

Liberty Dollar in Quixotic Bid To Replace Greenback

By: Gary Shapiro Staff Reporter

The New York Sun - Thursday, May 11 2006

Just as FedEx brought competition to the post office, the Liberty Dollar is taking on the American greenback. Or at least, a merry band of individualists and free market enthusiasts are trying to make it happen.

Over pierogies and cabbage rolls at a Lower East Side restaurant, the Manhattan Libertarian party recently discussed the virtues of the private currency. Backed by real gold and silver, the Liberty Dollar is created and issued by the National Organization for the Repeal of the Federal Reserve Act and the Internal Revenue Code. The currency does not say “legal tender” and is therefore in compliance with federal law.

But can you use it?

Yes, indeed, said Nic Leobold, a writer for Serf City, the newspaper published by the Manhattan Libertarian Party. He used the Liberty Dollar at several local establishments, including Grey’s Papaya, a bodega near Grand Central Terminal, and Dunkin Donuts. (At the dinner, however, most people appeared to be paying the Ukrainian Restaurant in Federal Reserve notes.)

One attendee, civics teacher Kevin Degidon, was considering purchasing the currency. Mr. Degidon heard the lecture — given by regional currency officer for the Liberty Dollar, Vijay Govindan — and wanted to confirm that the currency was redeemable and was commercially viable before investing. “It’s an intriguing concept worth looking into, but I’m cautious about investing in it right now,” Mr. Degidon said.

One role the currency plays is to petition the American government to reform the monetary system. The bank notes come in different sizes so that handicapped persons can distinguish them. But one limitation with the currency is that nobody has to accept it. At www.libertydollar.org, spenders can find some qualitative advice on approaching merchants: “‘Do the Drop!’ The best way to introduce the Liberty Dollar is to drop the Silver Liberty in someone’s hand. Do not hand it to the cashier, Drop it! Hold the oneounce Silver Liberty a couple inches above the outreached palm and drop it so it lands flat in the person’s palm.”

This private currency is only one example of several that have been used in American history. The curator of North American coins and currency at the American Numismatic Society, Robert Wilson Hoge, said Oregon, Washington, and northern California originated local-issue currencies. They created money in the form of the “wooden nickel” in the 1930s. And in Michigan there were so-called wildcat banks in the 1830s that printed paper money without backing by gold or silver reserve. Mr. Govindan said Liberty Dollars are stored in an insured and audited vault.

The executive director of the Foundation for the Advancement of Monetary Education, Lawrence Parks, told The New York Sun that the Spanish Milled Dollar circulated widely at the time of the Constitution. It is what the founders meant when they referred to a “dollar.” He added that the Coinage Act of 1792 made into law what was already a reality: the dollar was a silver coin weighing 371.25 grains of silver.

The Liberty Dollar sounds “pre-Jeffersonian,” Mr. Hoge said, adding that it hearkens back to paper money receipts that goldsmiths issued in the 1700s for gold or silver on deposit. That currency was

“like guaranteed checks.” He said others who have issued private currency include mines, which issued metal tokens and paper that were good only in company stores. He said other establishments, including prisons, have printed their own money.

The federal government began to issue its own “legal tender” notes in 1861 and levied a tax on private bank notes, thereby suppressing competition. Private mints flourished in America because of the gold rushes.

New York University economics major Kristy Mayer, who graduates today, has studied a local currency in the Hood River area of Oregon. “The local currencies I studied are similar to the Liberty Dollar in that they are nongovernment currencies. They distinguish themselves from the U.S. dollar by the fact that their value is backed by ‘real’ goods and services provided by real people,” she said.

Among the differences, however, was that local currencies circulate in a smaller, specific geographic region as opposed to the broad distribution of Liberty Dollars, she noted. Another difference, she said, was the currency she studied had a fixed exchange rate to the dollar, which means the local currency would inflate along with the dollar.

Ms. Mayer pointed out that an economist in New Hampshire named Ralph Borsodi in the 1970s began a currency project called the Constant. The purpose was to see if it was possible to create an anti-inflationary currency. She said his was backed by the value of a basket of commodities. Borsodi was “a legendary figure in the back-to-the-land and self-sufficiency movement,” according to a 1974 article in Playboy.

A Columbia University economics professor, Brendan O’Flaherty, said he does not think currency needs to be tied to gold or silver. Currency, he said, is a convention like Daylight Savings Time: “The fact that we can agree on what time it is allows us to carry out trade.”



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