

Fighting the Fed: American Liberty Dollars spread in Maine

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Want to buy gasoline in Houlton? Groceries in Island Falls? Seafood in Southwest Harbor? Airline tickets in Waterville? If so, you now have an alternative to using Federal Reserve notes, the American dollars that you probably don't think twice about using elsewhere. Businesses in these towns, as well as at least a couple hundred other businesses in Maine, have begun to accept American Liberty Dollars (ALD), a silver-backed currency that came into nationwide circulation in October 1998. Topping the lists for reasons for creation and usage of ALDs is opposition to the Federal Reserve System (the Fed). Proponents of ALDs explain that the dollars are meant to be a give people an alternative to dependence on the Fed's dollar, and bring control of money to the people.

The Debt Institutions

It has come to be expected that meetings of the World Bank and International Monetary Fund (IMF) and their organizers the G8 will be greeted with large protests wherever they occur. In just the last few months, hundreds of Mainers have traveled down to NYC and Washington, DC to protest these institutions. Many more plan to travel to Canada in June to protest the G8 meetings. Throughout all this, the Federal Reserve continues to meet without any similar sign of opposition; however, all the above institutions share many common purposes, support systems, profiting groups, and structures.

The Federal Reserve System was created in 1913 to become the central banking authority of the United States. Prior to the Federal Reserve act, Congress held the power to coin money. The Fed is a fiscal agency for the U.S. Government and a custodian of the reserve accounts of commercial banks; it formulates and executes monetary policy, and is authorized to issue Federal Reserve Notes (FRNs). The Fed is made up of 12 regional Federal Reserve banks, each of which is a corporation as well as an independent regulatory agency, responsible to Congress. The corporations' shares are sold to commercial banks within the Bank's district. Shareholders, who are representatives of the banking industry, elect a representative to the Federal Advisory Council (FAC). Decisions are made by a Board of Governors, appointed to the position by the President and Senate. The FAC meets regularly with the board to consult and advise on all matters within the Board's jurisdiction. Like World Bank and IMF, these meetings are held in secret with no oversight.

The Fed makes money by, quite literally, making money. When the government or a bank (or in some cases a business or investors) needs money, and it is agreed by the Board that new money should be created, the government or bank purchases money from the Fed. The Fed prints the needed amount of money (at a cost of approximately \$0.03 a bill), and loans the newly created money to the government or bank at face value plus interest, from which the Fed then profits.

The Fed differs from regular corporations in that profits are not its stated purpose; yet if the Fed were a single firm, it would qualify it as one of the most profitable companies in the world. In 1995 it made about \$23.9 billion in profit. The Fed does not get to keep most of the profit, though, and about 98% of its income is transferred to the U.S. Treasury, with the remaining profits divided between the Federal Reserve banks and stockholders.

When people hear the word "reserve" it usually conjures images of vaults full of gold that back up the paper notes which are issued. This is far from the reality of the Federal Reserve. The Federal Reserve notes are fiat money, irredeemable paper currency that is not backed by any commodity such as gold, but which derives purchasing power simply by order of the government issuing it. It is worth something, in other words, because the government says it is. You cannot bring your ten-dollar bill to the bank to exchange for some set amount of silver or gold or other solid commodity - you can only exchange it for more fiat currency.

The Fed does require that there be assets in its reserve to back up 10% of the dollars in circulation, but those assets do not have to be gold or any other solid commodity. Government Securities also count as reserves. Since government securities are certificates of debt issued by a government guaranteeing payment of the original investment plus interest by a specified future date, the reserves are really just made up of more interest and debt.

Essentially the Fed is able to sell, and profit from, debt. As more dollars are printed into circulation, the value of the dollar decreases. According to international currency expert Franz Pick, "...From 1940 to now, the dollar has lost 96.8% of its purchasing power. It's a horrible statistic." That was written in 1985, and the dollar has only lost purchasing power since then.

The Fed also has the authority to approve or deny mergers of major banks. With former Bank executives on its board, as FAC representatives, and as shareholding members, the Fed's bias is questioned. Major shareholders include such large banking corporations as Citigroup and J.P. Morgan, who are also the major lenders and profiteers for World Bank projects. In 1998, the Fed approved an application by Travelers Group to become a bank holding company by acquiring Citicorp, allowing the creation of the largest financial services firm in the world and the first combination of a large insurance underwriter with a large commercial bank.

Some background on the World Bank and IMF may help illuminate the connections between all the institutions. In some ways, they are the international arms of the Fed. The World Bank and IMF were created just after WWII, at the Bretton Woods Conference, with the stated purpose of supplying loans to member countries to aid in rebuilding their economies after the war. The loans are made available only after the recipient governments have agreed to policy reforms, such as opening their countries' economies to foreign corporations for officially determined types of "development", cutting social spending, selling publicly owned assets such as water, allowing the corporations to convert profits made in the receiving country into their home currency (usually American Federal Reserve dollars), making their currency fully exchangeable with the US dollar, and requiring the nation to devalue its currency. Private banks profit greatly off the interest from loans made to these countries, the US dollar gains dominance, and the countries, facing a drain of local resources and a weakened monetary system, become dependent upon the loans. Very few of these countries find their way out of the newly imposed debt, dependence on the American dollar, and ever-increasing interest owed to the private banks.

Rather than allow these countries to default on their loans -- which would be a loss of billions or trillions of expected profits for the loaning banks -- the Federal Reserve comes into play to bail out the banks. The Fed approves massive low-interest loans to the banks such as Citigroup and JP Morgan (who, if you remember, also happen to be major Fed shareholders) to help bail them out directly. It also lowers interest rates and expands the money supply in the US -- thus devaluing the dollar -- which usually leads to the increased sales of these private banks' stocks as well. Then, the IMF pushes the country's government to take on the debts of failing corporations, and provides billions of dollars (much of those billions taken from American "public" tax dollars) to the country's government to pay off the debts owed to the private lenders.

Fighting the Fed

The nonprofit "National Organization for the Repeal of the Federal Reserve Act and the Internal Revenue Service" (NORFED) is the brainchild of writer and economics researcher, Bernard von NotHaus. NotHaus studied failed economic systems throughout history ("You learn the most from a failed relationship," he explains), and studied the problems inherent to the Federal Reserve System. The American Liberty Dollar is the product of this research. ALDs come as warehouse receipts, the \$10.00 silver-backed receipt, and \$500 Gold Certificate, all 100% redeemable for the metal itself. There is also an eLibertyDollar for online transactions.

The currency is legal, although businesses cannot be required to accept it (thus, it cannot bear the phrase "legal tender.") It is put into circulation in communities through businesses and individuals who become "redemption centers" and exchange the ALDs at face value for Federal Reserve Notes.

There are over 40 other alternative currencies being used in the US, but most, if not all, are limited to local use. The ALD is designed for use nationwide and possibly worldwide. At the same time, users hope it will help strengthen local communities, since the businesses that accept it are almost entirely locally owned.

There are 9 Maine redemption centers and over 200 merchants in Maine listed on the NORFED web site, www.libertydollar.org, as accepting ALD's. A few who were contacted are no longer using or accepting the currency; however, more Maine merchants are being added to the list each week, and some businesses have accepted the currency, but not been listed online, so the 200 business estimate for Maine is probably relatively accurate.

A majority of the Maine businesses accepting the currency are in rural Northern and Central Maine, with several on the coast. When asked why this regionalized use exists, Ivan Shapiro of Fort Fairfield-based Shapiro Hay Sales theorized, "I think as you get further away from liberal New England [southern and/or urban] to conservative New England [northern and/or rural], you'll find people more concerned with the status of our country, our economy, etc. If they're more concerned, they're more liable to take action in something such as NORFED." Founder NotHaus emphasizes, though, that using ALDs is a non-partisan action. Also responsible for the positive response in Northern and Central Maine, is Dale McAvey, the Bangor Redemption Center representative who has been active in traveling and talking to business owners about the ALD, and has sponsored more Liberty Merchants than anyone else.

Currently most Maine businesses accepting the currency report that they see only a couple repeat customers who use the dollars. Most agree that it will take time to reach a critical mass where the currency is familiar and in active use in a region, and feel that is the biggest hurdle the currency faces -- simply becoming familiar. Most are hopeful that the young currency will catch on from town to town. The delicate balance is to see if people remain convinced of the effectiveness of the currency while it is going through what supporters hope to be just a temporary, but possibly lengthy, growth period.

Users of ALDs offer a wide range of reasons they use the money. Most use the ALD for any combination of the following reasons: Some have used barter in their past, and see the ALD as being more tangible than Federal Reserve Notes, since it is essentially barter by proxy. Others have religious convictions, which teach that usury is a sin, and do not wish to support the government-sponsored usury that is the Fed. Some see an inevitable collapse of the dollar, and see ALDs as a currency that can't be affected by the market and inflation. NotHaus feels that the currency "provides an insular effect for merchant, consumer, and community. The more people in any community that use the currency, the better insulated that community is going to be for the next monetary crisis. [A monetary crisis] is inherent in a fiat system." Some proponents describe themselves as Constitutionals, and see ALDs as more in line with the ideals outlined in the Constitution than the Federal Reserve Notes are. James Duclos, of Maine Catch Lobster Company in Saco, who has been using ALDs for over two years, explains that he uses the currency, "...to help return our nation's currency of something of value." Others simply started collecting the \$10 Silver Liberty coin, and learned more about the issues surrounding the currency as a result. Jack McCarthy, who owns Nature's Pantry in Houlton, echoes others who feel that this will bring much needed change to the US monetary system by offering competition, saying, "Spread the word. Competition works here also." Others are simply long-time critics of the Fed for many of the same reasons they are critics of the World Bank, IMF and related institutions, and hope that using this currency can be a small action leading to the eventual dismantling of the Federal Reserve System.

The actions by individuals and communities working against what they see as unjust and unsustainable institutions raises questions. Will the growing movement against the international debt-creating organizations like the World Bank and IMF converge with the growing movement against the American debt-creation organization, the Federal Reserve? Do the hundreds of Mainers who have traveled to demonstrate in the streets of NYC and DC have anything in common with the hundreds of Mainers who are starting to use an alternative currency system like ALDs? Neither issue is truly a partisan one, yet the divisions between people working on these different, yet connected issues, seem to be drawn on partisan lines. These connections take time, though, and as the American Liberty currency, a tangible product, becomes more common around the state, it may spark discussion and exchange between people who, through lack of contact, once felt their beliefs were far more at odds than they truly are.