

# What Is a Dollar?

NOVEMBER 01, 1994 by [EDWIN VIERA](#)

The question “What is a ‘dollar’?” seems trivial. Very few people, however, can correctly define a “dollar,” even though a correct definition is vital to their economic and political well-being.

## 1. Why is a correct definition of the term “dollar” important?

In America’s free-market economy, prices are expressed in units of *money*. Under present law, “United States *money* is expressed in *dollars* . . .”<sup>1</sup> Moreover, all “United States coins and currency (including Federal Reserve Notes . . . ) are legal tender for all debts, public charges, taxes and dues.”<sup>2</sup> Thus, defining the noun “dollar” is necessary in order to know what is the “money” of the United States and what constitutes “legal tender.”

## 2. Do the present monetary statutes intelligibly define the “dollar”?

The present monetary statutes do not define the “dollar” intelligibly.

a. *Federal Reserve Notes*. Most people mistake the Federal Reserve Note (FRN) “dollar bill” for a “dollar.” But no statute defines or ever defined the “one dollar” FRN as *the* “dollar” or even a “dollar.” Moreover, the *United States Code* provides that FRNs “shall be *redeemed in lawful money* on demand at the Treasury Department of the United States . . . or at any Federal Reserve bank.”<sup>3</sup> Thus, if FRNs are not themselves “lawful money,” they cannot be “dollars,” the units in which all “United States money is expressed.”

b. *United States coins*. The situation with coinage is equally confusing. The *United States Code* provides for base-metallic coinage, gold coinage, and silver coinage, all denominated in “dollars.” The base-metallic coinage includes “a dollar coin,” weighing “8.1 grams,” and composed of copper and nickel.<sup>4</sup> The gold coinage includes a “fifty dollar gold coin” that “weighs 33.931 grams, and contains one troy ounce of fine gold.”<sup>5</sup> Finally, the silver coinage consists of a coin that is inscribed “One Dollar,” weighs “31.103 grams,” and contains one ounce of “.999 fine silver.”<sup>6</sup> What is the rational relationship between this “dollar” of 31.103 grams of silver, a “fifty-dollar” coin containing 33.931 grams of gold alloy, and a “dollar” containing “8.1 grams” of base metals? Obviously, these are not the amounts of the metals that exchange against each other in the free market—that is, the different weights of different metals do not reflect equivalent purchasing powers. So, on what theory are each of these disparate weights, and purchasing powers, equally “dollars”?

c. *Currency of “equal purchasing power.”* The *United States Code* mandates that the latter question should not even be capable of being asked. For the *Code* commands that “the Secretary [of the Treasury] shall redeem gold certificates owned by the Federal reserve banks at times and in amounts the Secretary decides are necessary to maintain the equal purchasing power of each kind of United States currency.”<sup>7</sup> Obviously, the Secretary has defaulted on this obligation to

keep all forms of “United States currency” at parity with one other—that is, to maintain a “dollar” of constant purchasing-power, whether it be composed of gold, silver, or base metals.

In sum, the monetary statutes do not define the noun “dollar” in a unique way. Instead, completely different things have the same name, things unequal to each other are treated as equivalent, and things that should have the same characteristics (*i.e.*, “equal purchasing power[s]”) are quite different.

### 3. What does American history and the Constitution identify as the “dollar”?

History shows that the *real* “dollar” is a coin containing 371.25 grains (troy) of fine silver.

a. *The “dollar” in the Constitution.* Both Article I, Section 9, Clause 1 of the Constitution and the Seventh Amendment use the noun “dollar.” The Constitution does not define the “dollar,” though, because in the late 1700s everyone knew that the word meant the *silver Spanish milled dollar*.

b. *Adoption of the “dollar” as the “Money-Unit” prior to ratification of the Constitution.* The Founding Fathers did not need explicitly to adopt the “dollar” as the national unit of money or to define the “dollar” in the Constitution, because the Continental Congress had already done so.

The American Colonies did not originally adopt the dollar from England, but from Spain. Under that country’s monetary reforms of 1497, the silver *real* became the Spanish money of account. A new coin consisting of eight *reales* also appeared. Known as *pesos*, *duros*, *piezas de a ocho* (“pieces of eight”), or Spanish dollars, the coins achieved predominance in the New World because of Spain’s then-important commercial and political position.<sup>8</sup> Indeed, by 1704, the “pieces of eight” had in fact become a unit of account of the Colonies, as Queen Anne’s Proclamation of 1704 recognized, when it decreed that all other current foreign silver coins “stand regulated, according to their weight and fineness, according and in proportion to the rate . . . limited and set for the pieces of eight of Sevil, Pillar, and Mexico” (forms of Spanish dollars).<sup>9</sup>

By the American War of Independence, the Spanish dollar had become the major monetary unit of the Colonies. Not surprisingly, the Continental Congress adopted the dollar as the nation’s standard of value. On May 22, 1776, a Congressional committee reported on “the value of the several species of gold and silver coins current in these colonies, and the proportions they ought to bear to Spanish milled dollars.” And on September 2 of that year, a further committee report undertook to “declar[e] the precise weight and fineness of the . . . Spanish milled dollar . . . now becoming the Money-Unit or common measure of other coins in these states.”<sup>10</sup>

Meanwhile, the Continental Congress worked on a new national monetary system. In his letter to Congress of January 15, 1782, Robert Morris, Superintendent of the Office of Finance, recommended that “our money standard ought to be affixed to silver.” Although Morris favored creating an entirely new standard coin, he recognized that, of “[t]he various coins which have circulated in America . . . there is hardly any which can be considered as a general standard, unless it be Spanish dollars”.<sup>11</sup>

In a plan published on July 24, 1784, Thomas Jefferson concurred that “[t]he Spanish dollar seems to fulfill all . . . conditions” applicable to “fixing the unit of money.” “The unit, or dollar,” he wrote, “is a known coin . . . already adopted from south to north . . . Our public debt, our requisitions and their apportionments, have given it actual and long possession of the place of unit.”<sup>12</sup>

Yet Jefferson recognized the necessity of “say[ing] with precision what a dollar is. This coin as struck at different times, of different weight and fineness, is of different values.” So, Jefferson suggested, “we should examine the quantity of pure metal in each [type of dollar], and from them form an average for our unit. This is a work . . . which should be decided on actual and accurate experiments.”<sup>13</sup>

On July 6, 1785, Congress unanimously “Resolved, That the money unit of the United States be one dollar.”<sup>14</sup> On April 8, 1786, the Board of Treasury reported to Congress on the establishment of a mint:

Congress by their Act of the 6th July last resolved, that the Money Unit of the United States should be a Dollar, but did not determine what number of grains of Fine Silver should constitute the Dollar.

We have concluded that Congress by their Act aforesaid, intended the common Dollars that are Current in the United States, and we have made our calculations accordingly.

\* \* \* \* \*

The Money Unit or Dollar will contain three hundred and seventy five grains and sixty four hundredths of a Grain of fine Silver. A Dollar containing this number of Grains of fine Silver, will be worth as much as the New Spanish Dollars.<sup>15</sup>

On August 8, 1787, Congress adopted this standard as “the money Unit of the United States.”<sup>16</sup>

Many of the same people who served in the Continental Congress participated in the Federal Convention that drafted the Constitution. And even those members of the Convention who had not served in the Continental Congress knew what that Congress had done. Therefore, when the Convention used the noun “dollar” in Article I, Section 9, Clause 1 of the Constitution, it was with the tacit understanding of the relevant history. The lesson here is clear: *The constitutional “dollar” is a fixed weight of fine silver in the form of a coin.*

*c. Adoption of the “dollar” as the “Money-Unit” immediately after ratification of the Constitution.* Upon ratification of the Constitution, Congress and the Executive began work on a national monetary system.

On 28 January 1791, Secretary of the Treasury Alexander Hamilton presented to Congress his *Report on the Subject of a Mint*. Hamilton posed two questions, “1st. What ought to be . . . of the money unit of the United States?,” and “2d. What [should be] the proportion between gold and silver, if coins of both metals are to be established?”<sup>17</sup>

On the first question, Hamilton referred to the resolutions of the Continental Congress and concluded that “usage and practice . . . indicate the dollar” as the money unit. As to “what precise quantity of fine silver” the dollar should contain, he surveyed the various dollar coins in circulation over the years, and recommended that “[t]he actual dollar in common circulation has . . . a much better claim to be regarded as the actual money unit.”[18](#)

Turning to “the proportion which ought to subsist between [gold and silver] in the coins,” Hamilton recommended the domestic market-ratio of “about as 1 to 15.” “There can hardly be a better rule in any country for the legal than the market proportion,” he explained, “if this can be supposed to have been produced by the free and steady course of commercial principles. The presumption in such a case is that each metal finds its true level, according to its intrinsic utility, in the general system of money operation.”[19](#)

Hamilton recommended the minting of two coins: a silver coin of 371-1/4 grains of fine silver (the dollar), and a gold coin of 24-3/4 grains of fine gold. “[N]othing better,” he wrote, “can be done . . . than to pursue the track marked out by the resolution [of the Continental Congress] of the 8th of August, 1786.”[20](#)

Congress then enacted the Coinage Act of 1792,[21](#) embodying the constitutional principles that Hamilton had re-affirmed in his *Report*. First, Congress followed American tradition by continuing the use of silver and gold as money.[22](#) Second, it reiterated the judgment of the Continental Congress and the Constitution that “the money of account of the United States shall be expressed in dollars or units.”[23](#) and defined the “DOLLARS OR UNITS” as “of the value of a Spanish milled dollar as the same is now current, and to contain three hundred and seventy-one grains and four sixteenth parts of a grain of pure . . . silver.”[24](#) Congress also created a new gold coin, the “EAGLE, . . . each to be of the value of ten dollars or units”[25](#) (*i.e.*, the weight of fine gold equivalent in the marketplace to 3,712.50 grains of fine silver). It fixed “the proportional value of gold to silver in all coins which shall by law be current as money within the United States” at “fifteen to one, according to quantity in weight, of pure gold or pure silver.”[26](#) It made “all the gold and silver coins . . . issued from the . . . mint . . . a lawful tender in all payments whatsoever, those of full weight according to the respective values [established in the Act], and those of less than full weight at values proportional to their respective weights.”[27](#) And it provided free coinage “for any person or persons,” and affixed the penalty of death for the crime of debasing the coinage.[28](#)

Thus, Congress did not create a “gold dollar,” or establish a “gold standard,” as the popular misconception holds. For example, the *Encyclopedia Britannica* erroneously reports that the “dollar . . . was defined in the Coinage Act of 1792 as either 24.75 gr. (troy) of fine gold or 371.25 gr. (troy) of fine silver.”[29](#) The Act did no such thing. It defined the “dollar” as a weight of silver, and “regulate[d] the Value”[30](#) of gold coins according to this standard unit and the market exchange-ratio between the two metals. Nowhere did the Act refer to a “gold dollar,” only to various gold coins of other names that it valued in “dollars.”[31](#)

#### **4. Where are we now?**

This history demonstrates that official Washington, D.C., has no conception of what a “dollar” really is. The reason for this self-imposed ignorance is obvious. By reducing the “dollar” to a political abstraction, the government has empowered itself to engage in limitless debasement (depreciation in purchasing power) of our money. A “dollar” that must perform of the Constitution contain 371.25 grains of fine silver cannot be reduced in value below the market exchange value of silver. A *pseudo*-“dollar” that contains no fixed amount of any particular substance *per* “dollar,” on the other hand, can be reduced in value infinitely.

Because debasement of money amounts to a hidden tax, Congress’ silent refusal to recognize the constitutional “dollar” amounts to the usurpation of an unlimited power to tax through manipulation of the monetary system. Thus, modern money has become a means for the total confiscation of private property by the government.

One need not be overly pessimistic to predict that misuse by politicians of the fictional, constantly depreciating *pseudo*”dollar” to expropriate unsuspecting citizens will continue until an economic crisis finally shocks an increasingly impoverished American people out of its slumber, and forces the people to ask the simple question: “What is a ‘dollar?’” At that time, the answer will be no different from what it is today, and has been since 1704. []

1. 31 U.S.C. § 5101 (emphasis supplied). See Act of 2 April 1792, ch. 16, § 9, 1 Stat. 246, 248.
2. 31 U.S.C. § 5103.
3. 12 U.S.C. § 411 (emphasis supplied).
4. 31 U.S.C. § 5112(a), 5112(o).
5. 31 U.S.C. § 5112(a)(7).
6. 31 U.S.C. § 5112(e).
7. 31 U.S.C. § 5119(a) (emphasis supplied).
8. See Sumner, “The Spanish Dollar and the Colonial Shilling,” 3 *Amer. Hist. Rev.* 607 (1898).
9. See An Act for ascertaining the rates of foreign coins in her Majesty’s plantations in America, 1707, 6 Anne, ch. 30. § I.
10. 4 *Journals of the Continental Congress, 1777-1789* (W. Ford, ed., 1905), at 381-82; 5 *id.* at 725.
11. Propositions respecting the Coinage of Gold, Silver, and Copper (printed folio pamphlet presented to the Continental Congress 13 May 1785), at 4, 5.
12. “NOTES on the Establishment of a MONEY MINT, and of a COINAGE for the United States,” *The Providence Gazette and Country Journal*, Vol. XXI, NO. 1073 (24 July 1784), in Propositions, note 11, at 9, 10.
13. *Id.* at 11.
14. 29 *Journals of the Continental Congress* at 499-500.
15. 30 *Id.* at 162—63. After ratification of the Constitution, Congress made a more accurate determination of the value of the dollar, setting it at 371-1/4 grains of fine silver (as described below).
16. 31 *Journals of the Continental Congress* at 503.
17. 2 *The Debates and Proceedings in the Congress of the United States* (\$. Gales compil. 1834), Appendix, at 2059, 2060, 2061.

18. *Id.* at 2061-63.
19. *Id.* at 2066, 2068, 2069.
20. *Id.* at 2082.
21. Act of 2 April 1792, ch. 16, 1 Stat. 246.
22. § 9, 1 Stat. at 248.
23. § 20, 1 Stat. at 250.
24. § 9, 1 Stat. at 248.
25. § 9, 1 Stat. at 248.
26. § 11, 1 Stat. at 248-49.
27. § 16, 1 Stat. at 250.
28. §§ 14-15, 1 Stat. at 249-50; § 19, 1 Stat. at 250.
29. Vol. 7, "Dollar" (1963 ed.) at 558.
30. See U.S. Const. art. I, § 8, cl. 5.
31. For the correct interpretation of the Act, See, e.g., A. Hepburn, *History of Coinage and Currency in the United States and the Perennial Contest for Sound Money* (1903), at 22.

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