

Clifford Johnson

From: "Clifford Johnson" <clifjohnson@prodigy.net>
Date: Thursday, January 15, 2015 7:29 AM
To: "Rectanus, Lori" <rectanusl@gao.gov>
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: [Rectanus, Lori](#)
Sent: Thursday, January 15, 2015 5:05 AM
To: 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