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The Liberty Dollar's manufacturer plans to challenge U.S. government. "The designs and verbiage ... are original and are not copies of any U.S. Mint currency," a company executive says.

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Feds lower boom on alternative money

Updated 9/15/2006 3:01 AM ET

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By **Barbara Hagenbaugh, USA TODAY**

WASHINGTON — The government Thursday warned consumers and businesses that it is illegal to use alternative money known as "Liberty Dollar" coins, which organizers promote as a competitor to the almighty dollar.

"We don't want consumers to be fooled," U.S. Mint spokeswoman Becky Bailey says, noting U.S. Attorneys offices across the USA have noticed a marked increase in inquiries about the coins.

The coins' producers vowed to fight the government's decision.

Evansville, Ind.-based National Organization for the Repeal of the Federal Reserve Act and the Internal Revenue Code, otherwise known as NORFED, has been making the Liberty Dollar coins for eight years and claims \$20 million is in circulation. The group says the money, unlike official U.S. cash, has a hedge against inflation because it is made almost entirely of silver and is backed by stocks of silver and gold in a vault in Idaho.

The coins are then spent by the group's 2,500 Liberty Associates in stores run by fellow supporters or are accepted unknowingly by clerks who are unaware they are not receiving real money.

The Justice Department has determined that use of Liberty Dollars, which come in varying denominations, "is a crime," according to the Mint, which issued a rare public warning Thursday.

"The United States Mint is the only entity that can produce coins," Bailey says.

The Mint notes the coins share some resemblances to real money, such as the term "Trust in God" instead of "In God We Trust" and use of a torch in the design. Such similarities may confuse people into thinking the money is

real, the Mint says.

But NORFED says it will challenge the government, arguing it has never claimed Liberty Dollars were official money and that it has a right to offer an alternative.

"The designs and verbiage ... are original and are not copies of any U.S. Mint currency," NORFED Executive Director Michael Johnson said in a statement.

It's unclear how many people or businesses are unknowingly holding Liberty Dollars, which cannot be exchanged for real money at banks.

In a case in Buffalo, a man and his son are set to go on trial next month after they knowingly tried to buy beer at a Buffalo Sabres hockey game with Liberty Dollars.

The Mint did not say if government officials will seek to prosecute individuals or NORFED after its warning.

Reed Runk, part-owner of Kendall Funk & Bismark Jewelers in Chambersburg, Pa., says the store has been accepting Liberty Dollars for about a year and has sold a few as well. Runk says the store will continue to accept and sell the coins.

"We just feel that they are something that educates people as to what the monetary systems are like in the world, that they are a fiat system, that if people lose faith in them, they will collapse," he says. Besides, "They are a good-looking coin."

Posted 9/14/2006 10:40 PM ET

Updated 9/15/2006 3:01 AM ET

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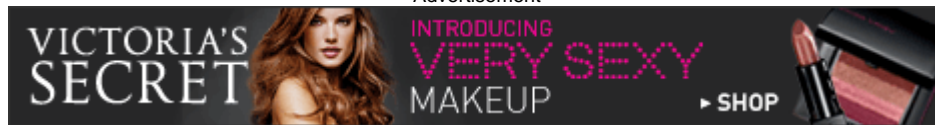
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