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Ron Paul and the Money Cops

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Assume you, a Justice Department official, are a secret supporter of Texas Rep. Ron Paul for president and want to help your candidate. You know Mr. Paul wants to abolish the Federal Reserve, the Internal Revenue Service, the FBI, and wants money to be backed by gold, silver and/or other precious metals. You also know his critics claim he is paranoid about the federal government abusing its powers.

You then realize that in one lightening action you can demonstrate Mr. Paul is not paranoid and, at the same time, highlight the issues of sound money and government abuse of civil liberties.

To do so you could have the FBI raid the offices of a Paul supporter who is making and selling "Ron Paul Dollars" made of copper, silver, gold and platinum, and seize all the coins. Bizarre as it sounds, that is exactly what agents of the FBI did last week.

Needless to say, this action of the Feds has energized many Paul supporters and brought more people into his camp.

Despite my scenario above, I doubt the seizing of the coins was instigated by a Ron Paul supporter in the government; more likely, it was taken by overzealous federal agents who neither had the wit to understand the political significance of what they were doing nor a full appreciation of the importance of civil liberties. It should strike all Americans, regardless of political ideology, that seizing objects that bear the likeness of a candidate and are clearly designed to promote that candidate, regardless of what they are made of, is an assault on our basic freedoms and our electoral process.

Can you imagine the outrage from the mainstream press if the Feds had seized metal campaign buttons produced by a supporter of Hillary Clinton with her likeness on it?

The company whose "Ron Paul Dollars" and other private coins were seized by the Feds is "Liberty Services." According to both the Paul campaign and Liberty Services, the company's actions were not part of, affiliated with or authorized by the campaign. The FBI claims it is investigating the company for "making or possessing likeness of coins," mail fraud, wire fraud, money laundering and conspiracy. Yet, as of this writing, the company had not been charged with or indicted for any crime, let alone convicted.

To understand the very slippery slope the government is now on, it is important to understand what is legal and what is illegal. The U.S. Code states, "Whoever ... attempts to utter or pass, any coins of gold or silver or other metal, or alloys of metals, intended for use as current money, whether in the resemblance of coins of the United States or of foreign countries, or of original design, shall be fined under this title or imprisoned."

Private mints and organizations can legally produce various types of commemorative coins (which the U.S. Mint insists they call medallions) from any metal, including gold, as long as they do not claim they are "money" and as long as they clearly do not appear to be counterfeits of some U.S. or foreign government coins.

Any citizen may possess, buy and sell as many gold, silver or other metal coins (medallions) produced by governments and private mints as he chooses. However, he may not pass off any of them as "money," except the "legal tender" coins minted by the government, such as the U.S. "quarter."

Now, you might be thinking if you can sell the coins in your coin collection for money, whether or not they are U.S. legal tender, what is the difference?

This nonsense only gets worse. The U.S. government mints and sells "American Eagle" gold coins which are "legal tender" even though they sell for about 20 times their face amount these days. You can also buy and sell gold coins produced by foreign governments or private mints (commemorative medallions), with same amount of gold in them as the U.S. government coins, for about the same price as the U.S. legal tender coins (the amount of gold largely determines the price, except for rare coins that have an additional numismatic value).

In addition to the legal tender laws, a major reason precious metal coins or "medallions" are not commonly used in normal transactions is that you are supposed to pay a capital gains tax on any difference between your purchase and sale price, though the gain may be due solely to (Fed-caused) inflation. Yet you are not allowed to deduct the loss of value due to inflation of your government-issued "quarter" or other legal tender from your taxes.

Finally, though some in the FBI appear to have forgotten, anyone can legally produce and give away or sell materials in support of any candidate as long as those actions are independent of the candidate's campaign.

Many great economic scholars, such as F.A. Hayek, have written on the desirability of denationalizing currencies in protecting the value of money, and civil libertarians both right and left have correctly criticized many IRS actions and those of other federal law enforcement agencies.

While other candidates have differences with some of Ron Paul's positions, as I do, they should not continue to ignore the problems of sound money and IRS and FBI abuse. If

they fail to come up with their own solutions, they are likely to see his support continue to rise.

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