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BUSINESS & FINANCE

New Millennium Moolah

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Call it Crash Cash. Call it Millennium Meltdown Moolah. Call it Economic Crisis Scrip. Just don't call it legal tender. It is American Liberty Currency an alternative loot that has been competing dollar for dollar with Federal Reserve notes since October 1, 1999.

Still, those who believe in "America's only silver-backed currency" claim it could be the monetary solution to a looming economic disaster that some pundits say may engulf the nation and the world.

Unlike the Fed's greenbacks, American Liberty Currency is backed by precious metal. ALC Silver Certificates can be redeemed for silver at any of more than 100s of redemption centers around the nation.

And the man whose signature is affixed to every ALC certificate is Hawaii resident Bernard von NotHaus.

"The first question people ask is, 'Is it legal?' The answer is yes," said von NotHaus, owner of the Royal Hawaiian Mint.

In a lengthy, published legal opinion regarding American Liberty Currency, attorney Paul Sulla concluded that the currency "is a valid negotiable paper instrument under the provisions of the Uniform Commercial Code and its intended use protected by the bearers' right under the United States Constitution."

But ALC certificates are nationwide, and they appear to be the only currency in the country backed by a precious metal.

That's what makes them special, says von NotHaus, who is the senior economist of a nonprofit organization called NORFED that, frankly, is fed up with the Fed.

NORFED stands for the National Organization for the Repeal of the Federal Reserve Act. Von NotHaus says NORFED was incorporated in September by a group of "concerned, dedicated citizens" who abhor legal-tender laws and who believe the nation's money supply is doomed because it is perpetually inflationary and not "value backed."

"What we're basically trying to do is abolish the Federal Reserve," said Nick Jesson, whose electronics business in the 7000 block of Talbert Avenue is also a redemption center. "The currency in the reserve is nothing, backed by nothing, and we want a currency with gold or silver behind it."

"This is a group of people that feel that our money should be backed up with some value," said Bernard van NotHaus, who spent 23 years creating the currency which debuted in 1998. "The Federal Reserve is a privately-owned system that can manipulate the economy."

In the beginning... money!

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In the beginning there was necessity. Like all creatures, human beings fended for their immediate personal needs. The advantage of trade had not been imagined.

Barter arrived much later, but it was limited. What was needed were materials that had intrinsic or inherent value in addition to direct barter possibilities.

Such things as hides, grains or salt could be used as a medium of exchange for goods and services. Metals proved to be superior. Copper coins, for instance, were easily divided into standard units (unlike cows), they weren't perishable (as were bananas), they were limited in supply (unlike stones) and they could either be traded or transformed into something useful, such as a tool or work of art.

Of all metals, gold and silver came to reign supreme as money, in part because of their extreme scarcity and their beauty. But they were heavy and not easily hauled around in quantities.

Eventually, gold and silver smiths began storing precious metals for customers and issuing receipts for the coins. People traded the receipts in lieu of the money they represented. In time, the receipts themselves came to be regarded as money.

As long as the receipts were redeemable for the money they represented, there was little problem. But when smiths and governments began issuing more receipts than the precious metals they represented, problems arose.

If too many individuals demanded their money at one time and consequently there wasn't enough money to cover the receipts people lost confidence and the currency failed. Although this has happened a number of times in the history of the United States, there hasn't been a serious run on banks since the Great Depression.

The Fed is a "scam!"

Why would von NotHaus and his colleagues want to repeal the Fed? Because, he says, it's a scam. Citizens are led to believe that the Federal Reserve Bank is a regulated governmental operation. Fact is as any encyclopedia points out the Federal Reserve is an independent agency owned largely by foreign interests.

"It isn't federal, it has no reserves, and it's not even a bank", said von NotHaus. "The truth is that the Federal Reserve is a private company that manipulates the economy for the profit of its owners at the expense of American people."

Greenbacks are legal-tender fiat notes, meaning that while they have no intrinsic value, they must be accepted in all commercial transactions. Not a very inspiring currency to von NotHaus' way of thinking. "It's inferior," he said.

"What ALC needs is a really good, old-fashioned panic," smiles von NotHaus, noting that as the value of the U.S. greenback continues to erode his ALC currency will hold every bit of its value.

Von NotHaus is not necessarily predicting wholesale cataclysm, but he does predict that millions of Americans, unwilling to risk their life savings, will pull at least part of their money out of banks. Such a run on American banks could be enough to destabilize Fed notes. If citizens lose faith in greenbacks, which have no intrinsic value in any case, then American Liberty Currency which claims to be 100 percent backed by pure silver could save the day.

"What we're talking about here is returning the ownership of money back to the people," said von NotHaus. "This currency is a warehouse receipt that gives the bearer title of ownership. When the people own the money, they control the govern

ment. When the government owns the money, such as in the case of the Federal Reserve notes, the government controls the people."

ALC certificates are not an investment. They are simply an alternative currency. Although they are not legal tender, they can be used in any manner Fed notes can be used except that there is no legal requirement that they must be accepted.

The main difference is that they are backed by precious metal. Currently, silver has a market value of around \$5 an ounce.

But ALC certificates are tied to an amount of silver, not the market value of silver, which in the past two decades has fluctuated from less than \$5 to around \$50 an ounce.

According to von NotHaus, every \$10 ALC certificate is backed by a single ounce of pure silver stored in vaults at Sunshine Minting in Idaho, a large private mint that manufactures silver coins for businesses and governments all over the world. That \$10 amount includes the price of silver plus the costs of minting and storing NORFED's Silver Liberty ounces, printing ALC currency, and such things as distribution, Insurance, bookkeeping, etc.

Once a \$10 ALC certificate has been printed, dated and signed, it's tied to one ounce of silver for 20 years however high or low the price of silver might go. After 20 years, unless renewed or redeemed, the certificate expires.

The system has built-in checks and balances to assure that the currency can't be inflated by issuing more warehouse receipts than there are ounces of silver backing them. Those measures include monthly independent audits and storing the silver in tamper-proof boxes before the corresponding certificates are issued. Aside from that, von NotHaus says, should any ALC holder ever be denied silver, confidence in the value of the currency would evaporate defeating the very purpose of the currency.

The high-quality certificates complete with holograms, micro-printing and some anticounterfeiting tricks the Fed's own money doesn't have - are printed by Verify First Technologies of California. Although von NotHaus designed the certificates, his own mint has nothing to do with printing the ALC certificates or minting the Silver Liberty ounces.

Compared to Fed greenbacks, some \$260 billion of which are in circulation, NORFED's circulating currency seems virtually nonexistent. But that could change should the public decide it wants a value-backed currency, says author and documentarian G. Edward Griffin, who has written extensively about money and has long advocated an American currency that's 100 percent backed by a precious metal.

Griffin admits that even he thought American Liberty Currency was a "hare-brained idea" when he first heard about it. "I didn't actually think anyone would ever do it," he said. "I did look at it very carefully." Griffin's conclusion is that ALC certificates are a genuine free-market currency and, as such, will be governed by the laws of supply and demand. In other words, the market itself will decide the currency's success or failure, he says. "How can you argue with that?" said Griffin.

American Liberty Currency may have time on its side and Von NotHaus also believes he has history on his side. "Money has been around for thousands of years," he said. "And while no currency truly backed by a

precious metal has ever failed, in the long run no fiat legal tender has ever succeeded."

American Liberty money comes in coin or bill form -- denominations of \$ 1, \$5 and \$10 bear the Statue of Liberty on them -- produced by the National Organization for the Repeal of the Federal Reserve Act and Internal Revenue Code, which has its sights set on the Federal Reserve system in use today.

The American Liberty money is supported by silver and gold, with \$10 worth one Troy ounce of .999 fine silver.

Alternative currency is not new In 1990, the HOUR began circulating in Ithaca, N.Y. setting a value of \$10 for an hour of labor. In Northern California's Mendocino County nine years later, cities began using Self-sufficient Ecological Economy Development to encourage community spending.

There are about 60 different types of local currency, used in a small area, in use throughout the United States.

"The difference between those types, and American Liberty Currency, is that we're on a national scale," van NotHaus said. "But the country is actually our community, as it relates to the countries of the world."

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