



FEB 18 1977

Dear Mr.

This is to respond to your letter of November 23, 1976 in which you request a definition for the dollar as distinguished from a Federal Reserve note.

Federal Reserve notes are not dollars. Those notes are denominated in dollars, which are the unit of account of United States money. The Coinage Act of 1792 established the dollar as the basic unit of United States currency, by providing that "The money of account of the United States shall be expressed in dollars or units, dimes or tenths, cents, or hundredths ..." 31 U.S.C. § 371.

The fact that Federal Reserve notes may not be converted into gold or silver does not render them worthless. Mr. Bernard of the Federal Reserve Board is quite correct in stating that the value of the dollar is its purchasing power. Professor Samuelson, in his text Economics, notes that the dollar, as our medium of exchange, is wanted not for its own sake, but for the things it will buy.

I trust this information responds to your inquiry.

Sincerely yours,

Russell L. Munk
Assistant General Counsel

Mr.
P.O. Box

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