

Liberty dollar: Is it just funny money?

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Bernard von NotHaus shows how it's done on a video posted on the Internet.

In the video, von NotHaus — the monetary architect of a "private voluntary barter currency" known as the Liberty Dollar — waits in line at a lunch stand. He orders three sandwiches.

Von NotHaus tells the cashier: "I have a \$10 silver." He hands the cashier something.

The cashier says: "We don't take — what is this?"

Von NotHaus: "It's a new \$10 silver."

Soon, von NotHaus is shown walking away with the sandwiches. "Just like that," he says, smiling to the camera.

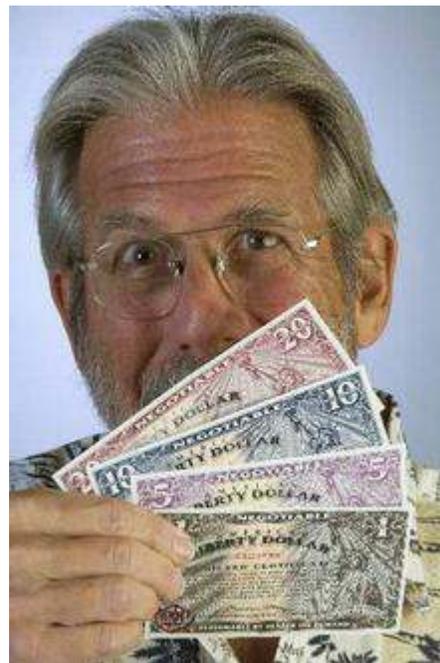
The U.S. Mint says what von NotHaus was doing —

using a Liberty Dollar as currency to buy something — is illegal. Anyone viewing the video might come to the same conclusion.

But the head of Evansville-based Liberty Services has remained defiant, taking his position to federal court with a lawsuit against the Mint, the Treasury Department and government officials.

It's part of an ongoing campaign against the U.S. Dollar and the Federal Reserve, which von NotHaus blames for manipulating the currency, resulting in inflation.

"The money isn't as good as it used to be," von NotHaus, said in a recent interview. "You can't plan for the future when you know that dollar is worth less and less."



DENNY SIMMONS/Courier & Press BELOW: Bernard von NotHaus and some of his paper Liberty Dollars.

medallions produced by a private mint in Idaho on behalf of Evansville-based Liberty Services. The organization also issues paper notes the group says are backed by silver reserves.

RIGHT: The \$20 Liberty Dollar Silver piece created by NotHaus

Since 1998, von NotHaus has traveled the country explaining his vision for the alternative currency and sharing his claims that the U.S. Dollar has been devalued since the Federal Reserve was established in 1913. He freely accuses the Fed of committing theft through inflation and says the government simply "tickles the keys" of computers when it wants to produce more money.

His arguments often turn passionate. Von NotHaus employs rhetorical flourishes and raises his voice to make a point when questioned about his views of monetary policy. To hear him tell it, people are consistently misled by the government.

"When it comes to money, sometimes people leave their minds at home," von NotHaus said.

As the designer of the Liberty Dollar, von NotHaus says he's standing up for the rights of people to trade, or barter, what they choose.

The government doesn't quite see it that way.

Last year, the U.S. Mint issued a warning on its Web site stating that federal prosecutors had determined use of the Liberty Dollar was illegal.

In its warning, the Mint said merchants and banks were confused by people trying to use the Liberty Dollar. According to the Mint, the medallions' inscriptions of "Trust in God," "Liberty" and a design that appears similar to a 1986 Statue of Liberty commemorative silver dollar result in a "misleading appearance."

The Mint also cited sections of the Federal Code stating that no one except the government may create or pass "any coins of gold or silver or other metal, or alloys of metals, intended for use as current money."

Von NotHaus says the Mint's warning was unjustified and contends that neither he nor Liberty Services have said the medallions served as "current money," "coin" or "legal tender."

So in March, von NotHaus, citing a "chilling effect" of the Mint's warning on Liberty Services' operations, filed a federal lawsuit in Evansville against the Mint, the Treasury Department, Attorney General Alberto Gonzales, Treasury Secretary Henry Paulson and Mint Director Edmond Moy.

"We had to sue the government because what they're saying is a lie — they're mistaken in their point of view," von NotHaus said.

He adds that Liberty Dollar's "whole marketing strategy is that this is not government money."

The Mint has declined to comment on the lawsuit, citing a policy of not discussing pending litigation. The government has, however, asked the court to dismiss von NotHaus' lawsuit, and argues the suit has not met the necessary legal standards.

"In essence, Von NotHaus is seeking to immunize himself from future prosecution based upon generalized and non-specific circumstances," the government's response states. The suit is pending.

For his part, von NotHaus says the government's response is "serious," and his attorneys are working on a response to the Mint's dismissal request.

"It's important we don't lose anymore of our liberties by the government saying what we can and cannot trade," he said. "I'm putting my faith in that the laws of our country will prevail. I have no other alternative."

Working as the chief promoter, designer and defender of the Liberty Dollar wasn't what von NotHaus had in mind for his retirement years, but he said he couldn't see himself doing anything else.

He spends a lot of his time on the road, visiting supporters and showing off his latest products at coin collecting conventions across the country.

After retiring several years ago as the operator of a private mint in Hawaii that produced "numismatic instruments" for various clients, von NotHaus turned his attention in 1998 to developing the Liberty Dollar.

The Liberty Dollar was initially founded by a group calling itself NORFED, which stood for National Organization for the Repeal of the Federal Reserve and Internal Revenue Code. The group has been disbanded because its name carried too much baggage, von NotHaus said. Now the organization overseeing the Liberty Dollar is known as Liberty Services, operating from an office on Stockwell Road in Evansville.

The group has been based in Evansville since its start in 1998. Von NotHaus said others who wanted to develop an alternative currency happened to live in Evansville, so that's where Liberty Dollar established its headquarters.

The group maintains a list of merchants across the country who accept the Liberty Dollar. One such business is DEF Arms in Boonville, Ind., which sells a variety of personal security devices, such as pepper spray and personal alarms.

Owner Frank Findley says the business also gives out Liberty Dollars as change, but customers can request standard U.S. currency instead.

"When people see them, they fall in love with them," Findley said. "It's completely voluntary. People can choose to accept it or not."

Findley, who says no merchants accepting the Liberty Dollar have been arrested or charged, wants further clarification about how the Liberty Dollar can be used. "Bernard is trying to get the government to say exactly what is wrong with it," he said.

Von NotHaus is fond of comparing the Liberty Dollar to other payment means, such as American Express, and he often says the connection between the Liberty Dollar and U.S. currency is like that of FedEx and the U.S. Postal Service.

But von NotHaus doesn't depend solely on Liberty Dollars to pay for things. He also carries regular greenbacks with him, and Liberty Services sells its medallions in exchange for U.S. currency.

"Not everybody takes Liberty Dollars," he explained. "The electric company doesn't take it. The newspaper doesn't take it. So we're forced to carry that other trash."

One ounce of silver — essentially the same amount found in a \$20 Liberty Dollar piece — goes for about \$13 on the spot market. Liberty Services sells its pieces to "regional currency officers" for \$16 each. Those people in turn can sell the pieces to merchants for \$18 each. Merchants then use the pieces in customer transactions using the \$20 face value.

Von NotHaus defends the markups and says the Liberty Dollar is no different than other goods that pass through a supply chain.

"It's just like bread: You can't buy a loaf of bread for the 8 cents of wheat in that bread," von NotHaus said. The \$13 spot price for an ounce of silver is for 5,000 ounces "in unmanufactured form in a block so big it takes a forklift to move," he said.

"It's a business model. Everybody makes a little money along the way," he added. "Basically, we still have to generate a profit. We have to keep our lights on and pay for lawsuits in Evansville."