

Man bucks system with his 'Liberty Dollars'

But police file theft charges over use of alternative coins

BY JOHN BREWER

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A River Falls, Wis., man's disdain for federal currency has resulted in the circulation of dozens of silver "Liberty Dollars" and has led police to charge the man with theft.

Eric Krenz, an accounting major at the University of Wisconsin-River Falls, said he's only trying to offer an alternative to the Federal Reserve note, but a St. Paul coin dealer said the coins have little value.

"It really is a scam," said David Runge of St. Paul's Soaring Eagle Coins. "It really is misleading to the people that buy these."

Krenz first bought the Liberty Dollars after researching the topic of U.S. currency. After studying the matter, he decided to buy coins from a company that professes skepticism for the American system of currency not backed by silver or gold. Krenz has since "spent" about \$1,000 in the alternative coins and said he's not concerned that his actions could have cost area businesses by sticking them with coins that can't be deposited at a bank.

"It's just another currency. The banks have their own money, the Federal Reserve note. This is just another currency that gives competition to the marketplace," Krenz said. He believes that curious employees purchase most of his coins out of registers.

He ran into trouble in mid-February when three \$20 coins turned up at two River Falls gas stations. The clerks accepted the coins, managers at the businesses said, without realizing what they were. When they understood the coins weren't U.S. currency, they called police.

"This is the first time I've had trouble with these," Krenz said, adding that he knows about 10 other people, including a Prescott man, who use the currency.

Claudia Dickens, a spokeswoman for the U.S. Treasury Department, said buying, using or accepting the Liberties isn't necessarily against the law.

"It's my understanding that Liberty Dollars and other currencies like it that are printed, as long as they don't purport to be legal tender, and merchants agree to accept them, it's legal," she said. "We kind of liken it to Disney Dollars.

"But if in any way he purports it to be the legal tender of the land, that's where we run into problems."

The U.S. Secret Service, which is charged with protecting the nation's currency, is aware of Liberty Dollars.

"But these cases do not come up very often, because most people recognize what genuine currency looks like," said John Kirkwood, special agent in charge of the Minneapolis field office.

"Anybody that's using an alternative currency as a replacement for genuine currency and trying to tender it is essentially violating the law," he said.

Users of the coins don't see Liberty Dollars as an illegitimate currency. In fact, they say, their coins are much more valuable than the Federal Reserve's paper money.

The coins, which the company says are made out of one Troy ounce of 0.999 fine silver, have a face value of \$20. Associates with Liberty Dollar, like Krenz, pay \$250 to start using the group's currency. They can then pay about \$16 for each \$20 coin.

The market price for the same weight of silver is currently about \$9.70 an ounce.

"If you came into me, I would give you the silver price," said Runge, the St. Paul coin dealer. "It is misleading, because people think that someday they'll get their money back."

The coins can be sold back to the company for U.S. dollars, but at a fraction of their face value.

"The benefit in using the Liberty Dollar is spending it, not exchanging it back," said Lex Schauer, a Fargo, N.D., representative of the company.

Schauer said he is authorized by Liberty Dollar to act as a moneychanger. He is listed on its Web site as the closest Regional Currency Exchange to the Twin Cities.

"Merchants signed up with Liberty Dollar could get 20 Federal Reserve dollars back. Anybody else would be subject to an exchange rate," Schauer said. He is currently offering 55 to 60 cents in U.S. money against \$1 in Liberty currency.

"I get very few people coming to me to exchange them in. The trend is people keep them, hoard them. I think most people squirrel them away. Keep the good money, spend the bad," he said.

The Liberty Dollar's creator, Bernard von NotHaus, could not be reached for comment.

The libertydollar.org Web site says that the currency was released to the public in 1998 as an inflation-proof currency backed by precious metal. The problem with the U.S. dollar, the site contends, is that the paper hasn't been backed by precious metal since the formation of the Federal Reserve in 1913 and is prone to inflation. The site purports that about \$20 million in Liberty Dollars are now in circulation.

"Your Liberty Dollar money can never become completely worthless because it has intrinsic value. It will always be valuable," the site says.

That's partly what Krenz tells clerks in River Falls, Prescott and the Twin Cities when he spends his silver pieces on items such as pizza and gas.

"I say it's a \$20 silver piece, if they ask. Usually they just take it," he said.

If a clerk questions the coins, he said he tells them that the banks don't accept it as legal tender.

"It's designed to stay in the community and benefit community," he said. "I don't really (mislead). I think what the Liberty Dollar is trying to do is get as much out there as possible, to let people know that there's another currency floating around that's legal and probably better."

When police called him a week ago after he passed the coins in River Falls, he explained the idea behind the Liberty Dollar. He was still charged with theft on suspicion of using the coins as legal tender.

"That's why I don't think this theft charge will hold up. ... Anyone that doesn't want them, I'll gladly exchange them back," Krenz said.

He has since turned over \$40 in Federal Reserve notes to the gas stations. The remaining \$20 was covered by an employee who bought one of the coins.

"Maybe this is kind of a peaceful way to protest against the Federal Reserve not having a silver-backed currency like it used to be," Krenz said.

He is scheduled to defend himself and the Liberty Dollars in Pierce County Circuit Court on March 15.

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