

OPENING STATEMENT OF REP. MELVIN WATT

Hearing Entitled, “The State of U.S. Coins and Currency”

Tuesday, July 20, 2010

In general, the purpose of this hearing is to examine the current state of coins and currency in the United States. The U.S. Mint, Bureau of Engraving and Printing, Federal Reserve and U.S. Secret Service are jointly responsible for the circulation of all U.S. coins and currency and anti-counterfeiting measures to protect the U.S. money supply.

There are several specific issues we would like to explore in some detail in this hearing. First, how effective are the government’s anti-counterfeiting measures? Some have estimated that in 2009, the amount of counterfeit notes passed was approximately \$70 million, an amount that has been increasing in recent years. There have also been reports from the United Kingdom that £1 and £2 British pound coins are being counterfeited at an increasing rate. So we need to know, what steps are being taken by the U.S. Mint to prevent counterfeiting of U.S. dollar coins and what is the

government's plan going forward to combat the increasing counterfeiting of notes that costs taxpayers millions of dollars per year?

Second, what is the government's response to the worldwide rise in the price of metals used to manufacture coins? Some reports suggest that it actually costs more to manufacture the penny and the nickel than these coins are now worth. The Administration has proposed legislation to amend 31 U.S.C. §5112 to allow the Treasury Secretary to prescribe the metal composition of all circulating coins, including the penny, nickel, dime, quarter, half-dollar and \$1 coin. However, some have raised concerns about this proposal because by statute only Congress has the authority to prescribe the metal content of circulating coins. We need to evaluate alternatives, such as perhaps granting the U.S. Mint research and development authority to research alternative metals and report these research findings back to Congress, while retaining the authority of Congress to determine the metal content of coins.

Third, is there an oversupply of certain coin denominations? Some reports suggest that there are up to \$1 billion in dollar coins and other low-denomination coins being stored in large quantities by the Federal Reserve

and partner companies. We need the Fed to either confirm or refute these reports and, if the reports are confirmed, we need to know what efforts the Fed is taking to reduce these coin surpluses and more efficiently manage the nation's money supply.

Fourth, some dealers and collectors of numismatic coins have indicated that the U.S. Mint is not keeping up with the demand for numismatic coin products. Current statutes require that all refined gold and silver must be used first to meet bullion demand. We need to evaluate whether it would be a good idea to divert refined gold and silver from the bullion program to meet demand for numismatic products and what impact this would likely have on the supply of metals for bullion products.

While there are many other important issues related to the state of U.S. coins and currency, the four issues I have outlined should allow for a robust exchange. While we are not attempting to address this issue today, one other important topic that we need to explore in the near future is the issue of equal access to U.S. currency by the visually impaired. The Bureau of Engraving and Printing has issued a Proposed Rule that is open for public comment until mid August and the BEP expects to issue a Final Rule in the

Fall of 2010. While I thought it would be inappropriate to put the BEP in the awkward position of commenting on a Proposed Rule while the Rule is in the comment period and in the process of being finalized, when the Final Rule is issued it would certainly be appropriate to have a hearing on this and related issues. It, of course, is important for the visually impaired to have equal access to U.S. currency and for the Congress to ensure that the BEP's Final Rule accomplishes that result.