

**From:** [Clifford Johnson](#)  
**Sent:** Monday, January 05, 2015 10:11 AM  
**To:** [GAO Webmaster](#)  
**Cc:** [info@dollarcoinalliance.org](mailto:info@dollarcoinalliance.org)  
**Subject:** The GAO's insufficient \$1 coin net benefit estimates

To whom it may concern  
Government Accountability Office

This e-mail attempts to avoid a lawsuit for declaratory relief against the responsible GAO office/officer, as conceived in my attached "[Circumstantial Case Update](#)" to the Ninth Circuit court of appeal; as noted in my [Petition for Rehearing](#), p. 1 n. 1, p. 4 n. 3; and as reported in my OpEdNews article [Ninth Circuit Leaves Door Open To Suit Against GAO Re Coins Act](#).

As a petitioner for new issues of United States versus Federal Reserve currency, I complain that the estimates set forth in the March 2011 report, *Replacing the \$1 Note with a \$1 Coin Would Provide a Financial Benefit to the Government*, [GAO-11-281](#), and in like GAO reports, are gross underestimates, in that (1) they fail to include the face-value of new \$1 coins; and (2) they mistakenly suppose that the retirement of \$1 Federal Reserve (Fed) notes triggers the sale of equivalent Treasuries owned by the Fed, thus reducing the Fed profits (from interest paid on those Treasuries) that are customarily returned to the Treasury, and nullifying the interest relief obtained by issuing the same number of new \$1 coins.

Re the excluded face value, by way of compromise I would be satisfied if the GAO merely amended its estimates by incidentally specifying the dollar sums excluded (e.g. in a footnote/addendum) with an indication as to the exclusion rationale. The failure *even to mention* these amounts (which dwarf the GAO estimates) actionably violates the primary promise of such GAO reports, which is to provide politicians and the public with all substantive information relevant to deciding whether to eliminate the \$1 dollar Fed note in favor of the \$1 United States coin.

Re interest relief, the GAO model fails to take into account the six-year old and (according the Fed's own guidance) continuing regime of excess reserves. Accordingly, the GAO estimates of interest returned by the Fed to the Treasury are on the one hand overstated, owing to interest now paid by the Fed on all reserves, and on the other hand (and overall) far too low, owing to the thorough decoupling of Fed asset sales from the prospective retirement of \$1 Fed notes. Again, these are considerations that the GAO prejudicially fails *even to mention*.

These highly misleading omissions demonstrably discriminate against my political viewpoint, favoring recurrently stalled "coins acts"--most recently [S. 1105/H.R. 3305](#). As things stand, politicians (including my own representative, Senator Feinstein) and the media insistently recite the officially objective GAO estimates. Even the pro-coins-act [Citizens Against Government Waste](#) and [Dollar Coin Alliance](#) accept the GAO seigniorage formula, despite my contrary communications, and although they do dispute other and lesser GAO estimation parameters, per [Time For Change: Modernizing To The Dollar Coin Saves Taxpayers billions](#). Universally, recipients of the GAO estimates have no clue that *the official debt held by the public would in fact become less by a far, far greater sum than the so-called "net benefit" estimates given by the GAO*.

I note the implicit reproduction of the GAO 2011 estimates as the "Area 42" line item at 201 in the GAO 2014 annual report, *Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-14-343SP](#). The same line item appeared at 248 in the 2013 annual report, [GAO-13-279SP](#), and both items refer back to the 2012 annual report, [GAO-12-342SP](#), which at 273-277 elaborates that "[i]n March 2011, GAO estimated that replacing the \$1 note with a \$1

coin would provide a net financial benefit to the government of about \$5.5 billion over 30 years.”  
*Properly updating this item in the 2015 annual report is warranted.*

If I hear nothing constructive back from you within 30 days, I shall proceed with the promised litigation. I am ready to extend this time, if you so request.

Thank you very much for your attention in this matter, sincerely,

Dr. Clifford Johnson



**From:** [Rectanus, Lori](#)  
**Sent:** Thursday, January 15, 2015 5:05 AM  
**To:** [clifjohnson@prodigy.net](mailto:clifjohnson@prodigy.net)  
**Subject:** GAO Dollar Coin Work

Dear Dr. Johnson:

Thank you for your January 5, 2015 email concerning our work on the dollar coin. Lorelei St. James has retired and I am now the Director in charge of this aspect of GAO's currency portfolio.

We appreciate your interest in GAO's work on estimating the potential net benefits to the government of replacing the \$ 1 note with a \$ 1 coin. As your email indicates, GAO's March 2011 report estimated that replacing the \$1 note with a \$1 coin could achieve an estimated financial benefit of \$5.5 billion over 30 years. However, GAO subsequently updated this estimate in our online 2013 GAO Action Tracker report. We explained there that the financial benefit of replacing the \$1 note with a \$1 coin has decreased because the Federal Reserve has improved note-processing technologies, resulting in a longer lifespan for the \$1 note. Additionally, we explained that the U.S. Mint no longer produces \$1 coins for circulation and relies on its inventory of \$1 coins to meet the relatively small transactional demand, resulting in a gradual decrease in its inventory.

A copy of our 2013 Action Tracker update report, which provides additional detail on these issues, is attached. It is also available at [http://www.gao.gov/duplication/action\\_tracker/U.S.\\_Currency/action1](http://www.gao.gov/duplication/action_tracker/U.S._Currency/action1). You also may be interested in our related 2013 report examining the Federal Reserve's coin inventory management: "*U.S. Currency: Coin Inventory Management Needs Better Performance Information*," GAO-14-110 (copy attached, also available at <http://www.gao.gov/products/GAO-14-110>).

Thank you,

Lori Rectanus  
Director, Physical Infrastructure Issues

**From:** Clifford Johnson  
**Sent:** Thursday, January 15, 2015 10:29 AM  
**To:** Rectanus, Lori  
**Cc:** info@dollarcoinalliance.org  
**Subject:** Re: GAO Dollar Coin Work

Dear Lori Rectanus,

This replies to your below e-mail of January 15, 2015.

Congratulations on your new position. I much appreciate the promptness and courtesy of your response to my January 5, 2015 e-mail re the GAO's work on estimating the potential benefits to the government of replacing the \$1 note with a \$ 1 coin.

However, I am already familiar with the post-2011 updates of the GAO estimates that you reference, and, as your own summary makes clear, the updates do not in any way alter the GAO's methodology/formula for estimating and reporting the benefits *due to seigniorage*, which is my sole concern.

Your pointing out these beside-the-point differences by way of reply implies that you do not comprehend the two criticisms that are particularly and narrowly stated in my e-mail. I do not fault you for this, given the newness of your appointment and the technical subject matter. I therefore request that, after consulting with qualified technical staff, you provide a further response, actually addressing my two criticisms of the GAO's longstanding methodology/formula for estimating the benefits *due to seigniorage*. Of course I am prepared to engage in technical discussions with your staff, if you think that would help.

If I hear nothing constructive back from you within 30 days from today, I shall proceed with the promised litigation, but again I remain ready to extend this time, if you so request.

Thank you very much for your attention in this matter, sincerely,

Dr. Clifford Johnson



**From:** [Clifford Johnson](#)  
**Sent:** Thursday, January 22, 2015 4:49 AM  
**To:** [Lori Rectanus](#)  
**Cc:** [info@dollarcoinalliance.org](mailto:info@dollarcoinalliance.org)  
**Subject:** Re: GAO Dollar Coin Work

Dear Lori Rectanus,

This further replies to your below e-mail of January 15, 2015. It is to inform you of the introduction on January 7, 2015 by Senator David Vitter of Louisiana of a bill to terminate the U.S. Mint Presidential \$1 Coin Program (Senate Bill S. 95), on the ground that the program represents a waste of taxpayer money.

See the CoinNews.net article at <http://www.coinnews.net/2015/01/14/presidential-1-coin-termination-sought-in-senate-bill/>. Here is my comment:

**Clifford Johnson** January 22, 2015 at 6:19 am



The bill supposes that the Presidential dollar bill represents a taxpayer waste, but that is only because the GAO vastly understates the benefits of replacing the dollar bill with the dollar coin, due to seigniorage. See my articles "How The One Dollar Coin Can Cure The Economy" at <http://www.opednews.com/articles/How-The-One-Dollar-Coin-Ca-by-Clifford-Johnson-130515-443.html>, and "Federal Court Affirms Sweeping 'Bully Pulpit' Government Right to Lie," at <http://www.opednews.com/articles/Federal-Court-Affirms-Swee-by-Clifford-Johnson-130221-478.html>.

All this underscores the ongoing importance of the purportedly reasonable and objective GAO underestimates, and the consequent impairment of my personal petitioning.

Sincerely,  
Dr. Clifford Johnson

**From:** [Rectanus, Lori](#)

**Sent:** Wednesday, February 04, 2015 7:06 AM

**To:** [Clifford Johnson](#)

**Subject:** RE: GAO Dollar Coin Work

Dear Mr. Johnson,

I appreciate your continued interest in this very important topic. As you may know, GAO conducts its work generally in response to legislative mandates or requests from Congressional members. At this time, we do not have any directives from Congress to revisit our analysis. We will certainly consider the information you've provided if they request us to review these issues again.

Thank you,  
Lori Rectanus

**From:** [Clifford Johnson](#)  
**Sent:** Wednesday, February 04, 2015 1:47 PM  
**To:** [Rectanus, Lori](#)  
**Cc:** [info@dollarcoinalliance.org](mailto:info@dollarcoinalliance.org)  
**Subject:** Re: GAO Dollar Coin Work

Dear Lori Rectanus,

Thank you for clarifying your official position that, based on my information, the GAO's extant \$1 "coin-swap" estimates *may* be incomplete and/or inaccurate, but that the GAO has no duty or intention to so inform Congress and the public, or to otherwise resolve the matter, unless and until Congress directs the GAO to revisit those estimates. *If this misstates your present position, please particularly correct me.*

I contend that the GAO has such a unilateral duty, because—as demonstrated in my prior e-mails, particularly re seigniorage—the GAO's most recent estimates of the benefit to the government of eliminating the \$1 bill in favor of the \$1 coin continue to be fully relied upon by Congress and the public, disparately impairing my right to petition for elimination of the \$1 bill. This duty is underscored and heightened by the GAO's own continuing referrals to those estimates for guidance, as exemplified by their incorporation in the annual GAO report, and by your referring me to an "Action Tracker update report," *inter alia*.

That said, I much appreciate that you have responded constructively. *Based on your clarification, I can expediently amend my intended litigation to allege that the GAO now refuses even to consider my particular allegations of incompleteness and inaccuracy, unless and until incidentally so directed by Congress.*

Once again, if I hear nothing constructive back from you within 30 days from today, I shall proceed to litigation, but I remain ready to extend this time, if you so request.

Sincerely,  
Dr. Clifford Johnson

**From:** Clifford Johnson  
**Sent:** Friday, February 06, 2015 6:07 PM  
**To:** Rectanus, Lori  
**Cc:** info@dollarcoinalliance.org  
**Subject:** \$1 Coin article in The Hill

Dear Lori Rectanus:

You might wish to respond to the comment I have added to the article that appeared in The Hill today, namely, [Dollar coin: Change that would mean billions in budget savings](#). My comment quotes and interprets your e-mail of February 4, 2015.

Sincerely,  
Dr. Clifford Johnson

### [Dollar coin: Change that would mean billions in budget savings](#)

The Hill, February 6, 2015

By former Reps. Tim Penny (D-Minn.) and Jim Kolbe (R-Ariz.)

It is that time again, when a new Congress and an outgoing president jockey for the upper hand to push forth their agendas. With the president's State of the Union address behind him and his budget out this week, the attention will soon turn to Congress' ability and willingness to get things done. The new Republican Congress has promised to be a productive one, and there is no shortage of needs on the to-do list from infrastructure to education to defense spending.

The question remains though—where will we get the money to cover these investments and programs? The dollar coin could be an answer and a partial pay-for that Congress will need. Best of all, it comes with that increasingly hard to get commodity in Washington—bipartisan support.

Why not switch to the dollar coin when you know there are billions in potential savings for American taxpayers by doing so? The most recent study by the nonpartisan Government Accountability Office (GAO)—Congress' own budget watchdog—estimates that currency modernization will save American taxpayers at least \$4.4 billion, and other estimates have the savings as high as \$13.8 billion.

Think about it: the simple switch from the dollar note to the dollar coin could pump \$13.8 billion dollars into the community college proposal that President Obama highlighted in his speech. The White House has claimed this program will cost approximately \$60 billion dollars to fund. That's just one example.

A bipartisan coalition in the House and the Senate have been advocating for years that we follow the GAO's advice and make the transition to the dollar coin, as nearly every other industrialized nation has already done. The United States, Botswana and Argentina are the only countries with such a low value paper currency. Most countries that modernized their currency have seen significant savings, and some have seen more 10X their initial estimates.

The president and Congress will need to find areas agreement not just on the policy, but on the "how" if they both truly share the goal of returning to the productive days of legislating in Washington.

The dollar coin is an easy solution—business leaders, former directors for the U.S. Mint, members of Congress, national editorial boards and concerned citizens already support the switch. The GAO has issued ten reports over the past 23 years and consistently found that replacing the \$1 note with the \$1 coin would result in billions back in taxpayers' pockets to be used for other initiatives.

It's time to make the switch. The dollar coin is a simple pay-for that would result in billions to fund initiatives that will help taxpayers, rather than just turn taxpayers valuable funds into wasteful dollar notes.

*Penny served in the House from 1983 to 1995. Kolbe served in the House from 1983 to 2007. Penny and Kolbe are honorary co-chairmen of the Dollar Coin Alliance. Learn more about the alliance at [www.dollarcoinalliance.org](http://www.dollarcoinalliance.org)*



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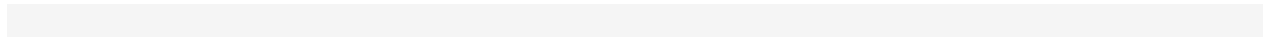
**Comment:**

Clifford Johnson

According to Ms. Lori Rectanus, Director of Physical Infrastructure Issues, the Government Accountability Office recognizes that its most recent cost savings estimates may be “gross underestimates, in that (1) they fail to include the face-value of new \$1 coins; and (2) they mistakenly suppose that the retirement of \$1 Federal Reserve notes triggers the sale of equivalent Treasuries owned by the Fed.” Corrected, the \$4.4 billion estimate cited in this article would be well over \$50 billion.

So informed, on February 4, 2015, Ms. Rectanus stated that the “GAO conducts its work generally in response to legislative mandates or requests from Congressional members. At this time, we do not have any directives from Congress to revisit our analysis. We will certainly consider the information you've provided if they request us to review these issues again.”

The correspondence containing and explaining the above quotes (with updated links) is at <http://tompainetoo.com/docs/Jo...>



**From:** [Rectanus, Lori](#)  
**Sent:** Monday, February 09, 2015 9:54 AM  
**To:** '[Clifford Johnson](#)'  
**Cc:** [info@dollarcoinalliance.org](mailto:info@dollarcoinalliance.org)  
**Subject:** RE: \$1 Coin article in The Hill

Dr. Johnson,

GAO stands behind its analysis. I did not state and GAO has no evidence that GAO's reported estimates are or may be incomplete or inaccurate.

Sincerely,  
Lori Rectanus

**From:** [Clifford Johnson](#)  
**Sent:** Monday, February 09, 2015 7:52 PM  
**To:** [Rectanus, Lori](#)  
**Cc:** [info@dollarcoinalliance.org](mailto:info@dollarcoinalliance.org)  
**Subject:** Re: \$1 Coin article in The Hill

Dear Lori Rectanus:

Your statement that the “GAO has no evidence that GAO’s reported estimates are or may be incomplete or inaccurate” calls to mind Nelson’s saying “I see no ships,” while holding the telescope to his blind eye. The information provided in my e-mail of January 5, 2015—*which you told me the GAO will consider only if and when Congress requests new estimates*—presents plain evidence of incompleteness and inaccuracy. Small wonder the GAO fails to see any evidence of incompleteness or inaccuracy, given its indefinite shelving of my information.

*If the GAO has already considered my information, and has already resolved that it presents no evidence of possible incompleteness or inaccuracy in its extant estimates, then please say so.*

You do realize that if the information I have provided does not call into question the completeness or accuracy of the extant GAO estimates, then it cannot call into question any future GAO estimates? I repeat my offer to communicate directly with your technical staff.

Again, thank you for your courteous attention in what we agree is a highly important matter, sincerely,  
Dr. Clifford Johnson