

Passing the Bucks: What If a Bank Chose to Print Its Own Currency?

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Yesterday the U.S. Mint tried for the third time in recent memory to sell the American public on a dollar coin. The previous two attempts -- the Susan B. Anthony dollar and the Sacagawea -- never really took off. So the U.S. Mint is trying to mimic the success of the 50 State Quarters Program, by issuing a series of dollar coins bearing presidential physiognomies.

By odd coincidence, four months ago the Mint issued a consumer alert about another coin, the Liberty Dollar -- which is emphatically not produced by the federal government. Liberty Dollars are produced instead by a far-right group called Norfed (the National Organization for the Repeal of the Federal Reserve Act and Internal Revenue Code, which should make the name NORFRAIRC -- but Norfed is a lot easier to say).

Norfed's coins, which it calls "rounds," look a lot like coins produced by the U.S. Mint, and that might have been the reason for the shot across the bow. A spokesperson from the Mint says putting a Liberty Dollar coin in a merchant's hand could bring someone a five-year prison term (under 18 U.S.C. 486, which makes it a federal crime to pass any coins of gold or silver intended for use as current money. Liberty Dollars are struck with gold and silver).

WHAT'S MORE, the Mint points out, the Constitution grants Congress exclusive power to coin money of the United States and to regulate its value. "The United States Mint is the only entity in the United States with the lawful authority to mint and issue legal tender United States coins," says the Mint.

Okay. But what about money that isn't U.S. currency, and doesn't pretend to be?

A few years ago some residents of Floyd County undertook an experiment in local scrip -- alternative currency aimed at putting food on the table for local merchants rather than feeding the rapacious maw of the world's Wal-Marts. Floyd wasn't alone -- several dozen localities have tried the same thing over the years, apparently without repercussion. Evidently there's little threat to the Fed from Berkeley "bread."

For that matter, all kinds of alternative currencies exist. Gift certificates, Disney Dollars, casino chips, product-purchase points, and so on are all forms of exchange that lie somewhere on the spectrum between barter and honest-to-God Federal Reserve Notes. Back in the bad old days, companies that ran company towns paid workers in company scrip that could be redeemed nowhere but the company store. These days, credit card and other companies often use airline miles as de facto scrip to reward loyal customers.

All of the foregoing raises the admittedly off-the-wall question as to whether someone could create his own currency (taking pains of course to differentiate it from Federal Reserve Notes

to avoid charges of counterfeiting). What would happen if, say, the Giant American Banking Corporation were to issue its own currency?

Maybe the question isn't that off-the-wall. At various points in U.S. history, banks did issue their own currencies most recently between 1863 and 1929, when thousands did so under the National Banks Acts of 1863 and 1864. Could they do so again?

Regardless of the question's spatial orientation with regard to the wall, nobody in Washington seems eager to answer it. The U.S. Mint referred questions to the Secret Service. The Secret Service referred questions to the Mint. The Bureau of Engraving and Printing referred questions to the Justice Department, and Justice referred questions to the Treasury Department, which oversees the Mint and the Bureau of Engraving and Printing. The American Bankers Association didn't return calls. A professor of banking law agreed the question was an odd one but couldn't think of a prohibition against issuing Big Bank Bucks.

WHAT MAKES the question even more interesting is the rise of purely notional value in cyberspace -- perhaps the biggest decoupling of tangible goods and value markers since the U.S. went off the gold standard. At the risk of veering into labor-theory-of-value territory, it's worth noting how much time and effort growing numbers of people spend in cyber-realms such as Second Life and MMORGs (massive multiplayer online role-playing games) like World of Warcraft. As The Washington Post recently reported about a designer who creates cyber-garments "worn" by digital personas:

"In Second Life, where nearly 2 million people have signed up to create their own characters and socialize with other digital beings, the virtual economy is booming, with total transactions in November reaching the equivalent of \$20 million. Second Life's creator, Linden Lab, allows members to exchange the electronic currency they accumulate online with real U.S. dollars. Last month, people converted about \$3 million at the Lindex currency market."

Those virtual dollars have no value in any real sense, except that the people who exchange them agree that they do. Their value is backed only by mutual agreement, but that suffices.

How is any of that different from the Federal Reserve Note (or the scrip simoleon, the Liberty Dollar, or the casino chip) in your pocket? And isn't the cyberspace chit -- with no tangible connection to anything -- that people do value worth more than the Susan B. Anthony coin that they don't?