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DESIGN AND SECURITY OF CURRENCY

HEARING

BEFORE THE

SUBCOMMITTEE ON
DOMESTIC MONETARY POLICY, TECHNOLOGY,
AND ECONOMIC GROWTH

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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DESIGN AND SECURITY OF CURRENCY

TUESDAY, JULY 24, 2001

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MONETARY POLICY,
TECHNOLOGY, AND ECONOMIC GROWTH,
COMMITTEE ON FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to call, at 2:10 p.m., in room 2128, Rayburn House Office Building, Hon. Peter T. King, [chairman of the subcommittee], presiding.

Present: Chairman King; Representatives Lucas, Ose, Green, Hart, C. Maloney of New York, and J. Maloney of Connecticut.

Chairman KING. The hearing will come to order. I want to welcome Senator Allen, and of course our colleague, Congressman Cantor. And I would just like to make a brief opening statement before we begin. This deals with the second part of our hearing today, but I doubt that many people consider the design of the money in their pocket. The design of our currency serves a very important purpose of security. All the precise lines and the special currency paper that are instantly identifiable by touch let us know that the bills in our pocket are genuine obligations of our Government.

For more than 60 years, the changes to our bank notes were so minor, the average person never would have noticed them. But advances in photocopying technology and the computer scanners and printers gave counterfeiters easy access to cheap, easy-to-use tools.

While the fakes they produced weren't of great quality, they sometimes were good enough to pass. About 5 years ago, the Nation's security printer, the Treasury Department's Bureau of Engraving and Printing, or BEP, gave us a new series of bank notes which were harder to fake, and these help protect the security of our Nation's currency.

But we are here today because the counterfeiters and their equipment have gotten better, and it is time to consider a new generation of bills, ones with more security features. And we are going to receive testimony from Thomas Ferguson, the head of the Bureau of Engraving and Printing; and Daniel G. Snow, the top anti-counterfeiting agent of the United States Secret Service, which, besides protecting the President and other top officials, is the anti-counterfeiting police arm of the Government.

Director Ferguson and Agent Snow are here to tell us the state of our current anti-counterfeiting efforts and of our plans to deter fakes through the new generation of currency that we expect to be able to see within the next 2 years. They will also tell us a little

about what they expect will happen with the introduction of the Euro currency next January. Euros were introduced in electronic form 2½ years ago. They will actually appear in physical form on January 1st. And the Europeans plan to exchange all of their existing marks and franks and lire and Irish pounds for Euros in a 2-month period.

I know that Secret Service is working directly and closely with its counterparts in Europe and the rest of the world to stem the tide of counterfeits. I am studying legislation that could help that effort. Additionally, last week, I introduced a bill at the request of the Administration that would allow the BEP to print currency for other and smaller countries.

But now the real pleasant business of the hearing today. And once we get counterfeiting out of the way, I just want to say how privileged we are to have Congressman Cantor and Senator Allen today, and some of their very special constituents who have a novel idea for redesign of U.S. bank notes. We have—I guess they are all sitting out here in the audience—a group of pupils from Liberty Middle School and Patrick Henry High School in Ashland, Virginia, to tell us about a very patriotic idea they have to put the Constitution on the backs of all our bank notes.

They have worked very hard on this effort and their appearance today before this subcommittee is a tribute to their dedication. Congressman Cantor, as one of his first pieces of legislation, introduced it back in March of this year. I certainly don't want to steal their thunder, so I will let the students, and also Congressman Cantor and Senator Allen, explain the proposal themselves in a few moments. And I also want to thank Senator Allen for making a long trip over here to the House of Representatives. I know he was here a few years ago. It is great to have you back, and it is always great to have Congressman Cantor.

Now I will yield to the gentlelady from New York, Mrs. Maloney.

Mrs. MALONEY. Thank you very much. It is my great honor to welcome Congressman Cantor and Senator Allen from the great State of Virginia, and I'd like to also welcome the young patriotic team that came up with the idea for the Liberty Bill Act of 2001. It is not surprising that you have come up with this idea. After all, Virginia gave our country more Presidents than any other State, and Virginia has often been called the birthplace of democracy in the United States. So I welcome the civic responsibility that the young authors have put forward and the cooperation that their Congressman and Senator have given them, and I look forward to hearing their testimony. And all I can say is God Bless America.

But also, after this panel, we are going to be looking at some very important things, maintaining integrity as it relates to counterfeiting of the United States dollar, and that should be a priority. Maybe the Constitution on the back would make it harder for people to counterfeit. I guess we will find out in the next panel. I am looking forward to hearing how the Secret Service is working to maintain the integrity of the United States dollar.

As the testimony will provide, we are seeing some increases in counterfeiting with a surprising increase of 41 percent in Colombian-manufactured counterfeiting. Also with the increased availability of technology, the challenges which face law enforcement

will increase. That is why I feel this hearing is so important, and we need to keep on top of these issues.

I am also pleased to announce the introduction of H.R. 2509 as an original co-sponsor with Mr. King. I believe the bill provides an avenue for the Bureau of Engraving and Printing to lend their expertise and knowledge to smaller countries. The bill provides that the Bureau of Engraving and Printing be allowed to print currency and security documents, passports, stamps, for example, for other countries. As we value the integrity of our currency, let us also assist others in developing a high valued currency for their countries. I look forward to the testimony, and, again, I welcome all the participants.

Chairman KING. Thank you, Mrs. Maloney.

I understand Congressman Lucas and Congressman Green do not have opening statements.

Congressman Cantor, if you would lead off first.

STATEMENT OF HON. ERIC CANTOR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. CANTOR. Thank you, Mr. Chairman. I thank you, and I thank Mrs. Maloney for holding this hearing today, and I am very pleased to be here to discuss H.R. 1021, the Liberty Bill Act of 2001. Many studies have demonstrated that most Americans have little knowledge about the Constitution of the United States. While we all enjoy the benefits of our democracy, fewer and fewer citizens of this great country can cite the basic rights of freedom guaranteed in this timeless document.

To remedy this unfortunate trend, a remarkable group of students at Liberty Middle School and Patrick Henry High School in Ashland, Virginia, have proposed a way to give Americans a daily civics lesson.

On their behalf, I introduced the Liberty Bill Act of 2001. This legislation is intended to celebrate our Constitution as a living American symbol, and integrate it into our lives on a daily basis by simply placing an abbreviated version of the Constitution on the reverse side of all U.S. paper currency.

This bill would honor our system of law and Government and promote the teaching of democratic principles around the world.

We as a Nation must be ever mindful of the ideals upon which the United States was founded, and this legislation would provide a prominent reminder of our Founding Fathers' vision for our Nation.

My distinguished predecessor, Congressman Tom Bliley, recognized the value of this concept and garnered over 100 co-sponsors of a similar bill during the 106th Congress, many who sit on this subcommittee. This bipartisan bill was introduced in the 107th Congress with the co-sponsorship of the entire Virginia Delegation, and support for the concept is growing here in the House.

I also welcome the distinguished Senator, my friend from Virginia, Senator George Allen, who is the author of similar legislation in the Senate.

I would also like to extend a welcome to members of the Hanover County school board, the Chairman, Sue Watson, as well as the Chairman-elect, John Axselle, who are both here from Hanover

County, as well as Dr. Stewart Robinson, the Superintendent of Schools in Hanover.

I would like to applaud Mr. Randy Wright, whose vision and leadership on this issue brought this concept to reality. Randy has been an energetic proponent of the Liberty Bill, and his hard work on this legislation has enabled his students to present their idea here in the House of Representatives, as well as at the White House.

Randy has a true understanding of our democracy, and I commend him for his love of teaching. He is a model citizen, an enthusiastic teacher, and an excellent example for his profession. Randy is also joined by his colleague, Mr. Tony Santos, who is also a teacher at Liberty, as well as Patrick Henry. You will see from the presentation that follows that his students have excelled in their studies and promise a bright future for our country. They have travelled here today from Ashland, Virginia, to participate in our democratic process and present their idea to the subcommittee.

I am honored to represent such fine young men and women, and am impressed by their patriotism and inspired by their potential.

As a representative from the seat once held by James Madison, I am particularly cognizant of the contributions of our ancestors at the birth of this Nation. George Washington, Thomas Jefferson, James Madison, and George Mason, are not just names in a history book to these students from Liberty Middle School; they are shining examples of our democracy, and their memory embodies our heritage in Virginia and the United States. Men and women in this country and around the world are indebted to these patriotic Americans. We cherish their memory, and through this legislation, we work to preserve their accomplishments.

Thank you very much, Mr. Chairman.

[The prepared statement of Hon. Eric Cantor can be found on page 30 in the appendix.]

Chairman KING. Thank you, Congressman Cantor. I want to thank you for bringing these students and teachers and community leaders and parents here. It really does speak volumes as to the outstanding people in your district, and it is really an honor for you to have brought them here.

And now, the distinguished Senator from the State of Virginia, Senator George Allen.

STATEMENT OF HON. GEORGE ALLEN, A U.S. SENATOR FROM THE STATE OF VIRGINIA

Senator ALLEN. Thank you, Mr. Chairman, and Ranking Member Congresswoman Maloney. Thank you all, and all Members of the subcommittee for holding this hearing. And I agree with every single thing that my good friend, Congressman Eric Cantor, has said. He is an articulate strong leader, shares the values that I think all of us understand are at the foundation of our country and carrying forward into the future. Eric and I both agree this is a very creative idea and a great way, an innovative way to help spread, not just amongst the few that study our Constitution and our system of Government—about how our Government is organized; the separate branches; the amendments and so forth in the Constitution. Not just folks who pay attention to it all the time, but indeed, I

think people would pick up one of these bills, and they would look on there and they would say that all right, the First Amendment protects freedom of religion, freedom of speech, freedom of the press, the right to assemble peaceably and the right to petition Government. People may not know all of that. I guarantee you most people probably forget the idea that the 8th Amendment prohibits cruel and unusual punishment, and you can imagine wisecracks about people—you know, they are saying—they are hanging around with you and driving down the road is an 8th Amendment violation. But nevertheless, it would be a way they would learn about it.

You also learn through it the history of this country, where you see the beginning amendments and certainly how the Executive, Judicial and Legislative Branches work, and the organization of the States. They will see how the full blossoming of the promise of this country was not all in the Bill of Rights, which unfortunately, many people don't even know the first ten amendments in the Bill of Rights and how they protect us.

But then you see how, over the years, that the rights were finally given to those who were African-Americans, how even later, those rights to vote and participate in Government were given to women. And how the Constitution, yes, it is our foundational document, but most importantly, it is not just our history and heritage. It is a living document that still applies, and when one thinks of how much and how often money goes through our hands, this is a great way, Mr. Chairman, and Members of the subcommittee, to help encourage and help educate our citizenry today. And to the extent that the American currency is put into circulation in various other countries, Panama, for example, uses United States currency as their currency.

So it is something that I think is a great idea. It came from children, young adults, let us say, middle school students at Liberty Middle School, carried on by students at Patrick Henry High School. Most appropriately, I think, and it is something that is just a great way to teach Americans about their Government, their protected rights, spread our ideals around the world, educate Americans about the importance of this historic document and remind us daily of the rights and prerogatives and protections we have, but also the responsibilities that we all have as American citizens.

So I hope that you, Mr. Chairman, and Members of the subcommittee will be—I am sure you will be as impressed and inspired by the wholesome presentation. I saw this presentation last February. I carried around a sample of the smaller version of the bill—it is now worn out—in my speech folder. They have improved it for 2001.

This is a much better version than what you gave me. Of course, I wasn't elected yet. Once you get elected, you get better versions, I reckon. But nevertheless, I strongly support this legislation. Let me remind every American about our treasured heritage, the protections, the reason this Government was created, to protect our rights, our God-given rights and returning the Constitution to where it belongs, figuratively and literally, in the hands of American people.

Thank you, Mr. Chairman, and Members of the subcommittee.

Chairman KING. Thank you very much, Senator Allen.

Now Congressman Cantor, are you going to introduce the students or bring them up?

Mr. CANTOR. Mr. Chairman and Members, I present to you the students of Liberty Middle School and Patrick Henry High School of Ashland, Virginia, and their presentation of the Liberty Dollar Bill Act.

STATEMENT OF STUDENTS FROM LIBERTY MIDDLE SCHOOL AND PATRICK HENRY HIGH SCHOOL, ASHLAND, VA

[The following students, including those who spoke individually, participated in the recitation: Emily Ambler, Rina Amin, Whitney Arnold, Jill Beard, Kaitlin Bourne, Kay Breeze, Stacie Brown, Michael Bumbry, Lindsey Buraker, Sarah Carter, Morgan Cougot, Anne Duncan, Carmen Franck, Chesney Grizzard, Amy Harris, Karena Jackson, Tina Jackson, Lindsey Keiter, Caitlin Kelliher, Rachel Lynch, Jessica Nesselhauf, Matthew Nutter, Kari Roth, Stephen Sepe, Kate Taylor, Audra Vanderland.]

Ms. FRANCK. Chairman King, Ranking Member Mrs. Maloney and Members of the Domestic Monetary Policy, Technology and Economic Growth Subcommittee, thank you for conducting this important hearing today. It is truly an honor to be able to speak to you on behalf of the Liberty Bill Act, a bill before Congress to place an abbreviated version of the Constitution on the back of $1 bills or possibly other currency.

We represent Liberty Middle School and Patrick Henry High School, where the Liberty Bill originated nearly 3½ years ago, yet we merely speak for the many students of our school, other middle schools, high schools and now colleges that have joined our efforts. America's history and culture are full of examples of respect for our Constitution and our love of liberty. Lincoln's Gettysburg Address ends with:

Mr. BUMBRY. "That this Nation, under God, shall have a new birth of freedom and that Government of the people, by the people, and for the people shall not perish from the Earth."

Ms. FRANCK. In the movie, "Mr. Smith Goes to Washington," Jefferson Smith says:

Ms. DUNCAN. "Liberty is too precious a thing to be buried in books. People should hold it up in front of them every single day of their lives and say, 'I am free to think and to speak.' My ancestors couldn't. I can. And my children will. People ought to grow up remembering that."

Ms. KEITER. Ancient Greece and Rome had forms of democracy, but these nations eventually fell apart, replaced by tyrannies and monarchies. For over a thousand years, governments ruled over the peoples of all nations. But in 1215, a candle for freedom and liberty was lit when King John was forced to sign the Magna Carta, and people began to challenge the relationship between citizens and their governments.

From 1690 to 1789, many more candles were lit for freedom and liberty as the enlightenment philosophers questioned further the relationship between people and government, eventually believing government should answer to the people.

Ms. BROWN. The enlightenment philosophers produced mostly talk and writings. But in America, the talk became action. The Declaration of Independence stated that "all men are created equal." That people have a right to "life, liberty and the pursuit of happiness" and that the Government should come "from the consent of the governed." We fought a war to win these rights and freedoms.

In 1787, we illuminated the world when our Founding Fathers wrote what would become the model for all modern democracies, the Constitution. Our Constitution is a beacon of light for the world. The oppressed still stand up on occasion for freedom and liberty as they did in China's Tiananmen Square. Shouldn't all people be able to hold up our U.S. currency as a symbol of freedom of modern democracy, like a candle in darkness?

Like a candle in darkness, shouldn't the Constitution be on the back of the U.S. currency?

Mr. BUMBRY. George Washington, President of the Constitutional Convention; James Madison, father of the Constitution; Ben Franklin, and many other great Americans met for four hot months in 1787 to ignite history's greatest light of Government. They argued, fought, compromised and gave their all to create a lasting democracy of liberty and freedom found in the Preamble, the Articles, and the Amendments of our Constitution.

They protected this philosophy and these ideals by separating the power of Government into three branches—Legislative, Executive and Judicial. And creating checks and balances among these branches of Government. They further divided the Government with divisions of power between the Federal and State governments.

While our currency celebrates some of the men who first wrote the Constitution, it doesn't celebrate their most noble achievement, the living document which they put their lives into. Shouldn't the greatest of American achievements be in the hands of all Americans to be preserved, protected and defended? Shouldn't the Constitution be on the back of the U.S. currency?

Ms. COUGOT. A survey by the National Constitution Center, a body created by Congress in 1988, found that 75 percent of Americans say that "The Constitution is important to them, makes them proud, and is relevant to their lives."

However, the survey found that 94 percent of Americans don't even know all of the rights and freedoms found in the First Amendment, and 62 percent of Americans cannot name our three branches of Government.

Six-hundred-thousand legal immigrants come to America each year. Many of these immigrants become American citizens through the naturalization process and must learn more about the Constitution than many natural-born citizens know.

If America's most patriotic symbol, the Constitution, were on the back of U.S. currency, wouldn't we all know more about our Government? And shouldn't we?

Ms. BURACKER. What is the cost of telling the world about representative democracy, about freedom, about equality?

The National Automatic Merchandising Association, which opposes the Liberty Bill if it places the Constitution on the back of

the $1 bill, says that it will cost $420 million to update the 4.2 million vending machines to recognize new bills.

Sounds expensive. It isn't. The cost is only $100 per machine for one year. That is less than 30 cents per machine per day. That's right. 30 cents a day for one year.

If it is too expensive to update vending machines, then the Constitution could go on other currency. As more people are exposed to these essential rights, more nations will turn to our form of Government. Then they will also turn to our free market economy, opening additional markets for American businesses, which, of course, expands opportunities for trade and for income.

Ms. ARNOLD. What is the cost of telling the world about representative democracy, about freedom, about equality?

The United States Information Agency, which promotes our national interests abroad through educational programs and radio broadcasts, has a budget of over $500,000,000. Yes, half-a-billion dollars to tell other people the ideals found in our Constitution. The Congressional Budget Office estimates the one-time cost of the design of the Liberty Bill to be $500,000.

Could the half-a-billion dollar yearly expense of the Information Agency be reduced if we let our half-a-million dollar Liberty Bills carry our message around the world? Could we cut back on programs and taxes if we let our money do the talking?

Ms. AMIN. What is the cost of telling the world about representative democracy, about freedom, about equality?

The Treasury Department's Financial Management Service reports that there are $558 billion of United States currency in circulation. Of that, $7.4 billion are circulated in $1 bills. Two-thirds of our currency is in circulation outside of the United States. Imagine the impact of 7.4 billion $1 bills exchanging hands over and over each week with the 6 billion people in the world, each exchange being the opportunity to discuss and ignite a new or renewed passion for democracy.

Once printed, the cost of exchanging the ideas of freedom, billions and billions of times each day, forever, is free.

Ms. JACKSON. What is the cost of telling the world about representative democracy, about freedom, about equality?

The Center for Strategic and Budgeting Assessments estimates that the cost of the war in Kosovo for America was over $2 billion, and that the ongoing peacekeeping will cost as much as $3 billion a year.

If the world were more aware and accepting of the religious freedoms we celebrate in our First Amendment, would there have ever been a war? If the government of Kosovo were challenged by a free press, would that government have been able to oppress its own people? If the Constitution were written on the back of U.S. currency, wouldn't it become the world's second constitution, and wouldn't there be less war?

Ms. BROWN. You ask, what is the cost of telling the world about representative democracy, about freedom, about equality?

The Revolutionary War, the War of 1812, the Civil War, the Spanish-American War, World War I and World War II, the Korean War, the Vietnam War, Desert Storm, the War in Kosovo.

These are the costs of the ideals we cherish found in our Constitution.

Stand in front of any monument to our fallen heroes. Run your fingers across the names inscribed on the Vietnam War Memorial, or stand at the hallowed ground at Arlington National Cemetery. These are the real costs of the philosophy we love found in the Constitution.

So, can anyone put a cost on mankind's highest achievements? Or are they priceless?

Ms. DUNCAN. Perhaps with the exception of religious writings, the Constitution is the most important document ever written. The first three words say it all. "We the people." It belongs to us.

The Founding Fathers also wrote in the Preamble of this great document the words, "our posterity." They wrote the Constitution for the generations that would follow them. It belongs to us!

With Article VII of the Constitution, the Founding Fathers required that ratification for our Government come from the consent of the people. "We the people" gave our consent. It belongs to us.

The Founding Fathers wrote in Article V the amendment process, knowing that future generations, "their posterity," could alter the Constitution to meet the changing needs of the people. Twenty-seven times the Constitution has been changed by amendment. It belongs to us.

We the people, posterity, ratification, amendments, the Constitution of the United States of America. Shouldn't it be in the hands of all Americans—on the back of U.S. currency? Because it belongs to us.

Ms. KEITER. The Constitution is all the more beautiful, all the more important, when you see the history and growth of our great Nation as we matured and improved through the amendment process. The Constitution, unfinished, still being written, a living document for all Americans.

Mr. NUTTER. When the Constitution was first written, it was not written for African-Americans. African-Americans were not given equal rights in the Constitution, but the 13th, 14th, and 15th Amendments changed our Nation. These amendments abolished slavery, defined citizenship, and guaranteed the right to vote regardless of race. The amendments on the back of our currency show a part of African-American history woven into the fabric of the Constitution, a living document for all Americans.

Ms. FRANCK. When the Constitution was written, women too, were treated as inferior. They were not allowed full participation in our Republic, but the 19th Amendment changed that. It said that women could vote. The 19th Amendment on the back of United States currency celebrates a part of women's history and the beauty of a Nation of change found in our Constitution, a living document for all Americans.

Ms. JACKSON. Perhaps Barbara Jordan, while a Member of the House of Representatives, said it best, "'We the people. It is a very eloquent beginning. But when that document was completed on the 17th of September in 1787, I was not included in that 'We the people.' I felt somehow for many years that George Washington and Alexander Hamilton just left me out by mistake. But through the process of amendment, interpretation and court decision, I have fi-

nally been included in 'We the people.' My faith in the Constitution is whole. It is complete. It is total."

Ms. ARNOLD. In 1998, the students of Liberty Middle School and Patrick Henry High School in Ashland, Virginia, first proposed that Congress adapt an abbreviated version of the entire Constitution to be on the back of the United States currency. Congressman Tom Bliley and Senator John Warner agreed and introduced the Liberty Bill Act to the 105th and 106th Congresses.

This year, Congressman Eric Cantor has presented, and Senator George Allen will soon present, the "Liberty Bill Act" to the 107th Congress. We just call it the "Liberty Bill." While the results of this change will be many, we would like to tell you the six we think are most important.

Ms. AMIN. First, the Liberty Bill ensures that Americans have a deeper knowledge of the framework of their Government and a better awareness of where their liberty and freedom originate.

Second, the Liberty Bill teaches the progress of American history as we amended the Constitution.

Ms. DUNCAN. Perhaps that is why the Fleet Reserve Association said of the Liberty Bill, "It should thrill all Americans."

Mr. NUTTER. Third, the Liberty Bill spreads the philosophy of representative democracy and the freedoms we cherish around the world while saving millions and millions of dollars from Federal programs.

Fourth, the Liberty Bill will expand the American economy by encouraging nations to become republics and open their markets to global trade and the global economy.

Ms. BURACKER. Maybe that is why the *Wall Street Journal*, who knows a little something about money, economics and business, said that when Members of the 106th Congress met with the students to listen to the Liberty Bill presentations, that it might have been their most "glorious moment."

Ms. FRANCK. Cinco, los soldados alrededor del mundo podran sostener la moneda corriente de los E.E.U.U. Y explicar porque estan dispuestos a dar sus vidas para los mismos ideales que llevan con ellos en sus bolsillos Y sus corazones.

And for those who don't speak Spanish: Fifth, American soldiers around the world will be able to hold up United States currency and explain why they are willing to give their lives for the very ideals they carry with them in their pockets and in their hearts.

When Lieutenant Shane Osborn and his crew gave the Chinese some American money as souvenirs, imagine the power and message of our currency if it had had our Constitution proudly and boldly written on it.

Ms. JACKSON. The Military Order of the Purple Heart simply said, "We cherish this idea."

Ms. COUGOT. Sixth, the Liberty Bill celebrates the Constitution as an American symbol, and ensures that we continue to preserve, as James Madison said, "The hope of liberty throughout the world."

Ms. BURACKER. Members of the Domestic Monetary Policy, Technology and Economic Growth Subcommittee, that must be what the *Topeka Capital-Journal* meant when it said, the Liberty Bill "May be the greatest idea ever originated in any school system."

Ms. KEITER. Following the Constitutional Convention, Ben Franklin was asked what kind of Government the Founding Fathers had given to the United States. He replied, "A Republic, if you can keep it." The Constitution on the back of our currency not only celebrates this great Republic, it deepens people's knowledge and understanding of where our Republic comes from, what it means, and it helps us "keep it," as Dr. Franklin challenged.

Mr. NUTTER. And there are other reasons.

The Liberty Bill promotes human rights around the world as people are exposed to Amendment 1, which protects freedom of religion, freedom of speech, freedom of the press, the right to assemble peaceably, and the right to petition Government.

Ms. AMIN. The Liberty Bill promotes human rights around the world as people are exposed to Amendments 4, 5, 6, 7, and 14 that ensure all people equal treatment and the same due process under the law, including fair, speedy and public trials, trials by jury, and the right to a lawyer.

Ms. COUGOT. The Liberty Bill promotes human rights around the world as people are exposed to Amendment 8 that forbids cruel and unusual punishments.

Mr. BUMBRY. The Liberty Bill promotes human rights around the world as people are exposed to Amendment 13 that forbids slavery.

Ms. DUNCAN. Thus, the Liberty Bill increases the acceptance of diversity and equality around the world as the Liberty Bill becomes the tangible symbol of human rights.

Ms. BROWN. In the 106th Congress, over 100 Representatives co-sponsored the Liberty Dollar Bill Act, including the Majority leader, the Majority Whip, eight committee Chairmen and three Ranking Members. It was one of only five bills in the House co-sponsored by both the House Speaker and the House Minority leader.

Now, in the 107th Congress, the Liberty Bill has been introduced by Congressman Eric Cantor. It currently has more than two dozen co-sponsors. Congressman Cantor, thank you for sponsoring the Liberty Bill.

Ms. KEITER. Our deep American philosophy is sometimes taken for granted in the everyday business of making laws. Yet, no country can survive that forgets its philosophical bearings. The Constitution on the back of the $10, the $5, the $2, or hopefully the $1 bill, where it will be seen by the most people, will remind all the world of the freedoms and liberties of our American culture, based in the Constitution. The ideological light that gives substance, value, and meaning to the laws by which we live.

Ms. ARNOLD. Chairman King, Ranking Member Mrs. Maloney, and Members of the Domestic Monetary Policy, Technology and Economic Growth Subcommittee, we hope you will vote in favor of the Liberty Bill Act and send it to the House. Of course, we hope the vote is unanimous. Send a clear, strong message to the world that we are proud of our Constitution, and what it stands for.

The peace and good will of the Constitution will cast a far greater light if all Americans and citizens of the world have it in hand, so that it can be read and the philosophy of American freedom and democracy shared.

We know there will be opposition. People will tell you reasons why the Liberty Bill should not pass and cannot be done, but we

believe that those reasons are weak when compared to the reasons for why it should pass.

Many times, we have been told to stop dreaming the impossible dream. Standing here today is proof that Congress does listen to the people. People not yet old enough to vote, people who have little influence and little money. Yet, you have listened. We carry the impossible dream, and we are proud to stand here today with you, the most democratic body of Government in the world, and say that, yes, in America, the impossible dream is possible.

Thank you for listening to us today, and now we present to you the Constitution.

[All students recite the Bill of Rights.]

ALL STUDENTS. Amendment 1: Freedom of religion, freedom of speech, freedom of the press, right to assemble peaceably, right to petition.

Amendment 2: The right to bear arms.

Amendment 3: Do not have to quarter soldiers during peacetime.

Amendment 4: No unreasonable searches and seizures.

Amendment 5: Rights of the accused.

Amendment 6: Right to a fair trial.

Amendment 7: Right to a trial by jury in civil cases.

Amendment 8: No cruel and unusual punishments.

Amendment 9: Unenumerated rights go to the people.

Amendment 10: Reserves all powers not given to the national Government to the States.

Written in 1787, ratified in 1788, the Constitution, a living document, took effect in 1789.

Chairman KING. Well, thank you very much. As the Chairman, I will take the prerogative to ask everyone to give a round of applause to these students. I also must say I feel a bit sorry for our two witnesses who are going to follow them. It is a very tough act to follow. But I can certainly now see why Congressman Cantor is so proud of this middle school and high school and teachers and community leaders, because this was a tremendous presentation you made today, very moving, very informative, and Congressman Cantor, do you have any questions you think should be asked?

Mr. CANTOR. Mr. Chairman, Mrs. Maloney, I just want to thank you again. I think you have seen some of Virginia's best and brightest engaging in what I see as the world's greatest civics lesson with the proposal to spread that throughout our land and to continue to help preserve the establishments of our Founding Fathers.

So I have no further comments, Mr. Chairman. Just thank you again, and thanks to the students for their terrific performance.

Chairman KING. Thank you, Congressman Cantor. Thank you, Senator Allen, very much and thank all of you. It was very educational experience for all of us, and again I want to commend you for the great job you have done. Thank you very much.

Also out of my own curiosity, will Randy Wright please point himself out, Randy Wright? OK. This is the gentleman that apparently deserves all the credit for this. So congratulations to you for a job truly well done.

[The prepared statement of the students can be found on page 33 in the appendix.]

Chairman KING. And now I will ask the witnesses of our second panel to come forward.

Good luck to you two guys.

Mr. FERGUSON. Yeah. Thank you, Mr. Chairman.

Chairman KING. I want to welcome Thomas Ferguson, who was already introduced, and also Daniel Snow. I appreciate you being here today. It is obviously a very important matter you are going to be testifying on, a matter that is very critical to our Nation's security, and I would ask if Mr. Ferguson would begin with his statement, and I would ask Congressman Lucas just to preside briefly while I leave the room.

STATEMENT OF HON. THOMAS A. FERGUSON, DIRECTOR, U.S. BUREAU OF PRINTING AND ENGRAVING

Mr. FERGUSON. Thank you, Mr. Chairman, Congresswoman Maloney and Members of the subcommittee for inviting us here today and for holding this hearing on this very important topic.

I appreciate the opportunity to report on the initiatives of the Bureau of Engraving and Printing, (BEP), particularly on our anticounterfeiting program.

The Bureau is the security printer for the United States. It produces a number of products that require special printing processes and techniques to protect against counterfeiting and fraudulent alteration. The Bureau uses capital systems, state-of-the-art high-speed presses, electronic inspection systems and other sophisticated equipment, in combination with the exceptional technical competence of our workforce, who efficiently produce billions of Federal Reserve notes, postage stamps and other U.S. security printing.

The Bureau's operations are financed through an industrial revolving fund. So we do not receive annual appropriations from Congress. Instead, we are reimbursed directly by our customers for the products that we produce. Our two largest clients are the Federal Reserve System and the United States Postal Service.

The Bureau works cooperatively with the Federal Reserve System, the Department of the Treasury and the United States Secret Service to improve the security of Federal Reserve notes. Our goal is to incorporate cost-effective security features to deter counterfeiting, as well as to help the public easily authenticate their money as genuine U.S. currency. It is vital that we keep pace with the evolving methods of counterfeiting in order to maintain the integrity of, and the public's confidence in, our monetary system.

In the mid-1990s, the Bureau introduced the first major redesigned currency in over 65 years. The design changes were needed to combat the emergence of a new breed of counterfeiters who increasingly used computers, scanners, color copiers and other emerging technologies to replicate notes.

All notes, with the exceptions of the $1 and $2 bills, were redesigned and introduced into circulation by the year 2000. The new design incorporated a number of security features, including a large off-center portrait, an embedded security thread that glowed under ultraviolet light, color shifting ink, watermarks, expanded use of micro-printing and moire patterns that do not copy accurately.

The redesigned currency has been effective in combatting counterfeiting by making it more difficult to produce a high quality counterfeit note. Today, most of the counterfeit notes produced in the United States are made by using computer and inkjet technology and are below average quality, which means that they can be detected with proper visual scrutiny.

The percentage of counterfeit currency appearing worldwide remains extremely small, approximately 5/100-of-1-percent of the approximatly $550 billion of genuine currency in circulation. In fiscal year 2000, the United States Secret Service reported that approximately $40 million in counterfeit U.S. currency was passed on the American public. The odds that an American citizen will ever encounter a counterfeit note in the course of his or her lifetime are extremely low, and it is our goal to keep it that way.

While the redesigned currency has been successful in staying one step ahead of the counterfeiters, rapid computer and other technological advances will not afford us the luxury of waiting another 65 years before augmenting the design of our Nation's currency. In fact, we anticipate the need to change the design of our currency every 7 to 10 years.

To prepare for the production of the next generation of currency, the Bureau is testing an array of anti-counterfeiting features that involve various types of papers, inks, embedded security features, as well as offset and other printing technologies. Additionally, we have initiated a Bureau-wide training program to enhance the skills of our employees who will be required to utilize these new techniques.

Recently, we began an expansion of the Bureau's Western Currency Facility in Fort Worth, Texas, and the modernization of the DC facility to accommodate the additional production steps that are anticipated for future currency designs.

Treasury has submitted a legislative proposal to Congress that would authorize the Bureau to produce security products on behalf of foreign governments and States of the United States on a reimbursable basis. Presently, the Bureau's authority to print security document applies to Federal Government agencies only.

Periodically, foreign governments request assistance from the Bureau to design and/or produce currency, stamps or other security printing products. The bill's limited authority could allow the Bureau to develop new and innovative security features outside the current traditions of U.S. currency design, for possible application to future generations of U.S. currency.

The authority in the legislation is limited to times when the demand for U.S. currency, postage stamps or other products is below the Bureau's production capacity. The measure precludes the Bureau from producing products on behalf of a foreign government, unless the Secretary of State determines that such production is consistent with U.S. foreign policy. And our use of this authority will be consistent with the Administration's competitive sourcing initiative and its commitment to public-private competition.

This concludes my opening remarks, Mr. Chairman, and I will be happy to respond to questions by you or other Members of the subcommittee. Thank you.

[The prepared statement of Hon. Thomas A. Ferguson can be found on page 38 in the appendix.]

Chairman KING. Thank you, Mr. Ferguson.

Mr. Snow.

STATEMENT OF DANIEL G. SNOW, SPECIAL AGENT IN CHARGE, COUNTERFEIT DIVISION, U.S. SECRET SERVICE, ACCOMPANIED BY TONY CHAPA, DEPUTY SPECIAL AGENT IN CHARGE OF THE COUNTERFEIT DIVISION

Mr. SNOW. Thank you. Mr. Chairman and Members of the subcommittee, it is my pleasure to speak with you today and discuss the counterfeiting of U.S. currency and its impact on the integrity of the financial system of the United States. With me today is Tony Chapa, Deputy Special Agent in Charge of the Counterfeit Division, and until very recently, Resident Agent in charge of our Bogota, Colombia office.

Although best known among the public as the protectors of our Nation's leaders and visiting world dignitaries, the Secret Service continues its historic mission to suppress counterfeit activity, a mission that began in the 19th Century and continues into the 21st Century. Technological improvements with computers and reprographic equipment, coupled with the increasing expansion of international, organized criminal syndicates, has challenged the Secret Service to develop innovative and investigative techniques.

Numerous worldwide and domestic counterfeit investigations conducted by the Secret Service indicate that counterfeiting U.S. currency has become a crime that has no territorial borders. Counterfeiting is a crime that is as likely to be committed by an organized criminal enterprise in Colombia, South America, as it is to be committed by a local street-level criminal in America. And counterfeiting is on the rise. Counterfeit U.S. currency passed in the United States during the first 8 months of this fiscal year increased 18 percent over fiscal year 2000.

Today's counterfeiters are often criminals who, because of the relative ease of the crime, choose counterfeiting over other nonviolent crimes. But today's counterfeiters are also represented by ruthless offenders, involved in violent crimes such as narcotics trafficking and homicide.

Staying ahead of the technologically-advanced counterfeiter of the 21st Century continues to be a challenge and a priority for the Secret Service. With reprographic equipment, computers and computer software continuing to become more sophisticated and affordable, counterfeiters have been able to increase both the volume and the quality of their product. Domestically-passed counterfeit U.S. currency that has been manufactured utilizing digital technology rose from $174,000 in fiscal year 1995 to over $18 million in fiscal year 2000. Currently, 94 percent of the domestic counterfeit printing operations suppressed by the Secret Service in this fiscal year has been digitally-based. These significant increases are due largely to a growing number of criminals attracted to the seeming simplicity of the crime, made possible by today's technology.

In response to this growth in digital counterfeiting, the Secret Service is pursuing legislative changes to counterfeiting statutes

that clearly define the fraudulent use of digital images as a violation of law.

The Secret Service is also staying ahead of modern counterfeiting operations through its involvement in the currency design process. The Secret Service enjoys a close working relationship with the Bureau of Engraving and Printing, as well as the Federal Reserve Board during the design phase of U.S. currency.

Over one-third of the $40 million in counterfeit U.S. currency passed to the American public this past year was transported or "muled" into the United States from foreign countries, most often Colombia. But Colombian-manufactured counterfeit also poses a threat to the stability of the dollar in countries outside the United States as well as those countries that seek economic assistance by "dollarizing" their economies. For example, Ecuador officially "dollarized" its economy in April of 2000 in an attempt to slow inflation and the devaluation of its local currency.

As the U.S. dollar became the "coin of the realm" in Ecuador, Colombian counterfeiting operations began targeting the country by flooding the region with counterfeit currency. The Secret Service response to the threats posed by Colombian-based counterfeiting and "dollarization" follows our traditional methodology. The Secret Service pursued and received funding from "Plan Colombia" to increase our presence in Colombia and to fund Colombian law enforcement units that will, under the direction of the Secret Service, solely target counterfeit U.S. dollar operations. The Secret Service is also studying a plan that includes the creation of additional field offices in Central and South America to address the increasing challenges created by "dollarization."

In closing, counterfeiting will continue, to some extent, as long as genuine currency is a medium of exchange. However, the Secret Service continues to pursue ever-changing tactics of the modern counterfeiter and to educate law enforcement, the financial community, and the public about the security features of genuine currency.

Since our inception, the Secret Service has protected the security and stability of the dollar by stemming the flow of counterfeit. Without constant attention to this task, the modern counterfeiter could jeopardize the foundation of our financial system and our Nation's currency. The Secret Service will continue to aggressively pursue this goal, as it has for more than 135 years.

Mr. Chairman, this concludes my prepared remarks. I would be pleased to answer any questions that you or Members of the subcommittee may have.

[The prepared statement of Daniel G. Snow can be found on page 43 in the appendix.]

Chairman KING. Thank you very much, Mr. Snow. I have actually several questions.

The first question is to Mr. Ferguson. Can you testify what is the raw cost of redesigning currency exclusive of the special security features and also as a follow-on to that, my understanding is that U.S. bank notes cost about 4 cents to make. Would new security features raise the cost and how much?

Mr. FERGUSON. OK. Thank you, Mr. Chairman.

The cost of redesigning currency, exclusive of the security features, is very minimal. It would require just the reengraving of plates. We amortized those costs over a huge amount of product. So the incremental cost is in the hundreds-of-a-cent per note.

The major cost of redesigning, though, are the additional security features. As you add new and very exotic materials, new methods of printing, organize new production steps, you add to the manufacturing cost.

When we changed in 1996, the incremental cost was approximately $1 per thousand or one cent per note. So we would expect around the 25 percent increase to change the cost of currency. The higher value notes now cost approximately 6 cents a note, adding approximately a penny-and-a-half to 2-cents a note.

Chairman KING. I realize that some of the design features in the new series of currency are yet to be developed and will remain secret in any case. What are some of the types of features that we might see?

Mr. FERGUSON. As both myself and Agent Snow testified, the largest threat to our currency at the moment appears to be coming from the digital explosion that is happening. The systems that we are looking at now for inclusion in currency tend to be things that would counter those kinds of systems, anti-digital things, things that would be able to encode notes so that computer systems would not copy those. Similar to things that are in the notes now that would prevent copiers from reproducing notes. We are also looking at the addition of authentication features that can be used by high-speed equipment and vending equipment, things that would allow the general public to be able to easily recognize and authenticate their currency. So a wide range of features that would attack a wide range of types of counterfeiting.

Chairman KING. I don't know if you mentioned H.R. 2509 or not. Actually, it is legislation that I have introduced to allow the Bureau to print foreign currency under certain conditions.

Mr. FERGUSON. Yes. And we thank both the Chairman and the Congresswoman for co-sponsoring that.

Chairman KING. How would passage of this legislation allow you to print currency, how would this benefit the American taxpayer?

Mr. FERGUSON. American currency has, for a number of years, been extremely traditional. We have produced it using virtually the same technologies and techniques for all of my career, and for all of the last 50 or 60 years. By being able to produce for other countries, we would be able to test and evaluate and develop the skills that are necessary to produce currency with new and innovative techniques, new materials, new technologies. It would allow us to generate these skills, test the equipment, determine how effective they are, especially within our operation. So that when we turn those on in production for the public on their currency, we would have already had the experience.

Next to that, it would be, I believe, helpful to countries outside of our United States to be able to take advantage of some of the expertise that we have and giving them some advice and assistance that otherwise they may not be able to get.

Chairman KING. Agent Snow, is it necessary to redesign our currency as often as every 7 to 10 years?

Mr. SNOW. Mr. Chairman, yes, I agree with Mr. Ferguson. We have found that in order to stay on the cutting edge in the combatting of counterfeiting, it is now necessary, with the rapid changes in reprographic technology, to have that ongoing process of looking at potential security features, having the time to sufficiently evaluate those features and then deciding as to whether or not they will keep us one step ahead of the counterfeiter.

Chairman KING. One more question before I yield to Mrs. Maloney.

The media often portrays digital counterfeiting as a nuisance crime, primarily committed by juveniles. Can you comment on the accuracy of that and how serious it really is?

Mr. SNOW. Yes. Thank you for that question.

You are correct; the media often does portray digital counterfeiting as a kiddie crime. Sometimes in that process it is minimized. Whereas we do see a significant percentage of juveniles experimenting with this new reprographic equipment in the area of counterfeiting, it is important to know that the bulk of that $19 million that we expect to see in losses to the American public this year do not come from that group.

A very small percentage of the juveniles who are actually participating in counterfeiting are manufacturing large amounts of counterfeit. It is the organized criminal groups that I mentioned in my testimony, many that have ties to organized crime, gang activity, drug activity, that are actually spreading the large volumes of counterfeit to the American public.

We do believe that through our education campaign—and we do target juveniles in our education campaign, although we always take the counterfeiting extremely seriously regardless of who perpetuates it—we do believe that through a positive outreach to the juveniles, we can bring home the message that it isn't something that they should become involved in.

Chairman KING. Thank you, Agent Snow.

Mrs. Maloney.

Mrs. MALONEY. Thank you very much.

Mr. Ferguson, Mr. Snow mentioned that we need to redesign the currency periodically to protect our currency. Is there another way that we can accomplish this without the expense of a complete redesign?

Mr. FERGUSON. I believe that any good currency system relies on three things. A very good solid currency design with good security features, an educated public and strict law enforcement. Without any one of those, you don't have a very good system.

Certainly, we can help the American public greatly by putting out the word, by hearings like this, getting information into their hands about how they can authenticate their own currency, what to look at, how to recognize the feel, the look, the security features in a bank note that make it genuine.

But with advances in reprographics out there, we are going to have to keep changing it from time to time in order to minimize the cost on society. The costs on the Government aren't that high; they tend to be higher on people having to change their systems.

We are looking at trying to concentrate those changes on the higher value notes which tend to be counterfeited more, for exam-

ple, not changing the $1 and $2 notes this last time around. But, unfortunately, in order to maintain a very secure currency system, we believe that it needs to be changed periodically.

Mrs. MALONEY. Is there a system in place, Mr. Ferguson, where the Secret Service keeps you apprised of new counterfeiting issues as they relate to law enforcement?

Mr. FERGUSON. Yes, there is, Congresswoman. We both, along with the Federal Reserve System, participate in the Advanced Counterfeit Deterrent Steering Committee that is chaired by the Department of the Treasury. And we meet periodically and go over the statistics, review the type of counterfeit notes that are being passed, where they are being passed, how they are being manufactured, how they are being detected at the public level or at the commercial level, so that we can take advantage of the good things in notes and correct those things that we need to.

So we work along with the Federal Reserve, hand-in-hand on those operations, and share information regularly.

Mrs. MALONEY. Do you feel we are adequately addressing the availability of new technology as it relates to the counterfeit production of currency?

Mr. FERGUSON. By that, do you mean are we addressing what is available to the public to use?

Mrs. MALONEY. Yes. Are you on top of the changes daily?

Mr. FERGUSON. Well, the computer world out there is booming. The technology seems to be doubling in speed. And the price is getting cut in half every 6 months or so. We try and stay ahead of that. We feel very confident that the changes that we made in 1996 were very effective. The changes that we are studying now will be effective in the future.

But it is, in fact, a very challenging battle for us to stay ahead of that kind of booming technology.

Mrs. MALONEY. Mr. Snow, you mentioned earlier that there is a surprising increase of 41 percent in Colombian-manufactured counterfeiting. Is that related to the drug trafficking and the drug cartels; is that what is happening there?

Mr. SNOW. We do see some correlations between drug distribution and counterfeit distribution. The increase that we are seeing this year in Colombian-based counterfeiting coming into this country is a reflection of some very organized criminal enterprises that we have identified and are working very closely with the Colombian law enforcement officials to address.

One very positive note on that is that just yesterday a law went into effect in Colombia that raised the maximum penalty for counterfeiting of U.S. dollars from 6 years to 10 years. That, in essence, takes the crime out of what was a finable offense and raises it to the equivalent of our felony. From that we will see longer jail terms for Colombian counterfeiters. It will open up the possibility for extradition to the United States.

We hope that that will help us to address this growing problem.

Mrs. MALONEY. Well, you more or less said that you are working with foreign law enforcement to address this issue and that they have literally changed, legislatively, the law to cooperate with this growing problem.

Are there other areas for improvement legislatively, besides the one you just mentioned, of raising the fine?

Mr. SNOW. Well, the Secret Service believes that working as closely as we can with our foreign law enforcement partners throughout the world is our best approach. And we are going to be talking with the Administration about the possibility of increasing our presence in the areas in and around Colombia, the "dollarizing" regions of Central and South America.

Mrs. MALONEY. Finally, is there any area for improvement legislatively to address the counterfeiting here in the United States that we could put forward that would help you do your job?

Mr. SNOW. Again, I think we are exploring now the possibility of being very specific in the language that addresses the manufacturing implements of counterfeit currency, to identify the digital image of a dollar bill with intent to defraud, to use it to defraud, as a violation of law.

Whereas in the past we had hard plates that were used to counterfeit, it was very clear, if you held a counterfeit plate, that it could only be used for counterfeiting. Digital images now can be captured off the internet, they can be improved digitally. That itself can become a product that is of value to potential counterfeiters.

We are discussing at this point the possibility of that kind of legislation. And, again, we will be discussing that with the Administration.

Mrs. MALONEY. And, finally, what are your opinions of the Liberty Bill Act? Would that be possible to do? You know, they said it would cost $500,000 to do it, the technology. Could that be counterfeited easily? What is the practicality of implementing the very patriotic idea that was put forward by the young people on the first panel?

I am sure you were here to hear them, weren't you? Is it possible to do what they are proposing, or would it be very simple to counterfeit it? What is the response to their proposal from a technology point of view?

Mr. FERGUSON. From the standpoint of the potential being able to produce it originally, instead of counterfeiting it, as with all text, could be engraved in the plate and printed onto the back of the notes.

On the higher value notes, the current layout that they have would have to be changed in order to allow room for the watermark. But on the lower denomination notes, it would fit and could be produced on the note. It would have absolutely no counterfeit deterrent value. It can be reproduced by digital systems or other types of counterfeiting the same as other types of text on the note.

It would not be, I would say, either better or worse as far as the counterfeit deterrent than other types of printing.

Mrs. MALONEY. Is it better to have images and pictures than the words to counter counterfeiting?

Mr. FERGUSON. Well, on the face of the note, certainly we believe very strongly that the portrait is the very best security feature that we have that is printed on the note. People are used to looking at people's faces. There is a lot of detail and a lot of texture in a human face. We are used to looking at those. So people tend to focus on that; they notice differences.

We use a very elaborate hand-engraved process that gives a very lifelike image to the engraving. So a lot of counterfeit notes look flat and lifeless. On the back of the note, the text versus a building, I wouldn't know if one had any more counterfeit deterrent value.

I would turn that over to Agent Snow.

Mr. SNOW. Thank you. I commend the students for an excellent presentation. It was very moving. And I agree with Mr. Ferguson that technically it provides no deterrence to counterfeiting. However, the Secret Service is constantly looking for anything that may dissuade the potential counterfeiter. If this, in fact, appeals to the integrity or the patriotism of a potential counterfeiter, we would salute it.

Mrs. MALONEY. My time is up.

Chairman KING. Congressman Lucas.

Mr. LUCAS. Thank you, Mr. Chairman.

Mr. Snow, here in really only a matter of months the Europeans will be conducting an amazing exercise in converting in something like a dozen countries, their currencies that they have used for years, decades, centuries, over to the Euro.

Have you been, or has the United States Government, been working with the European Central Bank in regard to how they address the potential for counterfeiters out there? And I say that in regard to, as these sums of money come out from under, in some cases, mattresses, there will be a deluge. Some of it will be U.S. currency that will be appearing in those banks to be converted for Euros.

Have you been in touch, been working with those people as to how they address that challenge?

Mr. SNOW. Yes. Our understanding is that as the Euro is introduced, there may be an increased demand for U.S. dollars in Europe, that whenever that occurs there may be an increased opportunity for counterfeiters.

But we are working with the European Central Bank and with Europol so that we can continue our close working relationship that we really have enjoyed bilaterally, with most of the European Union nations.

But we are anticipating, for example, joint training exercises, something that will give us a basis for working together in what we anticipate to be the most likely attacks against the Euro and the dollar from the same operation.

Mr. LUCAS. Because clearly, the local banking authorities will recognize marks and they will know a counterfeit from a non-counterfeit franc, but as these sums come in, ultimately the dollars that they do exchange out for Euros may potentially wind up coming back to us. I can see where that is a good question.

To follow up on Mrs. Maloney's questions, the comment about the challenges that we face in Colombia, I have been on this subcommittee now for my fourth term. And there have been different hearings conducted by you and your predecessors—perhaps Colombia now, but at different times there have been hot spots, shall I say, around the world, where very organized counterfeit efforts have been massed against us using state-of-the-art technology.

Are there presently other places besides Colombia where we face those challenges?

Mr. SNOW. There are other places in the world that counterfeit the U.S. dollar, a variety of places around the world that counterfeit the U.S. dollar. But, as you mentioned, over the long haul, the Colombian situation really is at the top of that particular group.

Certain areas, certain criminal organizations, will come and go. We have had some recent successes in Bulgaria, for example, where we have, through our Rome field office, successfully dismantled some printing operations of what were a fairly damaging operation.

But I think it is safe to say that the Colombian issue, which has been with us for probably over 20 years, my entire career anyway, is probably the single most identifiable location where counterfeit U.S. dollars are produced.

Mr. LUCAS. And under present Federal statutes, do you have all of the necessary authority that you need to work with your law enforcement counterparts around the world on those kind of issues?

Mr. SNOW. Yes. We have currently the 18 USC 470, which gave us extraterritorial jurisdiction in violation of our counterfeiting statutes here domestically, anywhere in the world, and is just now coming in use. And it is a very effective tool.

Recently, in the Miami district, a Colombian-based counterfeiter was indicted on counterfeiting charges. He was picked up in Ecuador, is now in a Miami jail, somebody who has been counterfeiting the U.S. dollar for over 15 years.

Mr. LUCAS. And to touch for one more moment on the concept that the Chairman and the Ranking Member have discussed, this potential for the redesigning of our currency on a regular basis, the 7-to-10-year figure being thrown out, looking at how technology has advanced and will continue to advance, is it fair to say this is something our fellow citizens are just going to have to get used to if we are going to maintain the integrity of our medium of exchange?

Mr. FERGUSON. It would certainly appear that way, Mr. Congressman. The changes are so rapid that our goal is to get ahead and stay ahead. And we don't know at this point anything that would get us 20 years ahead, because we don't know what is coming up.

When we changed, we spent a lot of time in the 1980s worrying about copying machines and not so much worrying about individual ink-jet printers, which at that time were crude and big dots and blots. They now do photographic quality. You can buy a digital camera and make your own photographs at home. So the technology continues to advance at such a degree that I believe it will, in fact, require continuous change of our currency.

Mr. LUCAS. Thank you, gentlemen.

Thank you, Mr. Chairman.

Chairman KING. Thank you, Mr. Lucas.

Mr. Ose.

Mr. OSE. Thank you, Mr. Chairman. I want to make sure I understand a couple of things here.

Mr. Ferguson, I think your testimony said there is $550 billion worth of American currency in circulation around the world?

Mr. FERGUSON. Yes, sir.

Mr. OSE. Roughly. And that each year, the Bureau delivers about 7.5 billion different notes and 15 billion stamps to the Federal Reserve and the Postal Service, respectively?

Mr. FERGUSON. Yes.

Mr. OSE. The currency that is delivered, like the $1 bills, the $2 bills, the $5 bills, what is their life span? Like, a $1 bill lasts 6 months? A year?

Mr. FERGUSON. The current estimate for a $1 note is 18 months, although some recent statistics would suggest it is probably closer to 20 months.

And the higher denominations last longer. $5s and $10s last 2- to 2½ years. The $20s last about 3 years; $50s and $100 bills, the estimate is 8 to 10 years, and, in fact, most likely longer than that. It really depends of the velocity of exchange. It is really the number of transactions that a note goes through during its life.

Obviously the $1s have the highest usage rate.

Mr. OSE. OK. On the Federal Reserve notes that are delivered to the Federal Reserve system now, we are producing those in our own production facilities?

Mr. FERGUSON. Yes. In Washington and Fort Worth, Texas.

Mr. OSE. How much of the current currency production capacity that we presently have is sitting idle?

Mr. FERGUSON. Well, the maximum capacity, and it is machine capacity not employee capacity, is about 12 billion a year.

Mr. OSE. $12 billion or 12 billion notes?

Mr. FERGUSON. Notes.

Mr. OSE. So we are at 7.5 billion notes versus 12 billion in capacity?

Mr. FERGUSON. Yes.

That number is lower than normal. Our normal production is somewhere around 9 billion to 9.5 billion. We, in 1999, in order to get ready for Y2K, produced 11.3 billion notes to have currency available if people wanted to withdraw it. That inventory of currency is being slowly eroded so that our production rates for this year and next year are lower in order to allow that inventory to be utilized.

Mr. OSE. There was a comment about the new materials and equipment that is available for the production of different currencies. As it relates to American currency, I presume that staff at the Bureau is staying current in all of the different types of security measures that are available at present?

Mr. FERGUSON. Yes, sir. We spend a great deal of time analyzing the different features that come out in currency meetings with our colleagues around the world, meeting with our security printers, meeting with people from universities and other organizations that are developing, researching different types of security features.

We are also testing and evaluating all of these features. For the 1996 design we looked at over 125 security features. We actually bought and tested 25 different features.

Mr. OSE. Would it be fair to say for the benefit of America's taxpayers that the Bureau is probably doing everything that it can to explore those different security features and the like to protect the value of our currency?

Mr. FERGUSON. I certainly would like to. That is absolutely true, sir.

Mr. OSE. I think your testimony earlier was that the ability to print currency for foreign governments would allow the Bureau to test and evaluate skills with new materials and equipment, primarily focusing on the efficacy of such security efforts and educating our staff as to how best to use these skills to further protect American taxpayers; which begs the question, if you are doing everything that you can now, how is adding production going to improve what you are doing in everything you can now do?

Mr. FERGUSON. Good. We are keeping up with everything as far as the knowledge base. The great difference is that with United States currency, our volume is very, very high, 7 billion minimum. In order to add a new manufacturing step, to bring in new equipment and to put it on the floor and to turn it on for that entire program, requires, in the case of adding one manufacturing step, perhaps five different pieces of equipment, three shifts a day. So you are talking 15 crews trained, ready to go.

It would be beneficial to be able to get some real-life experience producing real products under production requirements as opposed to just testing. Testing is beneficial, it keeps us knowledgeably up, but it doesn't keep all of our work force ready and prepared to go, those 15 crews set to go.

It would be very advantageous to us to have practical experience using those new techniques on a product that we have to meet quality requirements, cost requirements, delivery requirements and have that experience.

Mr. OSE. Thank you, Mr. Chairman. I see my time has expired.

Chairman KING. I have no further questions.

Mrs. Maloney advises me that she has none.

Frank Lucas, do you have any?

Mr. Ose.

Mr. OSE. I have two, Mr. Chairman. May I?

Chairman KING. Mr. Ose is recognized.

Mr. OSE. Thank you.

Further questioning on the use of this technology. As I read the Chairman's legislation, H.R. 2509, I don't see any change in the methodology by which the Bureau goes about protecting the value of American currency.

I see an expansion in terms of the products that the Bureau might be involved in.

I am just trying to make sure that the American taxpayers aren't losing something with a diffusion of focus, if we add foreign government instruments to their charge.

Could you respond to the question of, would any of the steps that you currently take now to protect the American dollar from counterfeiting, or security measures involved therein, would any of those change under H.R. 2509?

Mr. FERGUSON. Well, the potential would certainly be there to change. For example, if we were to be able to produce a product that had foil features like holograms, or kinograms which are being now utilized on the Euro, we would be able to produce that. It requires a different manufacturing step that we don't have, we don't

utilize now at all. It would give us the opportunity to evaluate how our work force did that to get experience and training.

If you look at the Euro that will be coming out, or a lot of foreign currencies, they have different types of security features that we currently don't use. It would be an opportunity for us to gain a great deal of actual production experience doing that.

So I believe that, in the end, it would aid greatly to the value for the American public. We recover all of our costs, so there is not a cost implication for the American public. And I believe that any additional knowledge that we can gain, any additional experience that we can gain, can only serve the Americans in the future.

Mr. OSE. I presume under these new security features that you just referenced, the foil features and the like, that if they were practical for use in American currency that we would use them; am I correct?

Mr. FERGUSON. If they were cost-effective and they were security-effective and met with all of the other requirements that we have, yes.

Mr. OSE. And there is nothing in the current statutes that precludes you from investigating their efficacy in meeting our standards for use in American currency today?

Mr. FERGUSON. Correct. And we do investigate the efficacy. It is the practical experience and the manufacturing that we would gain, not the intellectual knowledge. It is the day-to-day ability to crank out 8 or 9 billion of those pieces.

Mr. OSE. We had this question come up in the predecessor to this committee last session, Mr. Chairman, where the question was actually somewhat a little bit different in the sense that the Treasury was being asked to engage in seigniorage for other countries. And I don't believe this is the concept here.

This is merely production of foreign currency that would then be sold at cost to foreign governments. I think Mr. Snow's testimony talks about "dollarization" as opposed to printing dollars and selling them to foreign countries for use in their currency base. And I want to be very clear about the difference between what we are talking about here today as opposed to what we considered last go-around.

So I thank the Chairman.

Chairman KING. Thank you, Mr. Ose.

I want to thank Mr. Ferguson and Agent Snow for their testimony today. I would ask that you be available in case any Members have written questions to submit to you, and we certainly appreciate your answers. I want to thank you for your cooperation, for your assistance, the job you do, and also wish you the very best, because this is a very, very serious matter affecting our national security, and certainly we will work with you in any way we can.

I know, on behalf of Mrs. Maloney and myself, we thank you for your efforts.

I will just say that the hearing record will remain open for 30 days to allow Members to submit statements, questions or extraneous materials. And I would also ask that the individual names of all of the students from Liberty Middle School and Patrick Henry High School be entered in the record. The hearing is adjourned.

[Whereupon, at 3:35 p.m., the hearing was adjourned.]

A P P E N D I X

July 24, 2001

Statement

Chairman Michael G. Oxley

Committee on Financial Services

Subcommittee on Domestic Monetary Policy, Technology and Economic Growth

July 24, 2001

Design and Security of Currency

The Financial Services Committee deals with a number of serious, sensitive subjects, but there can be no topic more important – if sometimes overlooked by the public – than the security of the nation's currency.

In these days of electronic funds transfers and the Internet, it sometimes is possible to overlook the fact that it is the paper banknotes – the "greenback" one-dollar bill that is the unit of currency on which multi-billion-dollar merger deals are struck. The dollar is the reserve currency of the world, the monetary unit on which, for example, oil purchases and sales are calculated. Hundreds of billions of dollars worth of one-dollar and five-dollar and ten- and twenty- and fifty and, particularly, one-hundred-dollar banknotes circulate through the world every day.

It's no wonder that so powerful, so stable a currency as the U.S. banknote has become a target of opportunity for crooks. Roughly $40 million in fake bills were passed in the U.S. last year, and this year the number is on track to be $47 million.

Fortunately, most of the fakes aren't that good – careful inspection by consumers and businesses can spot most of them fairly easily, and it's estimated that nearly all are caught before being passed more than three times. Also, we are very lucky that the Secret Service has such a dedicated and talented group of agents working on the issue domestically and overseas.

Nevertheless, I can tell you from my days as an agent with the FBI that crooks get better at their efforts the more they try, and I think it's clear that their tools – the computers and ink-jet printers and scanners they use – are getting better, and cheaper too. Soon, we're going to need a new generation of U.S. bills to stop this tide, and I look forward to the testimony of the Bureau of Engraving and Printing to tell us at least in general terms what they have in mind.

I want to command Chairman King for scheduling this important hearing. I think this is an important opportunity to dismiss one of the biggest fallacies about counterfeiting. People generally know that counterfeiting used to be done by talented, if crooked, old-style printers. Now, with easy access to computers, most of the press-based counterfeits produced in this country have disappeared.

The rumor is out there that most of the counterfeiting now is done by kids up in their rooms, without the knowledge of their parents, and that this is just a sort of childish prank. It's not. Counterfeiting by kids is serious, but it's not all that big a chunk of the problem, either. While half of the counterfeiters caught are under 23

and probably half of those in their teens, that whole group made only a tiny fraction of the seized fake currency made in the U.S. Instead, the vast majority is produced by organized crime, often violent drug gangs. Of the fake U.S. money made overseas, nearly all is made by organized crime and it finds its way into the U.S. by the same routes drugs are smuggled across our borders, sometimes even the same people.

We have to maintain our vigilance, and crack down hard on the people who think counterfeiting is a safe, easy, victimless crime. While your chances of ever touching a fake banknote are small, if you were the owner of a small business who accepted a fake note by accident, the effect on your business's bottom line would be very real, indeed.

I'm happy we have such talented men and women working at the Bureau of Engraving and Printing to keep the quality of our banknotes high, and at the Secret Service to catch the crooks who would fake our money. I commend them all

On a happier note, I am pleased to welcome to the Financial Services Committee students from Liberty Middle School and Patrick Henry High School of Ashland, Virginia, who have a unique and patriotic idea about the redesign of U.S. currency. Welcome also, to Senator Allen of Virginia, who has come to visit us from the other body. Mr. Cantor from Virginia is also here. Mr. Cantor has worked hard on the Liberty Dollar Bill idea with the goal of reminding us all about the important words of the Constitution upon which our country is founded. The students and their teacher have done a marvelous job of publicizing their idea. While it never is easy to pass legislation, energy and dedication are a good place to start, and they have plenty of both.

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Testimony of Congressman Eric Cantor

Before the Subcommittee on Domestic Monetary Policy, Technology, and Economic Growth

July 24, 2001

Mr. Chairman, thank you for holding this hearing today, and I am pleased to be here to discuss H.R. 1021, the Liberty Bill Act of 2001.

Many studies have demonstrated that most Americans have little knowledge about the Constitution of the United States. While we all enjoy the benefits of our democracy, fewer and fewer citizens of this great county can cite the basic rights to freedom guaranteed in this timeless document.

To remedy this unfortunate trend, a remarkable group of students at Liberty Middle School in Ashland, Virginia have proposed a way to give Americans a daily civics lesson. On their behalf, I introduced the Liberty Bill Act of 2001. This legislation is intended to celebrate our Constitution as a living American symbol and integrate it into our lives on a daily basis by simply placing an abbreviated version of the Constitution on the reverse side of all U.S. currency.

This bill would honor our system of law and government and promote the teaching of democratic principles around the world. We as a nation must be ever mindful of the ideals upon which the United States was founded, and this legislation would provide a prominent reminder of our founding father's

vision for our nation.

My distinguished predecessor, Congressman Tom Bliley, recognized the value of this concept and garnered over a hundred co-sponsors of a similar bill during the 106th Congress, many who sit on this Committee. This bipartisan bill was introduced in the 107th Congress with the co-sponsorship of the entire Virginia Delegation and support for the concept is growing here in the House. I also welcome the Distinguished Senator from Virginia, Senator George Allen, who is the author of similar legislation in the Senate.

I would also like to applaud Mr. Randy Wright whose vision and leadership on this issue brought this concept to reality. Randy has been an energetic proponent of the Liberty Bill and his hard work on this legislation has enabled his students to present their idea here in the House of Representatives as well as at the White House. Randy has a true understanding of our democracy and I commend him for his love of teaching. He is a model citizen, an enthusiastic teacher, and an excellent example for his profession.

You will see from the presentation to follow that his students have excelled in their studies and promise a bright future for the United States of America. They have traveled here today from Richmond, Virginia to participate in our democratic process and present their idea to the Subcommittee. I am honored to represent such fine young men and women and am impressed by their patriotism and inspired by their potential.

As the Representative from the seat once held by James Madison, I am particularly cognizant of the

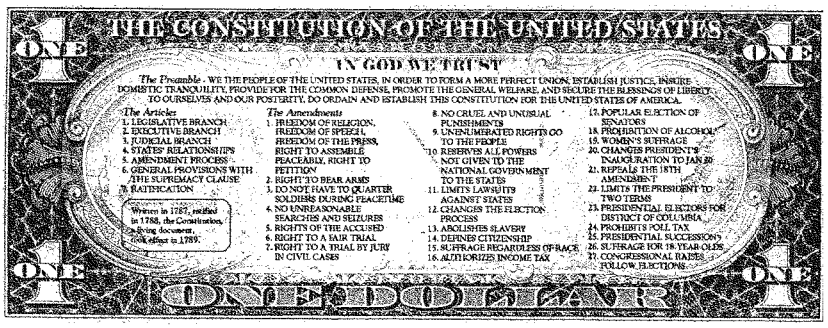
contributions of our ancestors at the birth of our nation. George Washington, Thomas Jefferson, James Madison, and George Mason are not just names in a history book to these students from Liberty Middle School; they are shining examples of our democracy, and their memory embodies our heritage in Virginia and the United States. Men and Woman in this country and around the world are indebted to these patriotic Americans. We cherish their memory and through this legislation we work to preserve their accomplishments.

Thank you Mr. Chairman.

THE
LIBERTY BILL ACT
HR 1021

PRESENTED BY
THE STUDENTS OF
LIBERTY MIDDLE SCHOOL
AND
PATRICK HENRY HIGH SCHOOL
www.libertydollarbill.org

DOMESTIC MONETARY POLICY, TECHNOLOGY, AND ECONOMIC GROWTH SUBCOMMITTEE
JULY 24, 2001



The following students, including those who spoke individually, participated in the recitation of the outline of the Bill of Rights:

Emily Ambler
Rina Amin
Whitney Arnold
Jill Beard
Kaitlin Bourne
Kay Breeze
Stacie Brown
Michael Bumbry
Lindsey Buracker
Sarah Carter
Morgan Cougot
Anne Duncan
Carmen Franck
Chesney Grizzard
Amy Harris
Karena Jackson
Tina Jackson
Lindsey Keiter
Caitlin Kelliher
Rachel Lynch
Jessica Nesselhauf
Matthew Nutter
Kari Roth
Stephen Sepe
Kate Taylor
Audra Vanderland

INTRODUCTION
1< CARMEN FRANCK
CHAIRMAN OXLEY, CHAIRMAN KING, RANKING MEMBER MRS. MALONEY, MEMBERS OF THE DOMESTIC MONETARY POLICY, TECHNOLOGY, AND ECONOMIC GROWTH SUBCOMMITTEE, THANK YOU FOR CONDUCTING THIS IMPORTANT HEARING TODAY. IT IS TRULY AN HONOR TO BE ABLE TO SPEAK TO YOU TODAY ON BEHALF OF THE LIBERTY BILL ACT, A BILL BEFORE CONGRESS TO PLACE AN ABBREVIATED VERSION OF THE CONSTITUTION ON THE BACK OF ONE-DOLLAR BILLS OR POSSIBLY OTHER CURRENCY.

WE ARE HERE REPRESENTING LIBERTY MIDDLE SCHOOL AND PATRICK HENRY HIGH SCHOOL WHERE THE LIBERTY BILL ORIGINAGED THREE-AND-A-HALF YEARS AGO. WE MERELY SPEAK FOR THE MANY STUDENTS FROM OUR SCHOOL, OTHER MIDDLE SCHOOLS, HIGH SCHOOLS AND NOW COLLEGES WHO HAVE JOINED OUR EFFORT.

AMERICAN HISTORY AND CULTURE ARE FULL OF EXAMPLES OF RESPECT FOR OUR CONSTITUTION AND OUR LOVE OF LIBERTY. LINCOLN'S GETTYSBURG ADDRESS ENDS WITH:

2< MICHAEL BUMBRY
"THAT THIS NATION, UNDER GOD, SHALL HAVE A NEW BIRTH OF FREEDOM -- AND THAT GOVERNMENT OF THE PEOPLE, BY THE PEOPLE, FOR THE PEOPLE, SHALL NOT PERISH FROM THE EARTH."

3< CARMEN FRANCK
IN THE MOVIE MR. SMITH GOES TO WASHINGTON, JEFFERSON SMITH SAYS:

4< ANNE DUNCAN
"LIBERTY'S TOO PRECIOUS A THING TO BE BURIED IN BOOKS. PEOPLE SHOULD HOLD IT UP IN FRONT OF THEM EVERY SINGLE DAY OF THEIR LIVES AND SAY, 'I'M FREE TO THINK AND TO SPEAK. MY ANCESTORS COULDN'T. I CAN, AND MY CHILDREN WILL.' PEOPLE OUGHT TO GROW UP REMEMBERING THAT."

HISTORY
5< LINDSEY KEITER
ANCIENT GREECE AND ROME HAD FORMS OF DEMOCRACY, BUT THESE NATIONS EVENTUALLY FELL APART, REPLACED BY TYRANNIES AND MONARCHIES.

FOR OVER A THOUSAND YEARS, GOVERNMENTS RULED OVER THE PEOPLES OF ALL NATIONS. BUT IN 1215, A CANDLE FOR FREEDOM AND LIBERTY WAS LIT WHEN KING JOHN WAS FORCED TO SIGN THE MAGNA CARTA AND PEOPLE BEGAN TO CHALLENGE THE RELATIONSHIPS BETWEEN CITIZENS AND THEIR GOVERNMENTS.

FROM 1690 TO 1789, MANY MORE CANDLES WERE LIT FOR FREEDOM AND LIBERTY AS THE ENLIGHTENMENT PHILOSOPHERS QUESTIONED FURTHER THE RELATIONSHIP BETWEEN PEOPLE AND GOVERNMENT, EVENTUALLY BELIEVING GOVERNMENT SHOULD ANSWER TO THE PEOPLE.

6< STACIE BROWN
THE ENLIGHTENMENT PHILOSOPHERS PRODUCED MOSTLY TALK AND WRITINGS. BUT IN AMERICA THE TALK BECAME ACTION. THE DECLARATION OF INDEPENDENCE STATED THAT "ALL MEN ARE CREATED EQUAL," THAT PEOPLE HAVE A RIGHT TO "LIFE, LIBERTY, AND THE PURSUIT OF HAPPINESS," AND THAT GOVERNMENT SHOULD COME "FROM THE CONSENT OF THE GOVERNED." WE FOUGHT A WAR TO WIN THESE RIGHTS AND FREEDOMS.

IN 1787, WE ILLUMINATED THE WORLD WHEN OUR FOUNDING FATHERS WROTE WHAT WOULD BECOME THE MODEL FOR ALL MODERN DEMOCRACIES -- THE CONSTITUTION.

OUR CONSTITUTION IS A BEACON OF LIGHT FOR THE WORLD. THE OPPRESSED STILL STAND UP ON OCCASION FOR FREEDOM AND LIBERTY AS THEY DID IN CHINA'S TIANANMEN SQUARE. SHOULDN'T ALL PEOPLE BE ABLE TO HOLD UP OUR U.S. CURRENCY AS A SYMBOL OF THE FREEDOM OF MODERN DEMOCRACY, LIKE A CANDLE IN DARKNESS?

LIKE A CANDLE IN DARKNESS, SHOULDN'T THE CONSTITUTION BE ON THE BACK OF THE U.S. CURRENCY?

CONSTITUTIONAL CONVENTION
7< MICHAEL BUMBRY
GEORGE WASHINGTON, PRESIDENT OF THE CONSTITUTIONAL CONVENTION, JAMES MADISON, FATHER OF THE CONSTITUTION, BEN FRANKLIN, AND MANY OTHER GREAT AMERICANS MET FOR FOUR HOT MONTHS IN 1787 TO IGNITE HISTORY'S GREATEST LIGHT OF GOVERNMENT. THEY ARGUED, FOUGHT, COMPROMISED AND GAVE THEIR ALL TO CREATE A LASTING DEMOCRACY OF LIBERTY AND FREEDOM FOUND IN THE PREAMBLE, THE ARTICLES, AND THE AMENDMENTS OF OUR CONSTITUTION.

THEY PROTECTED THIS PHILOSOPHY AND THESE IDEALS BY SEPARATING THE POWER OF GOVERNMENT INTO THREE BRANCHES -- LEGISLATIVE, EXECUTIVE AND JUDICIAL -- AND CREATING CHECKS AND BALANCES AMONG THESE BRANCHES OF GOVERNMENT. THEY FURTHER DIVIDED THE GOVERNMENT WITH DIVISIONS OF POWER BETWEEN THE FEDERAL AND STATE GOVERNMENTS.

WHILE OUR CURRENCY CELEBRATES SOME OF THE MEN WHO FIRST WROTE THE CONSTITUTION, IT DOESN'T CELEBRATE THEIR MOST NOBLE ACHIEVEMENT, THE LIVING DOCUMENT THAT THEY PUT THEIR LIVES INTO. SHOULDN'T THE GREATEST OF AMERICAN ACHIEVEMENTS BE IN THE HANDS OF ALL AMERICANS TO BE SUPPORTED AND DEFENDED? SHOULDN'T THE CONSTITUTION BE ON THE BACK OF THE U.S. CURRENCY?

STATISTICS
8< MORGAN COUGOT
A SURVEY BY THE NATIONAL CONSTITUTION CENTER, A BODY CREATED BY CONGRESS IN 1988, FOUND THAT SEVENTY-FIVE PERCENT OF AMERICANS SAY THAT "THE CONSTITUTION IS IMPORTANT TO THEM, MAKES THEM PROUD, AND IS RELEVANT TO THEIR LIVES."

HOWEVER, THE SURVEY FOUND THAT NINETY-FOUR PERCENT OF AMERICANS DON'T EVEN KNOW ALL OF THE RIGHTS AND FREEDOMS FOUND IN THE FIRST AMENDMENT. AND, SIXTY-TWO PERCENT OF AMERICANS CANNOT NAME OUR THREE BRANCHES OF GOVERNMENT.

SIX HUNDRED THOUSAND LEGAL IMMIGRANTS COME TO AMERICA EACH YEAR. MANY OF THESE IMMIGRANTS BECOME AMERICAN CITIZENS THROUGH THE NATURALIZATION PROCESS AND MUST LEARN MORE ABOUT THE CONSTITUTION THAN MANY NATURAL BORN CITIZENS KNOW.

IF AMERICA'S MOST PATRIOTIC SYMBOL -- THE CONSTITUTION -- WERE ON THE BACK OF U.S. CURRENCY, WOULDN'T WE ALL KNOW MORE ABOUT OUR GOVERNMENT? AND SHOULDN'T WE?

THE COST
9< LINDSEY BURACKER
WHAT IS THE COST OF TELLING THE WORLD ABOUT REPRESENTATIVE DEMOCRACY, ABOUT FREEDOM, ABOUT EQUALITY?

THE NATIONAL AUTOMATIC MERCHANDISING ASSOCIATION, WHICH OPPOSES THE LIBERTY BILL IF IT PLACES THE CONSTITUTION ON THE BACK OF ONE-DOLLAR BILLS, SAYS IT WILL COST $420 MILLION TO UPDATE THE 4.2 MILLION VENDING MACHINES TO RECOGNIZE NEW BILLS.

SOUNDS EXPENSIVE. IT ISN'T. THE COST IS ONLY $100 PER MACHINE FOR ONE YEAR. THAT IS LESS THAN 30 CENTS PER MACHINE PER DAY. THAT'S RIGHT -- THIRTY CENTS A DAY FOR A YEAR!

IF IT IS TOO EXPENSIVE TO UPDATE VENDING MACHINES, THEN THE CONSTITUTION COULD GO ON OTHER CURRENCY. AS MORE PEOPLE ARE EXPOSED TO THESE ESSENTIAL RIGHTS, MORE NATIONS WILL TURN TO OUR FORM OF GOVERNMENT. THEN THEY WILL ALSO TURN TO OUR FREE MARKET ECONOMY, OPENING ADDITIONAL MARKETS FOR AMERICAN BUSINESSES, WHICH, OF COURSE EXPANDS OPPORTUNITIES FOR TRADE AND INCOME.

10< WHITNEY ARNOLD
WHAT IS THE COST OF TELLING THE WORLD ABOUT REPRESENTATIVE DEMOCRACY, ABOUT FREEDOM, ABOUT EQUALITY?

THE UNITED STATES INFORMATION AGENCY, WHICH PROMOTES OUR NATIONAL INTERESTS ABROAD THROUGH EDUCATIONAL PROGRAMS AND RADIO BROADCASTS, HAS A BUDGET OF OVER $500,000,000. YES, HALF-A-BILLION DOLLARS EACH YEAR TO TELL OTHER PEOPLES THE IDEALS FOUND IN OUR CONSTITUTION.

THE CONGRESSIONAL BUDGET OFFICE ESTIMATED THE ONE-TIME COST OF THE DESIGN OF THE LIBERTY BILL TO BE $500,000.

COULD THE HALF-A-BILLION DOLLAR YEARLY EXPENSE OF THE INFORMATION AGENCY BE REDUCED IF WE LET OUR HALF-A-MILLION DOLLAR LIBERTY BILL CARRY OUR MESSAGE AROUND THE WORLD? COULD WE CUT BACK ON PROGRAMS AND TAXES IF WE LET OUR MONEY DO THE TALKING?

11< RINA AMIN
WHAT IS THE COST OF TELLING THE WORLD ABOUT REPRESENTATIVE DEMOCRACY, ABOUT FREEDOM, ABOUT EQUALITY?

THE TREASURY DEPARTMENT'S FINANCIAL MANAGEMENT SERVICE REPORTS THAT THERE ARE $558 BILLION OF UNITED STATES CURRENCY IN CIRCULATION. OF THAT, $7.4 BILLION ARE CIRCULATED IN ONE-DOLLAR BILLS. TWO-THIRDS OF OUR CURRENCY IS IN CIRCULATION OUTSIDE OF THE UNITED STATES.

IMAGINE THE IMPACT OF THE 7.4 BILLION ONE-DOLLAR BILLS EXCHANGING HANDS OVER AND OVER EACH WEEK WITH THE SIX BILLION PEOPLE IN THE WORLD, EACH EXCHANGE BEING AN OPPORTUNITY TO DISCUSS AND IGNITE A NEW OR RENEWED PASSION FOR DEMOCRACY.

ONCE PRINTED, THE COST OF EXCHANGING THE IDEAS OF FREEDOM, BILLIONS AND BILLIONS OF TIMES EACH DAY, FOREVER, IS FREE.

12< TINA JACKSON
WHAT IS THE COST OF TELLING THE WORLD ABOUT REPRESENTATIVE DEMOCRACY, ABOUT FREEDOM, ABOUT EQUALITY?

THE CENTER FOR STRATEGIC AND BUDGETING ASSESSMENTS ESTIMATES THAT THE COST OF THE WAR IN KOSOVO FOR AMERICA WAS OVER $2 BILLION AND THAT THE ONGOING PEACEKEEPING WILL COST AS MUCH AS $3 BILLION A YEAR.

IF THE WORLD WERE MORE AWARE AND ACCEPTING OF THE RELIGIOUS FREEDOM WE CELEBRATE IN OUR FIRST AMENDMENT WOULD THERE HAVE EVEN BEEN A WAR? IF THE GOVERNMENT OF KOSOVO WAS CHALLENGED BY A FREE PRESS, WOULD THAT GOVERNMENT HAVE BEEN ABLE TO OPPRESS ITS OWN PEOPLE? IF THE CONSTITUTION WERE WRITTEN ON THE BACK OF U.S. CURRENCY, WOULDN'T IT BECOME THE WORLD'S SECOND CONSTITUTION, AND WOULDN'T THERE BE LESS WAR?

13< STACIE BROWN
YOU ASK, WHAT IS THE COST OF TELLING THE WORLD ABOUT REPRESENTATIVE DEMOCRACY, ABOUT FREEDOM, ABOUT EQUALITY.

THE REVOLUTIONARY WAR, THE WAR OF 1812, THE CIVIL WAR, THE SPANISH-AMERICAN WAR, WORLD WAR I AND WORLD WAR II, THE KOREAN WAR, THE VIETNAM WAR, DESERT STORM, THE WAR IN KOSOVO. THESE ARE THE COSTS OF THE IDEALS WE CHERISH FOUND IN OUR CONSTITUTION.

STAND IN FRONT OF ANY MONUMENT TO OUR FALLEN HEROES. RUN YOUR FINGERS ACROSS THE NAMES INSCRIBED ON THE VIETNAM WAR MEMORIAL OR STAND AT THE HALLOWED GROUND AT ARLINGTON NATIONAL CEMETERY. THESE ARE THE REAL COSTS OF THE PHILOSOPHY WE LOVE FOUND IN THE CONSTITUTION.

SO, CAN ANYONE PUT A COST ON MANKIND'S HIGHEST ACHIEVEMENTS? OR, ARE THEY PRICELESS?

IT BELONGS TO US
14< ANNE DUNCAN
PERHAPS WITH THE EXCEPTION OF RELIGIOUS WRITINGS, THE CONSTITUTION IS THE MOST IMPORTANT DOCUMENT EVER WRITTEN. THE FIRST THREE WORDS SAY IT ALL -- "WE THE PEOPLE." IT BELONGS TO US.

OUR FOUNDING FATHERS ALSO WROTE IN THE PREAMBLE THE WORDS, "OUR POSTERITY." THEY WROTE THE CONSTITUTION FOR THE GENERATIONS THAT WOULD FOLLOW THEM. IT BELONGS TO US!

WITH ARTICLE SEVEN OF THE CONSTITUTION, THE FOUNDING FATHERS REQUIRED THAT RATIFICATION FOR OUR GOVERNMENT COME FROM THE CONSENT OF THE PEOPLE. "WE THE PEOPLE" GAVE OUR CONSENT. IT BELONGS TO US.

THE FOUNDING FATHERS WROTE IN ARTICLE FIVE THE AMENDMENT PROCESS, KNOWING THAT FUTURE GENERATIONS, "THEIR POSTERITY," COULD ALTER THE CONSTITUTION TO MEET THE CHANGING NEEDS OF THE PEOPLE. TWENTY-SEVEN TIMES THE CONSTITUTION HAS BEEN CHANGED BY AMENDMENT. IT BELONGS TO US.

WE THE PEOPLE, POSTERITY, RATIFICATION, AMENDMENTS. THE CONSTITUTION OF THE UNITED STATES OF AMERICA. SHOULDN'T IT BE IN THE HANDS OF ALL AMERICANS -- ON THE BACK OF U.S. CURRENCY? BECAUSE -- IT BELONGS TO US.

A LIVING DOCUMENT
15< LINDSEY KEITER
THE CONSTITUTION IS ALL THE MORE BEAUTIFUL, ALL THE MORE IMPORTANT, WHEN YOU SEE THE HISTORY AND GROWTH OF OUR GREAT NATION AS WE MATURED AND IMPROVED THROUGH THE AMENDMENT PROCESS. THE CONSTITUTION -- UNFINISHED -- STILL BEING WRITTEN -- A LIVING DOCUMENT FOR ALL AMERICANS.

16< MATTHEW NUTTER
WHEN THE CONSTITUTION WAS FIRST WRITTEN, IT WAS NOT WRITTEN FOR AFRICAN-AMERICANS. AFRICAN-AMERICANS WERE NOT GIVEN EQUAL RIGHTS IN THE CONSTITUTION. BUT THE THIRTEENTH, FOURTEENTH, AND FIFTEENTH AMENDMENTS CHANGED OUR NATION. THESE AMENDMENTS ABOLISHED SLAVERY, DEFINED CITIZENSHIP, AND GUARANTEED THE RIGHT TO VOTE REGARDLESS OF RACE. THESE AMENDMENTS ON THE BACK OF OUR CURRENCY SHOW A PART OF AFRICAN-AMERICAN HISTORY WOVEN INTO THE FABRIC OF THE CONSTITUTION, A LIVING DOCUMENT FOR ALL AMERICANS.

17< CARMEN FRANCK
WHEN THE CONSTITUTION WAS WRITTEN, WOMEN, TOO, WERE TREATED AS INFERIOR. THEY WERE NOT ALLOWED FULL PARTICIPATION IN OUR REPUBLIC. BUT THE NINETEENTH AMENDMENT CHANGED THAT. IT SAID THAT WOMEN COULD VOTE. THE NINETEENTH AMENDMENT ON THE BACK OF UNITED STATES CURRENCY CELEBRATES A PART OF WOMEN'S HISTORY AND THE BEAUTY OF A NATION OF CHANGE FOUND IN THE CONSTITUTION, A LIVING DOCUMENT FOR ALL AMERICANS.

18< TINA JACKSON
PERHAPS BARBARA JORDON, WHILE A MEMBER OF THE HOUSE OF REPRESENTATIVES, SAID IT BEST.
"'WE THE PEOPLE.' IT IS A VERY ELOQUENT BEGINNING. BUT WHEN THAT DOCUMENT WAS COMPLETED ON THE SEVENTEENTH OF SEPTEMBER IN 1787, I WAS NOT INCLUDED IN THAT 'WE THE PEOPLE.' I FELT SOMEHOW FOR MANY YEARS THAT GEORGE WASHINGTON AND ALEXANDER HAMILTON JUST LEFT ME OUT BY MISTAKE. BUT THROUGH THE PROCESS OF AMENDMENT, INTERPRETATION AND COURT DECISION, I HAVE FINALLY BEEN INCLUDED IN 'WE THE PEOPLE.'...MY FAITH IN THE CONSTITUTION IS WHOLE, IT IS COMPLETE, IT IS TOTAL."

SIX REASONS
19< WHITNEY ARNOLD
IN 1998, THE STUDENTS OF LIBERTY MIDDLE SCHOOL AND PATRICK HENRY HIGH SCHOOL IN ASHLAND, VIRGINIA, FIRST PROPOSED THAT CONGRESS ADAPT AN ABBREVIATED VERSION OF THE ENTIRE CONSTITUTION TO BE ON THE BACK OF THE UNITED STATES CURRENCY. CONGRESSMAN TOM BLILEY AND SENATOR JOHN WARNER AGREED AND INTRODUCED THE LIBERTY BILL IN THE 105TH AND 106TH CONGRESSES.

THIS YEAR, CONGRESSMAN ERIC CANTOR HAS PRESENTED AND SENATOR GEORGE ALLEN WILL SOON PRESENT THE "LIBERTY BILL ACT" TO THE 107TH CONGRESS. WE JUST CALL IT THE "LIBERTY BILL." WHILE THE RESULTS OF THIS CHANGE WILL BE MANY, WE WOULD LIKE TO TELL YOU THE SIX WE THINK ARE MOST IMPORTANT.

20< RINA AMIN
FIRST, THE LIBERTY BILL ENSURES THAT AMERICANS HAVE A DEEPER KNOWLEDGE OF THE FRAMEWORK OF THEIR GOVERNMENT AND A BETTER AWARENESS OF WHERE THEIR LIBERTY AND FREEDOM ORIGINATE.

SECOND, THE LIBERTY BILL TEACHES THE PROGRESS OF AMERICAN HISTORY AS WE AMENDED THE CONSTITUTION.

21< ANNE DUNCAN
PERHAPS THAT IS WHY, THE FLEET RESERVE ASSOCIATION SAID OF THE LIBERTY BILL, "IT SHOULD THRILL ALL AMERICANS."

22< MATTHEW NUTTER
THIRD, THE LIBERTY BILL SPREADS THE PHILOSOPHY OF REPRESENTATIVE DEMOCRACY AND THE FREEDOMS WE CHERISH AROUND THE WORLD WHILE SAVING MILLIONS AND MILLIONS OF DOLLARS FROM FEDERAL PROGRAMS.

FOURTH, THE LIBERTY BILL WILL EXPAND THE AMERICAN ECONOMY BY ENCOURAGING NATIONS TO BECOME REPUBLICS AND OPEN THEIR MARKETS TO GLOBAL TRADE AND THE GLOBAL ECONOMY.

23< LINDSEY BURACKER
MAYBE THAT'S WHY THE WALL STREET JOURNAL, WHO KNOWS A LITTLE SOMETHING ABOUT MONEY, ECONOMICS, AND BUSINESS, SAID THAT WHEN MEMBERS OF THE 106TH CONGRESS MET WITH THE STUDENTS TO LISTEN TO THE LIBERTY BILL PRESENTATIONS, THAT IT MIGHT HAVE BEEN THEIR MOST "GLORIOUS MOMENT."

24< CARMEN FRANCK
CINCO, LOS SOLDADOS ALREDEDOR DEL MUNDO PODRAN SOSTENER LA MONEDA CORRIENTE DE LOS E.E.U.U. Y EXPLICAR PORQUE ESTAN DISPUESTOS A DAR SUS VIDAS PARA LOS MISMOS IDEALES QUE LLEVAN CON ELLOS EN SUS BOLSILLOS Y SUS CORAZONES.

IN ENGLISH, FIFTH, AMERICAN SOLDIERS AROUND THE WORLD WILL BE ABLE TO HOLD UP U.S. CURRENCY AND EXPLAIN WHY THEY ARE WILLING TO GIVE THEIR LIVES FOR THE VERY IDEALS THEY CARRY WITH THEM IN THEIR POCKETS AND THEIR HEARTS.

WHEN LT. SHANE OSBORN AND HIS CREW GAVE THE CHINESE SOME AMERICAN MONEY AS SOUVENIRS, IMAGINE THE POWER AND MESSAGE OF OUR CURRENCY IF IT HAD OUR CONSTITUTION PROUDLY AND BOLDLY WRITTEN ON IT.

25< TINA JACKSON
THE MILITARY ORDER OF THE PURPLE HEART SIMPLY SAID, "WE CHERISH THIS IDEA."

26< MORGAN COUGOT
SIXTH, THE LIBERTY BILL CELEBRATES THE CONSTITUTION AS AN AMERICAN SYMBOL AND ENSURES THAT WE CONTINUE TO PRESERVE, AS JAMES MADISON SAID, "THE HOPE OF LIBERTY THROUGHOUT THE WORLD."

27< LINDSEY BURACKER
THAT MUST BE WHAT THE TOPEKA CAPITAL-JOURNAL MEANT WHEN IT SAID, THE LIBERTY BILL "MAY BE THE GREATEST IDEA EVER ORIGINATED IN ANY SCHOOL SYSTEM."

28< LINDSEY KEITER
FOLLOWING THE CONSTITUTIONAL CONVENTION, BEN FRANKLIN WAS ASKED WHAT KIND OF GOVERNMENT THE FOUNDING FATHERS HAD GIVEN TO THE UNITED STATES. HE REPLIED, "A REPUBLIC, IF YOU CAN KEEP IT." THE CONSTITUTION ON THE BACK OF OUR CURRENCY NOT ONLY CELEBRATES THIS GREAT REPUBLIC, IT DEEPENS PEOPLES' KNOWLEDGE AND UNDERSTANDING OF WHERE OUR REPUBLIC COMES FROM, WHAT IT MEANS, AND IT HELPS US "KEEP IT," AS DR. FRANKLIN CHALLENGED.

TANGIBLE SYMBOL OF HUMAN RIGHTS
29< MATTHEW NUTTER
AND, THERE ARE OTHER REASONS.

THE LIBERTY BILL PROMOTES HUMAN RIGHTS AROUND THE WORLD AS PEOPLE ARE EXPOSED TO AMENDMENT ONE THAT PROTECTS FREEDOM OF RELIGION, FREEDOM OF SPEECH, FREEDOM OF THE PRESS, RIGHT TO ASSEMBLE PEACEABLY, AND THE RIGHT TO PETITION GOVERNMENT.

30< RINA AMIN
THE LIBERTY BILL PROMOTES HUMAN RIGHTS AROUND THE WORLD AS PEOPLE ARE EXPOSED TO AMENDMENTS 4, 5, 6, 7, AND 14 THAT ENSURE ALL PEOPLE EQUAL TREATMENT AND THE SAME DUE PROCESS UNDER THE LAW INCLUDING FAIR, SPEEDY AND PUBLIC TRIALS, TRIALS BY JURY, AND THE RIGHT TO A LAWYER.

31< MORGAN COUGOT
THE LIBERTY BILL PROMOTES HUMAN RIGHTS AROUND THE WORLD AS PEOPLE ARE EXPOSED TO AMENDMENT EIGHT THAT FORBIDS CRUEL AND UNUSUAL PUNISHMENTS.

32< MICHAEL BUMBRY
THE LIBERTY BILL PROMOTES HUMAN RIGHTS AROUND THE WORLD AS PEOPLE ARE EXPOSED TO AMENDMENT THIRTEEN THAT FORBIDS SLAVERY.

33< ANNE DUNCAN
THUS, THE LIBERTY BILL INCREASES THE ACCEPTANCE OF DIVERSITY AND EQUALITY AROUND THE WORLD AS THE LIBERTY BILL BECOMES THE TANGIBLE SYMBOL OF HUMAN RIGHTS.

RESULTS
34< STACIE BROWN
IN THE 106TH CONGRESS, OVER ONE HUNDRED REPRESENTATIVES COSPONSORED THE LIBERTY DOLLAR BILL ACT, INCLUDING THE MAJORITY LEADER, THE MAJORITY WHIP, EIGHT COMMITTEE CHAIRMEN, AND THREE RANKING MEMBERS. IT WAS ONE OF ONLY FIVE BILLS IN THE HOUSE COSPONSORED BY BOTH THE HOUSE SPEAKER AND THE HOUSE MINORITY LEADER.

NOW, IN THE 107TH CONGRESS, THE LIBERTY BILL HAS BEEN INTRODUCED BY CONGRESSMAN ERIC CANTOR. IT CURRENTLY HAS MORE THAN TWO DOZEN COSPONSORS. CONGRESSMAN CANTOR, THANK YOU FOR THE WORK YOU HAVE DONE ON BEHALF OF THE LIBERTY BILL.

CLOSURE
35< LINDSEY KEITER
OUR DEEP AMERICAN PHILOSOPHY IS SOMETIMES TAKEN FOR GRANTED IN THE EVERYDAY BUSINESS OF MAKING LAWS. YET, NO COUNTRY CAN SURVIVE THAT FORGETS ITS PHILOSOPHICAL BEARINGS. THE CONSTITUTION ON THE BACK OF THE TEN, THE FIVE, THE TWO, OR HOPEFULLY THE ONE-DOLLAR BILL, WHERE IT WILL BE SEEN BY THE MOST PEOPLE, WILL REMIND ALL THE WORLD OF THE FREEDOMS AND LIBERTIES OF OUR AMERICAN CULTURE, BASED IN THE CONSTITUTION, THE IDEOLOGICAL LIGHT THAT GIVES SUBSTANCE, VALUE, AND MEANING TO THE LAWS BY WHICH WE LIVE.

36< WHITNEY ARNOLD
CHAIRMAN OXLEY, CHAIRMAN KING, RANKING MEMBER MRS. MALONEY, MEMBERS OF THE DOMESTIC MONETARY POLICY, TECHNOLOGY, AND ECONOMIC GROWTH SUBCOMMITTEE,
WE HOPE YOU WILL VOTE IN FAVOR OF THE LIBERTY BILL ACT AND SEND IT TO THE HOUSE. OF COURSE, WE HOPE THE VOTE IS UNANAMOUS TO SEND A CLEAR, STRONG MESSAGE TO THE WORLD THAT WE ARE PROUD OF OUR CONSTITUTION AND WHAT IT STANDS FOR.

THE PEACE AND GOOD WILL OF THE CONSTITUTION WILL CAST A FAR GREATER LIGHT IF ALL AMERICANS AND CITIZENS OF THE WORLD HAVE IT IN HAND, SO THAT IT CAN BE READ AND THE PHILOSOPHY OF AMERICAN FREEDOM AND DEMOCRACY CAN BE SHARED.

WE KNOW THERE WILL BE OPPOSITION. PEOPLE WILL TELL YOU REASONS WHY THE LIBERTY BILL ACT SHOULD NOT PASS AND CANNOT BE DONE. BUT, WE BELIEVE THAT THOSE REASONS ARE WEAK WHEN COMPARED WITH THE REASONS FOR WHY IT SHOULD PASS.

MANY TIMES WE'VE BEEN TOLD TO STOP DREAMING THE IMPOSSIBLE DREAM. STANDING HERE TODAY IS PROOF THAT CONGRESS DOES LISTEN TO THE PEOPLE, PEOPLE NOT YET OLD ENOUGH TO VOTE -- PEOPLE WHO HAVE LITTLE INFLUENCE AND LITTLE MONEY. AND, YOU HAVE LISTENED. WE CARRY THE IMPOSSIBLE DREAM AND WE ARE PROUD TO STAND HERE TODAY WITH YOU THE MOST DEMOCRATIC BODY OF GOVERNMENT IN THE WORLD AND SAY THAT YES, IN AMERICA THE IMPOSSIBLE DREAM IS POSSIBLE.

THANK YOU FOR LISTENING TO US TODAY AND NOW WE PRESENT TO YOU THE CONSTITUTION.

37< ALL STUDENTS RECITE THE BILL OF RIGHTS

Presentation of Thomas A. Ferguson

Director of the Bureau of Engraving and Printing

United States Department of the Treasury

Before the Subcommittee on Domestic Monetary Policy, Technology and Economic Development

July 24, 2001

Mr. Chairman and Members of the Subcommittee:

Thank you for holding this hearing and inviting me to testify. I appreciate the opportunity to report on the initiatives of the Bureau of Engraving and Printing (BEP), particularly our anti-counterfeiting program.

MISSION OVERVIEW OF THE BEP

The Bureau is the security printer for the United States, producing a number of products that require special printing processes and techniques to protect against counterfeiting and fraudulent alteration. The Bureau uses capital systems, state-of-the-art high-speed presses, electronic inspection systems and other types of sophisticated equipment, in combination with exceptional technical competence to efficiently produce billions of Federal Reserve Notes, postage stamps and other U.S. security printing products each year.

The Bureau operates from two locations: the Washington, D.C. Facility at 14th and "C" Streets, S.W. and the Western Currency Facility, situated in Fort Worth, Texas. Each facility prints approximately fifty percent of the Bureau's annual currency output. In addition, the D.C. facility produces postage stamps and other security products.

The Bureau's operations are financed through an industrial revolving fund, so we do not receive annual appropriations from the Congress. Instead, we are reimbursed directly by our customers for the products that we produce. Our two largest clients are the Federal Reserve System and the United States Postal Service. During fiscal year 2001 the Bureau will deliver approximately 7.5 billion Federal Reserve Notes and 15 billion postage stamps to our customers.

U.S. CURRENCY ANTI-COUNTERFEITING PROGRAM

The Bureau works cooperatively with the Federal Reserve System, Department of the Treasury and United States Secret Service to improve the security of Federal Reserve notes. Our goal is to incorporate cost-effective security features to deter counterfeiting as well as help the public easily authenticate their money as genuine U.S. currency. It is vital that we keep pace with evolving methods of counterfeiting in order to maintain the integrity of, and the public's confidence in, our monetary system.

In the mid-1990s the Bureau introduced the first major redesign of U.S. currency in 65 years. The design changes were needed to combat the emergence of a new breed of counterfeiters who were increasingly using computers, scanners, color copiers and other emerging technologies to replicate notes.

All notes ($100, $50, $20, $10 and $5), with the exception of the $1 and $2 bills, were redesigned and introduced into circulation by 2000. The new design incorporated a number of security features including a large off-center portrait on the face (front) of the notes, a security thread in an unique location on each denomination that glows a different color under ultraviolet light, color shifting ink on the lower right front numeral (except on the $5 note), expanded use of micro-printing and moiré patterns that appear disjointed when copied.

The redesigned currency has been effective in combating counterfeiting by making it more difficult to produce a high quality counterfeit note. Today, most of the counterfeit bills produced in the United States are made using computer and ink-jet technology and are below average quality, which means they can be detected with proper visual scrutiny.

The percentage of counterfeit currency appearing worldwide remains extremely small – approximately 5/100 of 1% of the approximately $550 billion of genuine currency in circulation. In FY 2000, the U.S. Secret Service reported that approximately $40 million in counterfeit U.S. currency was passed on the American public. The odds that an American citizen will ever encounter a counterfeit note in the course of his or her lifetime are exceptionally low.

While the redesigned currency has been successful in staying one step ahead of the counterfeiters, rapid computer and other technological advances will not afford us the luxury of waiting another 65 years before augmenting the design of our Nation's currency. In fact, we anticipate the need to change the design of our money every 7 to 10 years.

To prepare for the production of the next generation of currency, the Bureau is testing an array of anti-counterfeiting features that involve various types of papers, inks, embedded security features, as well as offset and other printing techniques. Additionally, we have initiated a Bureau-wide training program to enhance the skills of our employees who will be utilizing newly acquired production technologies. Recently, we began an expansion of the Bureau's Western Currency Facility and modernization of the D.C. facility to accommodate the additional production steps represented by the new technology.

ANTI-COUNTERFEITING LEGISLATION

Treasury has submitted a legislative proposal to the Congress that would authorize the Bureau to produce security products on behalf of foreign governments and the States of the United States on a reimbursable basis. Presently, the Bureau's authority to print security documents applies to Federal government agencies.

Periodically foreign governments request assistance from the Bureau to design and/or produce currency, stamps, and other types of security printing products. The bill's limited authority could allow the Bureau to develop new and innovative security features, outside the current traditions of U.S. currency design, for possible application to future generations of U.S. currency.

The authority in the legislation is limited to times when demand for U.S. currency, postage stamps, and other products is below the Bureau's production capacity. The measure precludes the Bureau from producing products on behalf of a foreign

government unless the Secretary of State determines that such production is consistent with U.S. foreign policy. Our use of this authority will be consistent with the Administration's competitive sourcing initiative and its commitment to public-private competition.

This concludes my opening remarks, Mr. Chairman, and I will be happy to respond to questions you or other members of the Subcommittee may wish to ask.

U.S. Secret Service

Testimony of Daniel G. Snow
Special Agent in Charge, Counterfeit Division

before

The Subcommittee on Domestic Monetary Policy, Technology, and Economic Growth
The House Committee on Financial Services
U.S. House of Representatives

July 24, 2001

Mr. Chairman and members of the Subcommittee, it is my pleasure to speak with you today and discuss the counterfeiting of U.S. currency and its impact on the integrity of the financial system of the United States. With me today is Tony Chapa, Deputy Special Agent Charge of Counterfeit Division, and until very recently, Resident Agent in Charge of our Bogota, Colombia Office.

Although best known among the public as the protectors of our Nation's leaders and visiting world dignitaries, the Secret Service continues its historic mission to suppress counterfeit activity – a mission that began in the 19th century and continues into the 21st century. Technological improvements with computers and reprographic equipment, coupled with the increasing expansion of international, organized criminal syndicates, has challenged the Secret Service to develop innovative investigative techniques.

Numerous worldwide and domestic counterfeit investigations conducted by the Secret Service indicate that counterfeiting U.S. currency has become a crime that has no territorial borders. Counterfeiting is a crime that is as likely to be committed by an organized criminal enterprise in Colombia, South America, as it is to be committed by a local street level criminal in America. And counterfeiting is on the rise. Counterfeit U.S. currency passed in the United States during the first eight months of this fiscal year increased 18 percent over FY 2000. Today's counterfeiters are often criminals who, because of the relative ease of the crime, choose counterfeiting over other non-violent crimes. But today's counterfeiters are also represented by ruthless offenders involved in violent crimes such as narcotics trafficking and homicide.

Computer-based, or digital counterfeiting, is now possible without a printing background, and is a crime that continues to escalate throughout the United States. As a result, the Secret Service has seen an increase in counterfeit currency manufacturing and distribution associated with gang activity, with gang members knowingly purchasing narcotics with counterfeit currency. For example, situations where a seller unknowingly accepts counterfeit currency in exchange for drugs can turn violent, sometimes ending in assaults and murder.

Staying ahead of the technologically advanced counterfeiter of the 21st century continues to be a challenge and a priority for the Secret Service. With reprographic equipment, computers, and computer software continuing to become more sophisticated and affordable, counterfeiters have been able to increase both the volume and the quality of their product. Domestically-passed counterfeit U.S. currency that has been manufactured utilizing digital technology rose from $174,924 in fiscal year 1995 to $18,460,249 in fiscal year 2000. Currently, 94 percent of the domestic counterfeit printing operations suppressed by the Secret Service in this fiscal year have been digitally-based. These significant increases are due largely to a growing number of criminals attracted to the seeming simplicity of the crime made possible by today's technology.

In response to this growing problem, the Secret Service is pursuing legislative changes to counterfeiting statutes that clearly define the fraudulent use of digital images as a violation of law. In addition, the Service's recently completed work with the U.S. Sentencing Commission resulted in recommended changes to the sentencing guidelines addressing counterfeit activity. The new guidelines provide for enhanced sentences for manufacturers of counterfeit currency, particularly those manufacturers that simulate security features. They also remove language that minimizes the significance of digitally-produced counterfeit.

The Secret Service is also staying ahead of modern counterfeiting operations through its involvement in the currency design process. The Secret Service enjoys a close working relationship with the Bureau of Engraving and Printing (BEP), as well as the Federal Reserve Board during the design phase of U.S. currency. These agencies all participate in the Advanced Counterfeit Deterrence Steering Committee (ACD), and together, select the security features for each new generation of U.S. currency. Additionally, the Secret Service and BEP work together in the Interagency Currency Design Technical Group. This group analyzes the technical attributes of potential security features for new designs and makes recommendations to the ACD based on the concerns of all agencies.

The Secret Service and BEP also work together in the ongoing campaign to educate the American public about the security features found in new currency designs. Most counterfeiters would be stopped before they could pass their first note if their intended victims took the time to look at their currency. An educated, aware American public is the best defense against today's counterfeiter. A survey is currently being devised to assess the effectiveness of the educational campaign implemented during the introduction of the 1996 and 1999 series of notes and how this education campaign can be improved for future use.

Almost half of the counterfeit U.S. currency being distributed to the American public is transported or "muled" into the United States from foreign countries, most often Colombia. Secret Service investigations indicate that counterfeit currency distribution networks closely follow that of Colombian drug distribution networks. Often a "mule", generally a Colombian national who is paid a nominal price for his services, transports the counterfeit currency into the United States through large cities such as Los Angeles, New York or Miami. In these cities, U.S.-based members of the organization take possession of counterfeit currency and orchestrate its street level distribution throughout the country.

To stem the flow of Colombian-originated counterfeit currency, the Secret Service concentrates its investigative efforts in these large cities and works closely with the U.S. Customs Service to scrutinize flights arriving directly from Colombia. Through our Bogota Resident Office, the Secret Service works with Colombian authorities, coordinating arrests, suppressing counterfeit printing operations, and seizing millions of counterfeit U.S. dollars in Colombia destined for the United States.

Counterfeit currency manufactured in Columbia poses a threat to the stability of the dollar in countries outside the United States as well. Economic uncertainty in some third-world countries -- many in Central and South America -- have led these countries to seek economic assistance by "dollarizing" their economy. These "dollarized" countries choose to accept the U.S. dollar, either officially or unofficially, as legal currency. For example, Ecuador officially "dollarized" its economy in April of 2000 in an attempt to slow inflation and the devaluation of their local currency, the sucre. As the U.S. dollar became the "coin of the realm" in Ecuador, Colombian counterfeiting operations began targeting the country by flooding the region with counterfeit currency. As recently as July 17, 2001, the Miami Herald reported the arrest of a major Colombian counterfeit U.S. dollar manufacturer in Ecuador. The offender was responsible for more than $9 million in counterfeit currency passed in the United States and had over $90,000 in counterfeit U.S. dollars when he was arrested in Quito.

The Secret Service works diligently to foster strong working relationships with foreign law enforcement officials by responding to their requests for assistance in counterfeit U.S. dollar investigations. In 1948, the Secret Service established its first foreign field office in Paris, France, to improve these international relationships. Since that time the Secret Service has learned the value of maintaining a presence abroad. The Secret Service currently has 17 offices throughout the world, as well as representation at Interpol in Lyon, France.

The Secret Service response to the threats posed by Colombian-based counterfeiting and "dollarization" follows our traditional methodology. The Secret Service pursued and received funding from "Plan Colombia" to increase our presence in Colombia and to fund Colombian law enforcement units that will, under the direction of the Secret Service, solely target counterfeit U.S. dollar operations. The Secret Service is also studying a plan that includes the creation of additional field offices in Central and South America to address the increasing challenges created by "dollarization." By establishing offices in the regions threatened by Colombian counterfeiting, the Service will be in position to provide the immediate assistance and support needed to address these problems.

In addition, 18 U.S.C. § 470, a statute that makes it a crime to counterfeit U.S. dollars anywhere in the world, has been successfully used for the first time this past month to arrest a major Colombian counterfeit dollar manufacturer. The successful application of this law should lead to the indictment in the United States of other Colombian-based counterfeiters and assist in the dismantling of these large-scale organizations.

The Secret Service understands that to be effective in suppressing counterfeit activity, its partners in the law enforcement and financial communities need appropriate training. To accomplish this goal, the Secret Service continually provides training to state and local law enforcement agencies, banking institutions, and numerous merchants throughout the United States. These training seminars focus on the security features of genuine currency and the procedures to follow if a person receives a counterfeit note. Additionally, the Secret Service participates in training hundreds of foreign law enforcement officials in detecting counterfeit currency through international seminars and the International Law Enforcement Academies in Bangkok, Thailand, and Budapest, Hungary.

The introduction of the euro will present challenges for the European Union, the United States and the world. As the euro is first introduced, it is anticipated that demand for the secure and stable dollar will escalate. With this escalation will come

an increased market for counterfeit dollars. The Secret Service is ready to meet this challenge through its established working relationships with law enforcement entities in the European Union and Interpol, as well as with its developing relationship with Europol. In addition, as the euro becomes the target of international counterfeiters, it is anticipated that some counterfeiting organizations will produce both counterfeit euros and counterfeit dollars. The Secret Service is preparing for these joint investigative efforts by organizing joint training seminars with Europol and Interpol. By working together with our European partners first in a training setting, we will be better prepared to work together to combat these large-scale counterfeiting operations.

The Secret Service also measures counterfeit trends based on the proportion of counterfeit currency passed relative to the amount of genuine currency in circulation (reported as the amount of counterfeit passed per million dollars of genuine U.S. currency in circulation). Although the volume of counterfeit currency passed remained stable during the previous three fiscal years at about $40 million, the increase in genuine currency in circulation in preparation for potential Y2K difficulties resulted in declining numbers. In FY98 the level was $92; in FY99, $78; and, in FY00, $76. FY01 and FY02 were projected to be $90 and $83, respectively. Current figures indicate that the FY01 actual level will be approximately $85.

In closing, counterfeiting will continue, to some extent, as long as genuine currency is a medium of exchange. However, the Secret Service continues to pursue ever-changing tactics of the modern counterfeiter and to educate law enforcement, the financial community, and the public about the security features of genuine currency.

Since our inception, the Secret Service has protected the security and stability of the dollar by stemming the flow of counterfeit. Without constant attention to this task, the modern counterfeiter could jeopardize the foundation of our financial system and our nation's currency. The Secret Service will continue to aggressively pursue this goal, as it has for more than 135 years.

Mr. Chairman, this concludes my prepared remarks. I would be pleased to answer any questions that you or members of the subcommittee may have.

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