While U.S. government purchasing media is believed by many to be a governmental monopoly, in fact there are several local currencies which circulate, as well as local exchange trading systems which use the US dollar as the unit of account but do not use US dollars as the medium. There have also been private liberty dollars issued by the National Organization for the Repeal of the Federal Reserve Act and the Internal Revenue Code (NORFED) Company, started in 1998 by Bernard von NotHaus. Each Liberty Dollar is a silver certificate, a transferable warehouse paper receipt backed by 1/20th of a troy ounce of silver. Norfed also issues silver and gold disks (medallions). A spokesperson for the Federal Reserve System has stated that there is no U.S. law requiring goods to be paid for with U.S. dollars. The legal tender law inscribed in Federal Reserve notes only says that if one is party to a debt, the lender must accept federal dollars in payment of the debt. But the parties may use any medium of exchange they agree it. Thus, Federal Reserve dollars are the dominant currency in the U.S.A., but not an absolute monopoly of media of exchange.

But on September 14, 2006, the United States Mint issued a warning that "the use of NORFED's 'Liberty Dollar' medallions violates 18 USC § 486, (enacted in 1864) and is a crime."

The U.S. federal government has not prosecuted nor contacted NORFED regarding its certificates or medallions. Moreover, inquiries made to various U.S. government departments and agencies have received responses that there is nothing illegal in using NORFED items as barter instruments. NORFED does not claim that its dollars are U.S. currency; just the opposite, their literature emphasizes that these are privately produced, not legal tender, not governmental money, and unlike U.S. dollars, contain or are backed by precious metals.

The silver and gold Liberty Dollars do not have the face value amount of precious metal. The $20 silver medallion has one ounce of silver, and the current market price of an ounce of silver has been around $11 in 2006. If you want to hold precious metals for their value, you should buy the metals and not the NORFED medallions. Likewise, if you hold twenty Liberty Dollars, you can submit them for an ounce of silver with a current market price of about $11. The Liberty cannot be worth the face value of metals, because the prices of metals fluctuate, while the face value is a fixed amount.

So what is the purpose of using Liberty Dollars? First of all, they are educational. It is a way of teaching people that U.S. currency is fiat, not backed by any commodity, as it once was. Secondly, it can be fun to see people's expressions if you offer to pay in private money, especially the shiny silver medallions. Some merchants do accept them. Third, they make interesting gifts, numismatic collectibles, and topics of conversations in parties. Fourth, for those who think that the Fed should be abolished or that U.S. currency is bad as fiat,
inflationary, and associated with debt and powerful moneyed interests, it is a way to express your opposition and independence and also to use it as a barter medium or local exchange medium. People can also affiliate with NORFED as merchants and dealer-associates.

The broad U.S. money supply (including bank and money-market accounts) is several trillion dollars, so it is curious why the U.S. government should be alarmed by the Liberty Dollar transactions of a few million dollars. Is the U.S. dollar domination so fragile that the mighty U.S. monetary authorities fear the competition of this small operation? Does the Mint fear competition from private medallions? Ironically, the threat issued by the U.S. Mint has created publicity that has increased interest in the Liberty Dollars!

U.S. Code title 18, Part I, Chapter 25, paragraph 486 states, "Whoever, except as authorized by law, makes or utters or passes, or attempts to utter or pass, any coins of gold or silver or other metal, or alloys of metals, intended for use as current money, whether in the resemblance of coins of the United States or of foreign countries, or of original design, shall be fined under this title [1] or imprisoned not more than five years, or both."

I am not an attorney, and so this is not legal advice, but my reading of this law is that it is illegal to use disks that are counterfeit, to be fraudulently used as U.S. or foreign government coins. The NORFED medallions have a different design than the coins that have been issued by the U.S. or other governments, although they do indicate a denomination in dollars. At any rate, this law does not apply to the paper Liberty Dollar warehouse receipts.

If, as claimed by the U.S. Mint, "prosecutors" in the U.S. Department of Justice have believe that the manufacture and use of the Liberty Dollar medallions violate U.S. law, then they should announce this publicly and prosecute those they think are guilty. If they are not engaged in such prosecution, then this warning is bombast that taints what should be the grandeur of a United States of America that stands for liberty and justice for all.