

STOP THE COIN ACT

Rep. Greg Walden

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Background

The Constitution in Article 1, Section 8, Clause 5 provides the legislative branch the power to coin money and regulate the value thereof.

Federal law provides the Secretary of the Treasury the ability to mint and issue coins of various denominations and content. In most cases, the law specifies that the coins can be minted, their nominal (face) value, and how the Secretary is able to issue them. In addition to the nation's circulating coins, for which specifications are quite precise, investment coins minted using silver, gold, and palladium are all restricted to certain nominal values (e.g., \$50 gold coin).

The Secretary is allowed to mint investment coins of platinum, but the law is silent when it comes to the nominal, or face, value of platinum coins leaving that choice to the discretion of the Secretary. While this was intentional to allow the minting and issue of "fractional" coins with, for example, a half-ounce rather than the standard full ounce of platinum, within the past week, some have suggested that the Treasury (U.S. Mint) should create one or multiple trillion-dollar platinum coins, deposit them into the Federal Reserve, and thus avoid hitting the debt ceiling.

Rep. Jerrold Nadler, the ranking member of the Judiciary Committee's Subcommittee on the Constitution, touted the proposal last week. *New York Times* columnist and Princeton professor Paul Krugman suggested the idea in an article as well. Last week, the Obama Administration, including White House Press Secretary Jay Carney, repeatedly refused to rule out use of the gimmick to get around the debt ceiling. Meanwhile, the Senate Democratic Leadership, including Majority Leader Harry Reid, wrote to the President to urge him to circumvent the debt ceiling through any means necessary. On January 12, the Treasury Department finally ruled out using the coin gimmick to get around the debt ceiling.

Although this is an overly simplified explanation of how the Administration's backers assert such a transaction could, or even would, happen, the fact is that Democrats are even discussing such a gimmick means that Congress must eliminate the possibility it could be employed.

Purpose

The Stop the Coin Act would remove the Secretary's discretion to issue a coin of platinum or any other material with a face value greater than \$200 and thus would end speculation about any "trillion dollar coin" gimmick. The bill simply closes a loophole in the law by applying a reasonable limitation on how much the Treasury could value the coins it produces, but does not interfere with the minting and sale of bullion coins to investors who wish to use them as a hedge against inflation. This bill would not interfere in any way with the Treasury's ability to produce Congressionally-approved commemorative, investment, or collector coins.

It's time to take this coin scheme off the table and instead focus the debate on reducing the debt and balancing the budget just like families and small businesses do.