollars are distributed by a network of "Liberty Associates" and "Regional Currency Officers," who are able to purchase the money at a discount off face value. They also receive referral fees from NORFED for signing up new distributors. NORFED says about 100,000 people use Liberty Dollars and that about \$18 million of the currency is in circulation.