

# In Paul We Trust: Do The New Liberty Dollars, Bearing Candidate Ron Paul's Image, Constitute Illegal Currency?

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On Wednesday, November 14, federal agents raided the Indiana headquarters of the organization NORFED, and seized precious-metal coins bearing the likeness of Texas Congressman and Republican Presidential candidate Dr. Ron Paul. The federal government claims that the makers of the "Ron Paul dollar" are selling an illegal currency.

In this column, I consider that claim; conclude that, at present, it is unclear whether the Ron Paul dollar constitutes illegal currency; and suggest that purchasers' wisest course is to refrain from using the coins to purchase goods or services, while feeling free to trade them, until the situation is clarified.

## NORFED and Its Ron Paul Dollars

NORFED stands for "National Organization for the Repeal of the Federal Reserve Act and Internal Revenue Code." NORFED offers its Liberty Dollars, including the Ron Paul dollar, as a currency alternative for people who distrust U.S. currency and the Federal Reserve system. For the past decade, NORFED has been touting Liberty Dollars as a private currency backed by silver and gold stored in Idaho.

The U.S.'s present "fiat" currency is so-called because its paper is not backed by, or pegged to, any specific metal reserves. Paul's campaign has promised, however, to bring back the gold standard, abandoned in 1933. NORFED claims that more than \$20 million worth of Liberty Dollars are in circulation.

NORFED started selling the Ron Paul Dollars earlier this year, with the first, made of silver, available in July. (Gold and copper coins are also offered.) The silver coins, which weigh one troy ounce, were initially offered for \$25 each, with \$5 being promised to help fund Paul's presidential campaign. Thus far, \$2,300 has reportedly been donated to Ron Paul's campaign, according to both Paul's office and self-styled "currency architect" Bernard von NotHaus, who designs Liberty Dollars. Of course, if the raid results in convictions, the Paul campaign may have to return the donations, as the proceeds of criminal activity.

## Is NORFED Breaking the Law By Issuing Ron Paul Dollars?

According to news reports, the U.S. Mint says that while it's not illegal to simply possess Ron Paul money dollars, it is illegal to try to spend them. Is that correct, as a matter of law?

To begin, the U.S. government has sole authority to issue U.S. currency - both coins and notes. In 1913, Congress passed the Federal Reserve Act, establishing the Federal Reserve System and authorizing the Federal Reserve Bank to issue its own notes. In 1914, the Federal Reserve began to do so. Today, Federal Reserve notes are the only currency manufactured by the Bureau of Engraving and Printing. As for coins, only the U.S. Mint can make genuine U.S. coins. According to the Mint's website, it also "produces special proof and uncirculated coins for collectors."

The U.S. Mint also points out that "[t]he term "coin" is commonly understood to refer to a government-issued coin, meant to be money or legal tender. Coins are thus distinct from "medals" or "medallions," pieces of metal with markings that are not legal tender."

Article I of the Constitution establishes Congress's power to coin money. Subsequently, by statute, Congress delegated this authority to the Secretary of the Treasury. As a result, only the U.S. Mint is authorized to manufacture U.S. coins. Accordingly, coin-like products from other sources should be referred to, not as coins, but as "medals" or "medallions."

As noted above, the gold standard was abolished in 1933, when President Franklin D. Roosevelt outlawed private gold ownership (except through jewelry). The Emergency Banking Act forced Americans to exchange their gold coins, bullion and certificates into U.S. dollars.

The issue here is complex because NORFED, rather than selling counterfeit United States currency, seemingly purports to offer a private currency alternative. Under the relevant federal criminal statute, selling coins "of original design is only illegal if they are "intended for use as current money." In contrast selling (and buying) coins for collection purposes is entirely legal. Thus, the key question is whether NORFED had the requisite intention.

(Moreover, if reports indicating the search warrant for the raid was also based on allegations of fraud and money laundering turn out to be accurate, and if these allegations are proven, they could also be the basis for separate criminal exposure for NORFED.)

A Parallel Question: "Local," as Opposed to "Legal," Tender

Meanwhile, "local" or "community" currency exists in some areas - apparently with the U.S. government's blessing.

For example, in Ithaca, New York, "Ithaca hours" are touted as "local paper money" meant to "gain control of the social and environmental effects of commerce." The website says that when organizers contacted the federal government, they were told that there is no prohibition on local currency, as long as it does not resemble U.S. currency.

That's not precisely correct, legally, but like NORFED, the Ithaca Hours organization could only be prosecuted if their currency is "intended for use as current money" which would circulate as a national medium of exchange rather than as a purely local one.

Is it? Readers can judge for themselves. The group says it has issued over \$110,000 worth of Ithaca hours to residents since 1991, leading to "tens of thousands of purchases." Each Ithaca Hour, the website explains, "stay[s] in our region to help us hire each other." The site continues, "Here's how it works: the Ithaca HOUR is Ithaca's \$10.00 bill, because ten dollars per hour is the average of wages/salaries in Tompkins County. These HOUR notes, in five denominations, buy plumbing, carpentry, electrical work, roofing, nursing, chiropractic, child care, car and bike repair, food, eyeglasses, firewood, gifts, and thousands of other goods and services. Our credit union accepts them for mortgage and loan fees. People pay rent with HOURS. The best restaurants in town take them, as do movie theaters, bowling alleys, two large locally-owned grocery stores, our local hospital, many garage sales, 55 farmer's market vendors, the Chamber of Commerce, and 300 other businesses. Hundreds more have earned and spent HOURS who are not in the HOUR Town directory."

Is the ITHACA Hours site breaking the law? Is NORFED? In each case, it will depend on whether the organization's currency is "intended for use as current money." It appears that the federal government is happy to allow local currencies to flourish. At the same time, NORFED should be allowed to issue Ron Paul dollars if they are intended as a campaign collectible, rather than as U.S. coin substitutes.

The Ron Paul Dollar has the face of Ron Paul on it - and states on the front of the silver dollar "Ron Paul for President" and "Gold Standard in Leadership." On the reserve side, it states, "Vote for Truth." These coins have intrinsic value as collectibles and are being traded on eBay.

Moreover, it is not enough for someone to sell a Ron Paul dollar or exchange it for something else of value. This alone would not make the dollar the equivalent of legal currency. Barter, for example, is legal; I could, for example, trade a collectible silver coin or medal for clothing or food. It is only when something is intended to serve as a commonly or widely accepted medium of exchange that it

might be considered "currency". Even then, we have lots of things in wide circulation, such as frequent flyer miles, which can be traded, sold, or even donated.

While the courts sort out what the legal phrase "intended for use as current money" means, however, collectors of the Ron Paul dollar are best advised to proudly display their dollars in their home, but not to try and use them at the grocery store.

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