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DGC Magazine

Mr. Tarek Saab
Virtual Bullion Dealer

December 2008





established 1991

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Contact:

+1 206 905 9961 USA
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+ 41 43 500 4218 Switzerland
+ 44 208 819 3911 UK
+ 852 8124 1265 Hong Kong

Email: astanczyk@anglofareast.com



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Tarek Saab, creator of GoldAndSilverNow.com, virtual bullion dealer, shows us some precious metal.

DECEMBER QUOTE

AS THE SAYING GOES, "In a ham and eggs breakfast, the hen is involved, but the pig is committed," notes Randolph Buss of DINL.net

Editor, Mark Herpel
editor@dgcmagazine.com
Skype IM 'digitalcurrency'

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INTERVIEW WITH MR. TAREK SAAB

PRESIDENT

WWW.GOLDANDSILVERNOW.COM
A 'VIRTUAL' BULLION DEALER
888-484-8289



“THE MISSION OF
GOLDANDSILVERNOW IS TO
ESTABLISH A WIDE-RANGING
NETWORK OF CREDIBLE
METALS INVESTORS FOR
DIRECT PEER-TO-PEER
BUYING AND SELLING OF
BULLION PRODUCTS.”

(Q) Where are you located and when did you begin operations?

(A) Our physical location is Cowtown USA - Fort Worth, TX, but we are web-based business so our offices are truly global. We began operations in October 2008 when the shortages in the bullion market became absolutely unbearable for buyers and sellers. As Ben Franklin says, “Necessity is the mother of invention!”

(Q) What is your position with the company and what does your day to day work involve?

(A) I am the President of GoldandSilverNow in partnership with some large metals investors who wish to remain anonymous. Our business model is so simple that our staff is quite small. Our goal is to initiate the peer-to-peer relationships, and so I spend most of my day linking buyers and sellers via phone or e-mail or corresponding with others in the industry regarding pricing research and industry trends.

(Q) The company is involved with buying and selling of gold and silver bullion products and the web site calls the business a ‘virtual’ bullion dealer. Is it considered a precious metals dealer or something else?

(A) We are more like a precious metals broker, but instead of dealing with futures and options, we deal in physical metal. Our company is a marketplace for buyers and sellers, similar to a stock exchange.

(Q) How does it operate...how is a sale generated? Can you walk me through a transaction?

(A) The process is simple. Let’s say you wish to sell 10,000 ounces of silver. You sign up with us as a seller and send us a pic of your inventory. We then market your products through our subscriber base, ads, networks, and the like. A buyer who wishes to purchase the silver wires us the funds directly. When the funds clear, the seller ships his silver via registered mail according to our packing instructions.

Once the buyer receives the package, he/she has 24 hours to confirm the integrity of the sale, at which point we release the funds to the seller. We simply act as broker and escrow. We are bullion matchmakers!

(Q) What was your goal in creating this enterprise?

(A) We want to fulfill two glaring needs in the industry: We want to enable sellers to get full value for their bullion, and we want buyers to get their goods immediately. Today, sellers looking to trade in their bullion are getting little to no premium from dealers, and nearly everyone recognizes the paper spot price for bullion



5 18:15

is disconnected from the marketplace, so sellers have no real outlet for their trade. When they do trade, the dealers turn right around and charge huge premiums to buyers, thereby doing a disservice to two groups of people. From the buyers side, since most dealers are wiped out of inventory, lead times for product can be as long as six months.

I am personally still waiting for some silver I purchased from a dealer in August. The risk is enormous, because you pay the money up front not knowing if the dealer's bank will still be around in four months when it comes time to take delivery. We believe we are serving both buyers and sellers by creating a new marketplace for them.

(Q) Why now?

(A) Let's clear up a myth: There is plenty of gold and silver for sale in this country. It just isn't in the hands of dealers. All it takes for immediate delivery is finding an investor who is looking to sell what he has in his possession. That's where we come in. We establish the connection, and then provide the security for the transaction.

(Q) I have a lot of friends and associates who buy metals on a monthly basis, in fact I've sent several over to your web site. Each buyer has said just about the same thing, "wow, they have immediate delivery". How does your business offer customers immediate delivery at such low prices?

(A) We are not dealing with a large amount of overhead. We have a small staff, and we are not warehousing products. That's what we mean by "virtual dealer." Our inventory is located in basements around the country. We don't need to order from a mint because our inventory will never run out as long as our sellers are getting fair value for a trade. What buyers consider to be "low prices", sellers consider to be high trade in value. It is a win-win situation for both parties, the way a free market should be.

(Q) For precious metals, there have been a lot of crazy high premiums on bullion in the past few months, especially in the London physical bullion market. I see that your prices are just a small amount over spot. How do you determine that spread between spot and an actual retail price. Is it different for each piece or 'lot' sold?

(A) Think of us like real estate agents. The first discussion, of course, takes place with a seller. What

is he willing to take for the metal? How badly does he need to sell? Next, we perform daily market research and consult other trading platforms, along with dealers and experts in the field, to help us make informed recommendations about present value. If prices change, a seller can always choose to de-list with us at any time without hassle. We have quite a lot of latitude if a seller is the only one selling a particular product. For products listed by multiple sellers, we employ a first in, first out system, and we fix the price for all sellers of that product.

(Q) Do you have any sort of in house 'primary sellers' who will always have at least some bullion products for sale or could you actually 'sell out' one day if there was a stampede to gold?

(A) Anything is possible, but we would monitor a stampede closely and spike the premiums to a level that would curb enthusiasm and pay sellers so handsomely that other sellers would rush to list products to cash in on their newfound gains. If Armageddon happens, all bets are off.

(Q) Can I buy just one ounce of silver or must I buy like 100ozs minimum? Is there a minimum dollar amount I need to spend on GoldAndSilverNow?

(A) There is no minimum dollar amount, only minimum quantities - 500 ounces silver, and 10 ounces gold. We have it this way for the convenience of investors. Ebay already services the smaller marketplace.

(Q) Can I pay for my purchase with a credit card? How are purchases paid and what are your terms?

(A) For the security of both buyer and seller, we only accept wire transfers and will not proceed with any order until a wire clears. From that point on we act as an escrow for the satisfaction of both buyer and seller.

(Q) Can anyone with bullion stock, come to your web and sell their inventory?

(A) Theoretically, yes, though we reserve the right to deny anyone. We like to get to know our sellers and develop personal relationships, and we spend time with each of them over the phone to understand their needs and wants.

(Q) If I live in Canada or Europe can I buy from your business and also get fast delivery?

(A) Our present terms only require sellers to ship within



the United States. However, sellers have the ability to pursue any potential sale while recognizing the costs and risks involved. International wires do take longer to clear than domestic wires, so the process is naturally elongated.

(Q) How does an online buyer lock in his purchase price?

(A) We lock in a purchase price via the phone. All buyers must submit their information via an online form, and we follow-up with their request to confirm pricing. If a buyer wants immediate pricing, he/she may also call us directly and submit the form afterwards.

(Q) Does your company offer escrow or is it required on transactions?

(A) We act as the escrow. That is the beauty of our business model and why buyers and sellers feel so comfortable working through us.

(Q) Have you been able to target any particular segment of online buyers yet?

(A) We have attracted the gold bugs in a big way and so Gold Krugerrands have been flying off of the site. We hope to spread the message to the silver buffs that we are loaded with a variety of 100 oz silver bars, from Johnson Matthey to Engelard to Pyromet and more.

(Q) If one day I decide to sell a part of my bullion inventory, perhaps the day gold hits \$2200 per ounce, as just a regular Joe, can I sell it through your business? How does that work?

(A) Absolutely! It's as easy as signing our Seller's form and sending us a picture. From that point on, we do all the work finding you a buyer. Once we do, you ship,

and we pay.

<http://www.goldandsilvernow.com/Sellers.html>

(Q) How do you get new sellers?

(A) Primarily through word of mouth, our subscriber list, featured articles and press releases, and the like. We are built on 100% customer satisfaction, and the more people that feel comfortable with us as their "go-to" marketplace, the more sellers will take advantage of our services.

(Q) Can you tell us if you have picked up any buyers or sellers from eBay yet?

(A) Ebay primarily deals in small transactions - a bar here or a few coins there. Our buyers and sellers are really investors, big and small, dealing in higher volume. Many of the sellers who would have gone to a dealer in the past are choosing us instead because they are getting thousands of dollars more for their bullion. There is no one to take their well-earned premium! Why go to a dealer when you can sell directly to the buyer and make more money? As "the Donald" once told me, "It ain't personal, it's just business!"

(Q) Compared to a walk in location where you shake the customer's hand, doing business over the Internet has one or two disadvantages. Have you had any attempts at fraud yet?

(A) We make it extremely difficult for fraudulent sellers because we act as the escrow. That's why the crooks flock to eBay. We won't release the funds to the seller unless the buyer is sure he has the real thing and not fool's gold. He has 24 hours from the time he signs for the package to confirm the integrity of the goods.

(Q) Our industry often gets an earful from the



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Treasury Department and big government, do you have or even need anything like a 'know your customer' rule or a big 'anti-money-laundering' drag-net?

(A) In simplest terms, the buyer and seller are transacting a private deal with each other. We facilitate the meeting and help secure the process, but since we are not buying or selling bullion directly, we really operate outside the jurisdiction of any watchful entity.

(Q) Have you done any print ads for the business?

(A) We haven't needed to thus far because the word on the street has been so viral and so positive, but we are always looking for ways to expand our reach and so we keep every option on the table.

(Q) I've seen the web site has a big toll free number on it. 888-484-8289, have many calls been coming in lately about becoming a buyer or seller? If so what is the most common question asked?

(A) The phones ring non-stop, and I spend most of the time explaining how the business works. This business is totally unique - the first of it's kind. We have people calling who have been buying gold and silver since before I was born, so I enjoy walking them through the simplicity of the 21st century marketplace and the beauty of the free market.

(Q) Are you familiar with Digital Gold Currency and what are your thoughts on doing business and paying with gold or silver not through a credit card or bank?

(A) I am quite familiar with the concept but I am pleased to acquaint myself with your company. I am an advocate of sound money, and transacting in gold and silver has time-honored credibility. There is a lot of merit to transacting with the security of bullion.

(Q) With precious metal markets fluctuating so much lately, are the metal prices listed on your web 'locked in' each day. How often do they change?

(A) The premiums typically remain static during the course of any given day unless we get a run, but the

spot price, of course, fluctuates. We are still forced to use the paper spot as a moveable guide because many of our sellers are selling for purposes of arbitrage and wish to turn right around and rebuy at a lower premium or overseas.

(Q) What kind of 'disconnect' are you seeing between the spot paper price of gold and the physical market for bullion? Is this an advantage or a disadvantage for your business?

(A) The disconnect is anywhere between 30-50% depending on the product. Higher premiums obviously benefit our business because we take a percentage of the premiums, but volume plays a big part also and so we want to incentivize the sale. The spot price is still industry standard and still firmly entrenched in the minds of buyers.

However, with the global economic uncertainty today and into the future, people are scared. If the market continues its disastrous trend, buyers will pay for the security of immediate delivery. Unlike a fiat currency, gold and silver are storehouses of wealth, and people will seek out bullion for financial protection.

(Q) Are you working now to develop any additional software products or automated systems to enhance your web business?

(A) As the business grows, we have plans to develop our site into a robust, integrated, and user-friendly marketplace. One of the features we hope to adopt is a user profile that will provide buyers and sellers a more direct form of interaction. For example, if a buyer wishes to purchase from a seller with whom he has already done business, we want to help establish that relationship.

(Q) I did not see an RSS feed on your web site. Is there some way I can connect with your sales so we get updates, invites or information on what is for sale each day?

(A) RSS feeds are coming soon. In the meantime, our subscriber list is the best way to stay informed about new product offerings and company updates.

http://www.goldandsilvernow.com/Subscribe_Now_.html

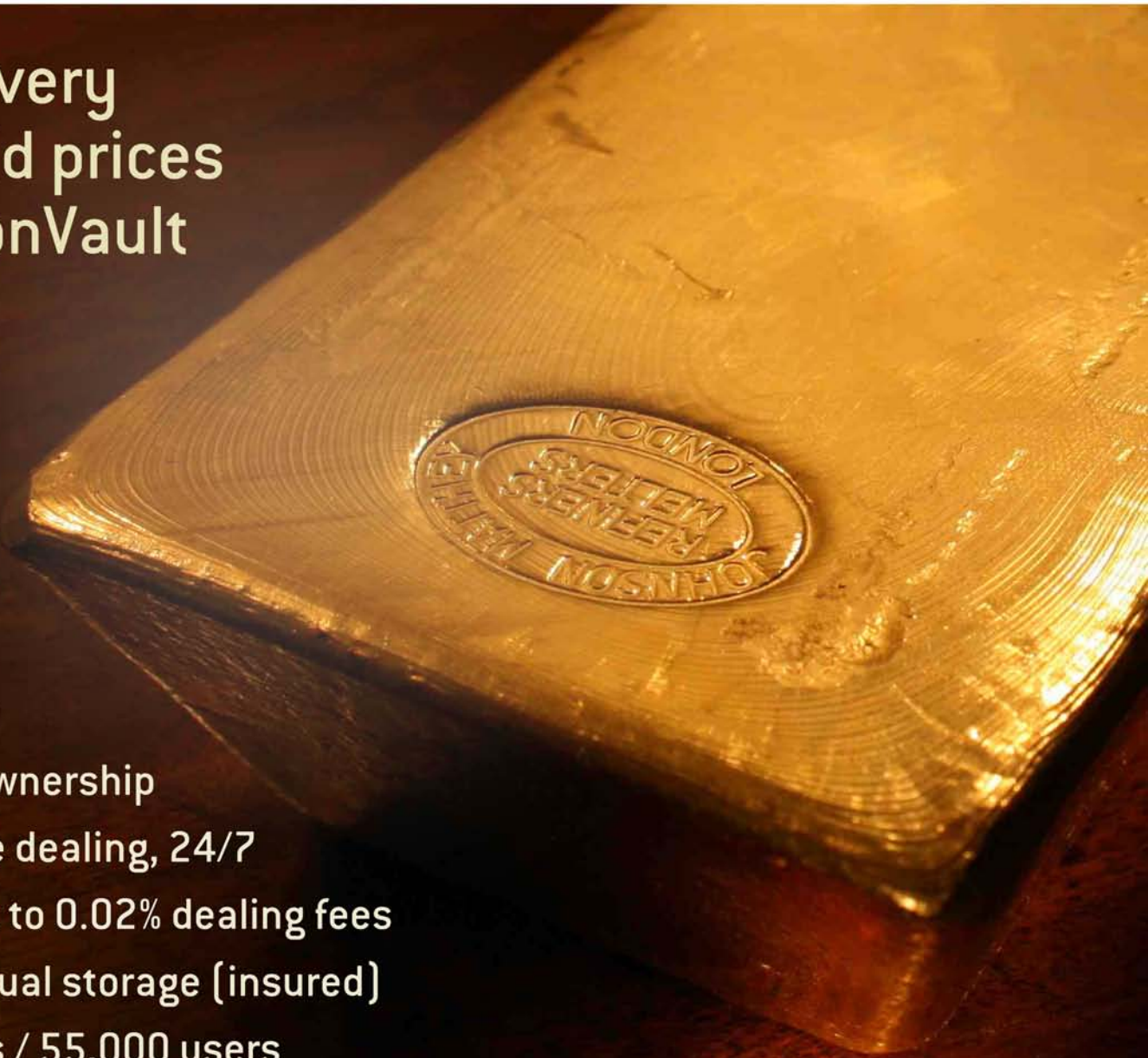
(Q) How much gold do you have on you right now?

(A) Lots! (smile)

I would like to thank Tarek for answering my questions and invite readers to visit his virtual bullion business. M.H.

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THE CERTAIN DOOM OF THE FED & OF FIAT CURRENCIES

BY PAUL ROSENBERG

My friend Sean Hastings has a one-sentence formula for determining the viability of large, established systems: Would they be built this way if they were being built today?

Applied to both the Federal Reserve and to fiat currencies, the clear answer is, No, they would not. Therefore, they will fail. We may not know how or when they will fail and it could still be a long time, but unless the world is somehow moved backward in development a hundred years, they will fail eventually.

At the moment, the Fed and fiat are held up by mindless inertia and by force. To draw a great analogy from a silly source, this is like when Willey Coyote – wildly chasing the Roadrunner – runs off a cliff. He hovers for a moment in space, waiting, hopelessly, to begin his inevitable plunge to the bottom of the canyon. This is where central banks and fiat currencies find themselves today. Only with continuing and increasing force and by manipulating the minds of uninformed men can they continue to hover.

DESIGNED IN CONDITIONS OF SCARCITY

As I explained in a previous column, the Fed was created primarily because ignorant and semi-civilized Americans who were willing to follow socialist hucksters. (And, for what it's worth, uncivilized is a characterization more properly associated with a belief in magic than with missing refinements.) But while this caused the creation of the Fed, its form was dictated by other conditions, and scarcity in particular.

Gold and silver have always been in a relatively limited supply. This was a legitimate problem at the time – not because of the limited supply itself, but because of people's reaction to it.

When productivity increases within the structure of limited currency, prices adjust by falling. This was the problem. As prices fall, people tend to hold their money

and wait until prices drop further before they buy. This, combined with the basic human silliness that creates credit cycles, made for crashes. The process went something like this:

1. Credit was used profligately.
2. The mania peaks, people default and credit is withdrawn.
3. As investments fail and businesses close, people stop spending and wait before moving again. With prices generally falling, people have no reason to hurry back out into the market.

The result of this was a sharp, intense crash. And, as we said earlier, this led the usual complainers to demand that “something be done, since people are suffering,” and to assurances that their pet economic theory would solve all ills forever.

In this situation, a gold standard was blamed for crashes. (Rightly or wrongly didn't much matter – it was blamed.)

The justification for the Fed was that a variable money supply, overseen by experts, would prevent these dangerous crashes. The Fed was built on that model.

THE NEW REALITY: NO SCARCITY

Today's situation is that the microprocessor and the Internet have enabled us to overcome scarcity. With digital currencies, we can we are able to monetize almost anything we wish: Silver, copper, nickel, uranium (if you're prepared to deal with that radiation thing).. any durable commodity. There is now no money supply issue. If you need more currency, just create it. We usually talk about digital gold because it's the biggest and most important type of digital currency, but others could do just as well. There are no inherent limits.

If we had today's technologies in 1908, the sensible thing would have been to allow private money



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providers. Each could properly store, audit and insure his commodity and allow it to be traded electronically. This would have created several types of associated businesses and many supply could be expanded indefinitely. Furthermore, it would be expanded only as the market demanded, with neither force nor lordly experts required.

FIAT

The arguments for fiat currencies were similar to those in favor of the Fed, and particularly that a restricted money supply would cause no money to be lent. This was actually a silly argument, since business did quite well on a gold standard throughout the 19th Century, but, every time there was a crash (roughly every twenty or thirty years), loud voices were heard blaming gold.

And, again, digital currencies render such arguments meaningless – our new technologies allow for a limitless money supply. And if honest money can be created on demand, there is no shortage of currency to lend or to expand the supply.

THE POWER EQUATION

The ugly side of this issue is that the people running fiat currency systems gain a great deal of power from the exercise. They can create money at will, with no costs or obligations involved. Creating honest money, even in a digitized system, requires a lot of organization and a lot of convincing people that your money remains honest. Fiat requires almost none of that. In short: Fiat offers immense power with almost no cost to the operator.

Because of this, the operators of fiat currencies will use manipulation to maintain their systems and will use whatever force they can once manipulation fails. There is simply too much power to be defended. Bankers make fortunes, politicians get to spend without consequence, everyone is happy with easy money... until the scheme inevitably crashes, of course.

WHERE WE ARE NOW

We have now watched the Fed/fiat system bring us yet another collapse. The fact that the system was supposed to prevent crashes seems not to register with most people, probably because so many of them prefer not to think ahead. This is interesting in that it caused those empowered by fiat to defend their system. One of the more hopeful moments of the process was when Americans besieged their congressmen, demanding

by a 99-1 margin that the banks not be bailed out. We all know that this effort ultimately failed, and that the politicians defended their system, but the fact that so many people didn't value the banking system shows a massive failure of manipulation.

And, as we in the digital gold industry know all too well, government power has been used to steal gold from digital currency providers upon the flimsiest of excuses. We have yet to do much publicizing these crimes, but we certainly could, and I suspect we eventually will. At this point, pro-Fed and pro-fiat brainwashing are failing. It remains to be seen how this will develop, but it does open a space for us to describe the better money we provide. Power used against us remains a serious problem, and we should move to address that. Our primary goal (IMHO) should be to win the publicity war. We should show, clearly, the violence used against us for no real cause. The 911-inspired fear that led to an unquestioned Protector State is fading and we may have an opportunity to change minds. We should make every effort to do so.

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Paul is the author of *A Lodging of Wayfaring Men* and other books.

You can find his work at <http://www.veraverba.com>



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GOLD GAINS POPULARITY AROUND THE GLOBE

SAUDI ARABIA

During the first half of November, there has been an unprecedented demand for gold bullion coming from the Saudi market. In just two weeks, over 13 billion Saudi riyals (approx.\$3.5 billion USD) was spent acquiring the precious metal and experts are now predicting demand from that country will rise in the months ahead. Investments and ownership of gold is being sought as a safe haven in the midst of this global financial crisis. Sami Al Mohna, an expert on the gold market, said the trend had resulted in a substantial rise in the gold reserves of Saudi investors.

[*http://archive.gulfnews.com/articles/08/11/13/10259112.html](http://archive.gulfnews.com/articles/08/11/13/10259112.html)

Since March of this year, the price of gold on global markets has dropped about 30% and most investors are considering it to be a bargain right now.

CHINA

Hong Kong's newspaper, The Standard, is reporting that China, is seriously considering a massive plan to diversify much of its FX reserves into gold bullion. China holds the world's largest foreign-exchange reserves topping \$1.9 Trillion USD in value.

China's fears about the long-term viability of parking most of its reserves in US government bonds were triggered by Treasury Secretary Henry Paulson's US\$700 billion (HK\$5.46 trillion) bailout plan, which may make the US budget deficit balloon to well over US\$1 trillion this fiscal year. The US government will fund the bailout by printing new money or issuing huge amounts of new debt, either of which will put severe pressure on the value of the greenback and on government bond yields.

[*http://www.thestandard.com.hk/news_detail.asp?pp_cat=30&art_id=74335&sid=21457716&con_type=1](http://www.thestandard.com.hk/news_detail.asp?pp_cat=30&art_id=74335&sid=21457716&con_type=1)

Because of the enormous size of monthly inflows of capital into China from trade with the US, reported to be \$30 billion to \$40 billion a month, China has had no alternative but to buy US Treasury Securities. According to US Treasury Department figures just released as of September, 2008, China has now become the largest foreign holder of US treasury debt in the world. (even beating Japan)

Currently the US holds over 8,000 tonnes of gold

reserve which in today's market is valued at over \$188 billion. Compare that figure with the modest 600 tonnes or \$13 billion which China current holds and it is very clear that China's reserves could climb another 3,000-4,000 tonnes.

Like the Saudi's, the Chinese see a spot price of gold down about 30% from its recent highs and consider buying a bargain opportunity. One additional note about gold production in China, according to Zhang Bingnan, vice director of the China Gold Association, China ranks first in the world for production and they have also managed to boost their annual output to levels reaching 285-300 tons in 2008. Compared to last year, China's gold output was just over 270 tonnes. Since 2003, China has accelerated gold production at an annual rate of 6.5%.

UNITED KINGDOM

The UK's Evening Standard news is reporting that as confidence in banks is plunging, consumers are pouring money into bullion accounts. BullionVault has just picked up 40,000 new British customers and another 30,000 new global investor accounts.

Director Paul Tustain, was quoted as saying:

"People are choosing to store their wealth in gold rather than money because they doubt the ability of the Government to hold onto the value of sterling. We get people investing from all walks of life, people who wouldn't normally take the time to trade in any product. They buy gold to hold their wealth because they feel it's less risky at the moment."

[*http://www.thisislondon.co.uk/standard/article-23586110-details/Britain+goes+for+gold+to+beat+the+crunch/article.do](http://www.thisislondon.co.uk/standard/article-23586110-details/Britain+goes+for+gold+to+beat+the+crunch/article.do)

UNITED ARAB EMIRATES

The World Gold Council just announced that gold sales in the United Arab Emirates jumped 56% in the third quarter compared to the same period of 2007. The WGC said gold sales in the UAE increased from Dhs 2.8 bn in the third quarter of 2007 to Dhs 4.3 bn this year.

[*http://www.commodityonline.com/news/WGC-says-UAE-gold-sales-up-56-percent-in-Q3-08-12897-3-1.html](http://www.commodityonline.com/news/WGC-says-UAE-gold-sales-up-56-percent-in-Q3-08-12897-3-1.html)



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Administrative Headquarters
Net Transactions Limited
12-14 David Place
St. Helier, Jersey
JE2 4TD
Channel Islands (UK)
Tel: +44-1534-511-977
Fax: +44-1534-511-988
<http://www.GoldMoney.com>

GoldMoney

How John Lee Would Clean Up the Financial Mess and Put \$800 billion to Work (Part I)

by John Lee

<http://www.goldmau.com>

Wednesday, November 26, 2008

The Fed and US Treasury announced today a further plan to buy up to \$800 billion of mortgage backed securities. This is in addition to the \$700 billion financial bail-out package announced in September. In just past 3 months, over \$1.5 trillion has been committed to help home owners and solve financial crisis.

Let's get this right: Countrywide (now Bank of America) lent Bob \$1 million for a home that's worth \$200,000. The genius AIG comes in and insures this mortgage and collects a premium from Countrywide.

Now that Bob can't make the credit card and house payment, troubled American Express gets a \$20 billion help out, AIG gets a \$150 billion bailout from the insurance obligation, and Countrywide gets to sell Bob's non-paying mortgage to the Fed?

So what does Bob get from this rescue? Nothing.

Don't be fooled by Mr. Paulson. The case above is not an over simplification; it is exactly what is happening.

If you were to ask a libertarian like Ron Paul about who the government should rescue, he will say, "No one". In normal circumstance I would agree, however, we are living in unusual times. We had over 25 years of massive credit expansion so the current debt implosion, with no intervention, will cause a spiral of asset price deflation, social chaos, and leave several tens of millions of Americans on the street.

If Mr. Bush really wants to help, the government is much better off giving money directly to the homeowners in trouble. And it can be done: Of the total \$10 trillion US residential mortgages, upwards of \$3 trillion are non-performing. It will cost a mere \$150 billion to pay the interests of those \$3 trillion mortgages for one entire year at 5%. This will immediately alleviate foreclosures, and temporarily

stop the bleeding in the values of mortgage securities. To those who faithfully make payments, they can deduct 200% of the interest payments from tax returns. This "tax cut" will likely cost another \$200 billion. For the savers who are mortgage free, waiving capital gains tax will generate interests in investments. The plan will also have the pleasant side effect of generating housing demands by folks taking advantage of interest tax write off and zero capital gains tax. The total cost of such a proposal will still be well below that of Mr. Paulson.

I can't find any rationale to bail out toxic mortgage investors. I am still waiting for a bailout from last night's black jack losses.

What about the ailing banks? Banks are like airlines, however badly managed, they must exist for the economy to function. However, I would not rescue Citi, which benefits solely Citi's shareholders such as the Saudi Prince and the Singaporean government. Instead the US government should only buy viable assets from Citi and other failing banks. These assets include buildings, machines, and banking networks. Next the government should institute a new federal bank with a clean slate to resume residential and commercial lending. The new bank would have oversight by independent audit firms and a reasonable salary scale. After the crisis subsides, the new bank can then seek IPO and replenish the US treasury with the proceeds.

The idea of nationalizing banks may sound anti capitalistic, but it is exactly what we are doing right now. In fact, we are doing worse as we leave the good assets to the bankers and bank shareholders and buy the worst toxic waste from them. This makes no sense at all.

While we are debating where the government should spend its bailout money, the funny thing is, the government doesn't have the money! The 2008 federal deficit is over \$500 billion, and if the bail out programs comes into effect, the federal deficit could easily top \$1 trillion or even \$2 trillion in 2009.

Where does the money come from you asked? Staying tuned for part II, where we discuss the current investment climate and how to protect and profit from this mess.

John Lee, CFA
1.800.965.6404

Visit www.goldmau.com for John's exclusive instant market and stock updates.

*<http://new.goldmau.com/article.php?id=1116>

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E-GOLD UPDATE: THROUGHPUT LIMITS

November 14, 2008
<http://blog.e-gold.com/>

Since my last post of October 19 announcing deployment of e-gold's document upload interface, numerous e-gold Users have uploaded the required documents for verifying identity and residential address. So far, however, many of you will have noticed that your accounts continue to display the message:

“Account Status: Spend Access Restricted”

and that no Spend transactions have occurred system-wide during the entire interval since that software release. There are several reasons for the delay, and each of them in turn introduces new complexities I will elaborate. The good news, jumping ahead, is that we anticipate re-opening for Spend activity, on a limited basis, within a day or two.



STATE LICENSING REQUIREMENTS

e-gold has approached every US state, and the District of Columbia, with either a license application or a letter requesting a determination as to whether a license is required in that state. Several states have indicated that e-gold should prevent customers from their state from using the system until a determination is made or a license granted. This meant that we had to implement programmatic modifications to selectively restrict access to Spend capabilities on a state-by-state basis. That part is done and deployed but the additional development task introduced some delay.

AML CONTROLS BASED ON GEOGRAPHIC (COUNTRY) RISK

In the past, there was a geographic pattern to criminal abuse of the e-gold system with Users from particular countries showing a much higher statistical tendency to engage in such activities. We have decided to limit this geographic risk by the temporary, and somewhat crude, means of country-specific throughput limits. Throughput limits themselves are not crude, and in fact will evolve into a cornerstone of the more refined Customer Due Diligence and risk-based Transaction Monitoring capabilities e-gold is urgently continuing to develop. The crudeness lies in their application, again

temporarily, to entire countries. You will note that several countries have a zero throughput limit, that is, a complete prohibition of receiving or making Spends. We regret this and are working on the system enhancements that will enable us to reinstate usage privileges. Meanwhile, e-gold Users from these locations are encouraged to go ahead and provision their accounts, and watch for the system improvements that will support restoration of service.

NON-DOCUMENTARY VERIFICATION

US laws and regulations governing financial institutions call for Customer Identification Programs that may involve documentary and/or non-documentary means of verification. “Documentary” means, well, looking at documents. Document upload and review is now a universal requirement for e-gold Users.

“Non-documentary” means checking individual identifiers for internal consistency - name, address, date of birth, government issued identifying number - against an external database. Initially, we were planning to use a vendor for this element of identity verification for US Users of e-gold. The vendors that provide such verification services obviously

must themselves perform rigorous due diligence on their customers. Currently, e-gold is still working through that process with the vendor it hopes to use. If we had this capability for US Users of e-gold we could afford them a higher level of transaction privileges, i.e., a higher monthly throughput limit. Until we have that in place though, we are limiting US Users to the same throughput limits as Users from other OECD countries.

We plan to also implement Postal Validation as soon as possible. That enhancement to Customer Identification will support higher throughput limits for postally validated accounts, hopefully including accounts in the higher risk countries.

DISRUPTION OF EXCHANGE

A yet unsolved problem is resumption of liquid and competitive exchange markets. I will be posting additional thoughts on that topic shortly. To briefly preview, e-gold will be promulgating requirements for the regulation of exchange services, which will include a combination of government licensing requirements plus e-gold's own Enhanced Due Diligence for exchangers.

E-GOLD ALLOWABLE SPEND THROUGHPUT

Country of Residence for e-gold Account	Allowed Spend Throughpput
United States	3000 USD equiv. incoming, 3000 USD equiv. outgoing per 30 days
Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, S. Korea, Slovakia, Spain, Sweden, Switzerland, Turkey, United Kingdom	3000 USD equiv. incoming, 3000 USD equiv. outgoing per 30 days
Algeria, American Samoa, Andorra, Angola, Anguilla, Antigua and Barbuda, Argentina, Armenia, Azerbaijan, Bahamas, The, Bahrain, Bangladesh, Barbados, Belize, Benin, Bermuda, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, British Virgin Islands, Brunei, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Cayman Islands, Chad, Chile, China, People's Republic of, Christmas Island, Cocos (Keeling) Islands, Colombia, Comoros, Congo, Democratic Republic of the, Cook Islands, Costa Rica, Croatia, Cyprus, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Estonia, Ethiopia, Falkland Islands (Islas Malvinas), Faroe Islands, Fiji, French Guiana, French Polynesia, French Southern and Antarctic Lands, Gabon, Gambia, The, Georgia, Ghana, Gibraltar, Greenland, Grenada, Guadeloupe, Guam, Guatemala, Guernsey, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hong Kong, India, Indonesia, Iraq, Isle of Man, Israel, Jamaica, Jersey, Jordan, Kazakhstan, Kenya, Kiribati, Kosovo, Kuwait, Kyrgyzstan, Laos, Lebanon, Lesotho, Libya, Liechtenstein, Lithuania, Macau, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Marshall Islands, Martinique, Mauritania, Mauritius, Mayotte, Micronesia, Moldova, Monaco, Mongolia, Montenegro, Montserrat, Morocco, Mozambique, Namibia, Nauru, Nepal, Netherlands Antilles, New Caledonia, Nicaragua, Niger, Niue, Norfolk Island, Northern Mariana Islands, Oman, Pakistan, Palau, Palestinian Territories, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Pitcairn Islands, Puerto Rico, Qatar, Reunion, Rwanda, Saint Helena, Saint Kitts and Nevis, Saint Lucia, Saint Pierre and Miquelon, Saint Vincent and the Grenadines, Samoa, San Marino, Sao Tome and Principe, Saudi Arabia, Senegal, Serbia, Seychelles, Sierra Leone, Singapore, Slovenia, Solomon Islands, Somalia, South Africa, Sri Lanka, Suriname, Svalbard, Swaziland, Syria, Taiwan, Tajikistan, Tanzania, Thailand, Timor-Leste (East Timor), Togo, Tonga, Trinidad and Tobago, Tristan da Cunha, Tunisia, Turkmenistan, Turks and Caicos Islands, Tuvalu, U.S. Virgin Islands, Uganda, United Arab Emirates, Uruguay, Uzbekistan, Vanuatu, Vatican City, Venezuela, Wallis and Futuna, Western Sahara, Yemen, Zambia	1000 USD equiv. incoming, 1000 USD equiv. outgoing per 30 days
Afghanistan, Albania, Belarus, Bulgaria, Central African Republic, Congo, Republic of the, Cote d'Ivoire (Ivory Coast), Latvia, Liberia, Myanmar (Burma), Nigeria, Romania, Russia, Sudan, Ukraine, Viet Nam, Zimbabwe	0 USD equiv. incoming, 0 USD equiv. outgoing per 30 days
Cuba, Iran, N. Korea	No service

Anybody Seen Our Gold?



The gold reserves of the United States have not been fully and independently audited for half a century. Now there is proof that those gold reserves and those of other Western nations are being used for the surreptitious manipulation of the international currency, commodity, equity, and bond markets. The objective of this manipulation is to conceal the mismanagement of the U.S. dollar so that it might retain its function as the world's reserve currency. But to suppress the price of gold is to disable the barometer of the international financial system so that all markets may be more easily manipulated. This manipulation has been a primary cause of the catastrophic excesses in the markets that now threaten the whole world. Surreptitious market manipulation by government is leading the world to disaster. We want to expose it and stop it.

Who are we?

We're the Gold Anti-Trust Action Committee Inc., a non-profit, federally tax-exempt civil rights and educational organization formed by people who recognize the necessity of free markets in the monetary metals. For information about GATA, visit www.GATA.org.

GOLD ANTI-TRUST ACTION COMMITTEE INC.

7 Villa Louisa Road, Manchester, Connecticut 06043-7541 USA

CPowell@GATA.org

GATA welcomes financial contributions, which are federally tax-exempt under Section 501-c-3 of the U.S. Internal Revenue Code. GATA is not a registered investment adviser and this should not be considered investment advice or an offer to buy or sell securities.

GATA

HOW THE CRASH OF 2000-WHATEVER GAVE BIRTH TO GOLD ISLAND

By Claire Wolfe

Time: The Near Future. Location: Somewhere on the Indian Ocean. Or maybe the Mediterranean ... or the Persian Gulf. Who knows? Location can easily be changed. But the place, wherever it may be, is Gold Island, an enormous man-made floating center for gold-based commerce. Our correspondent Claire Wolfe filed her first dispatch from Gold Island in the October 2008 issue. She now looks back in time to report on how the grand ocean-going edifice came to exist.

If there's one thing you should never do, it's debate with a True Believer. Said Believer will never yield to things as paltry as logic or facts. More seriously, he'll never change his fundamental approach to a problem. If a True Believer enters stage right beating you over the head with a verbal baseball bat in a furious attempt to try to get your agreement, he'll exit stage left still flailing that bat no matter how often you warn that a Louisville Slugger isn't a helpful method of persuasion.

It doesn't matter whether the subject is religion or politics -- and it's usually either one or the other. All you'll do by arguing is make yourself miserable -- and possibly come across as yet another variety of asshole. (Er ... don't ask me how I know.)

But, if you hang loose and wait for reality to bite the fool, you might just end up winning the biggest argument you never had.

Gold Island, the great man-made, floating edifice that exists as a center of global, free-market, gold-based commerce, is a perfect example of exactly that kind of "win."

It all began with the Crash of 2008. Or 2009. Or 2011. Or 2000-whatever. There are a lot of dates you could choose when trying to pinpoint the deepest economic plunge, the most cynical act of cronyism, the most scurvy deed of looting, the worst deflation, the maddest hyperinflation. But wherever you place your date marker, it was *that* thing ... that cat's-ass-trophe ... that baddass badness of busting booms and bursting balloons and billionaire bailouts ... that gave birth to this good island.

And wherever you place the date or whatever specific event you hold most responsible, Gold Island's future really did begin with True Believing.

It began because certain people couldn't see that the shape of the universe was different than they Believed it to be. And these weren't just local folks on street corners bearing pamphlets. These weren't just social misfits trolling political forums.

No, these Believers were heads of state, secretaries of treasuries, ministers of exchequers, governors of central banks -- and the Yale, Harvard, Oxford, Cambridge, Wall Street, London City, Paris, and various and sundry cronies thereof. And they Believed above all in being In Control. They had spent lifetimes scratching and clawing up the ladders of power until they imagined they'd achieved Control.

But then this *thing* happened to them. Crash. Boom. Blooey. Everything Totally Out of Control.

They had to know it was coming, wouldn't you think? Plenty of economists have pointed out that the Believers personally engineered the disaster -- they with their fiat bux and their central banks. But their first reactions to the crash seemed genuinely desperate and surprised. So maybe they really had believed that what they pushed up with fiat currencies, no-down mortgages, and incomprehensible derivatives would never come down -- or at least not come down on them.

That will be debated by historians for decades. One thing is certain, though. They immediately recognized a great opportunity to loot the treasury when they saw one.

"Panic" became their excuse to reward their cronies with unimaginable treasure. A bailout to just one single company, AIG, was six times bigger than the *inflation-adjusted* cost of the Manhattan Project. Really -- the inflation-adjusted cost. And how about the two trillion whose recipients the U.S. government wouldn't even

disclose? And within weeks of the beginning of the Big Looting, even mainstream media outlets were waking up to the fact that the Big Bailout had already cost more than World War II (yes, even when adjusted for inflation) -- and nobody could point to a single positive result.

Yet those things were only the beginning of the real disaster. Because these guys were, when you get right down to it, looting already-empty treasuries.

It was strange as world currencies began plunging. First, early in 2008, the dollar went down vs. the Euro. Then later in the year, the dollar came "up" and dramatically. But it wasn't really the dollar rising. It was everything else falling back. It was also all those hedge funds and margin buyers desperately seeking dollars because they were being forced to buy their way out of their collapsing dollar-denominated financial instruments.

What looked, momentarily, like strength was actually the beginning of the end for the almighty U.S. dollar as the world's reserve currency.

Then later, in 2009 and after, currencies all began plunging together. That made the global situation actually seem weirdly *stable* for a while, if you weren't standing outside the system observing what was really happening.

Outside, the system? Well, what was outside the whole global funny-money system?

Yeah, you know the answer. Gold.

What those True Believers *failed* to do about gold was the thing that made Gold Island not only possible, but inevitable.

They didn't do the one thing that could have saved them. But they did do lots of stupid things, even beyond the bailouts. Some of those things were pretty draconian.

Although they were printing money faster than Superman can fly and dropping it on every bank, bureaucracy, brotherhood member, and billionaire faster than they could get the electronic helicopters into the air, they still fretted because somebody ... somebody out there ... might be hoarding food or counterfeiting cash or sitting on a piggybank full of gold and silver coins. Somebody might be hiding a retirement fund or doing a little untaxed swapping.

Despite their confident predictions that the very next "fix" would "preserve the strength of our ... institutions, and promote the process of repair and recovery ..." they were terrified. They were scared of ordinary people and what we can always ultimately do when we get collectively mad enough. But even more they were scared because such innocent things as trying to feed our families or making our own personal financial choices without their management actually presented a threat to them and their Grand Illusion.

Besides, they needed somebody to blame for what they had caused. They needed to track down every dime circulating anywhere in the world -- *not* because the disposition of those dimes would make up for the trillions they themselves were flinging down crony-sized rat-holes. Ha. But because the hunt for unauthorized spenders would deflect attention from their own more spectacular thefts.

If it was already a "crime" to conduct private transactions in the thousands of dollars, it soon became "suspicious" to so much as buy a Big Mac by with cash.

The Believers cracked down ... hard. And they spent ... fast. And well, you know what happens when somebody lives hard and fast.

Some said it was greed, not True Belief, that drove them. Or it was power. But greed and power on their scale *is* True Belief. Or a form of it. Men who hold arbitrary monetary and economic power Believe they have an innate right and ability to rule others, even when all the evidence says they are, pardon my French, fubaring everything they touch. They Believe they can forever defy the common sense of the market, even as the market quietly has its say.

So to sustain their illusions, they flailed with their bats at those who dared disagree. And, alas, the bats weren't always verbal.

Eventually, large minorities disagreed with their leaders as only large minorities can. And the unchanging rules of the market resisted their desperate manipulations as only unchanging rules of markets can.

Today, countries around the world have much to rebuild. And all too few resources to rebuild with.

Unfortunately, the fallen Believers in all those world

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capitals are mostly just being replaced by Believers in some other new ism, wavers of some other type of magic monetary wand. Do I need to mention that nearly all the rebuilding is going quite badly and somehow nation after nation keeps ending up with governments and economic systems that look like Lady Bountiful caught naked in unholy union with Rube Goldberg?

No, I don't need to mention it. You already figured that out, didn't you?

But still, in all the chaos ... there is now the calm center that is Gold Island.

So what is that one thing those desperate nations and their True Believing leaders didn't do? Or attempted only after it was very, very late?

They didn't adopt a gold standard.

Or any other standard, for that matter. Their Belief -- and their perception of their own power -- was all about their ability to manipulate their much-beloved, infinitely flexible, infinitely expandable paper currency. They saw gold only as a stumbling block to their unbridled ambitions. Gold was inherently a thing that would force limits and prudence on them. How dull! How boring! How stifling to a Master of the Universe.

They told us gold was, at most, a 19th-century relic, not even worth considering. (A few smaller, smarter governments, like Iran's, ran covertly to gold. But the western Masters of the Universe could not change enough to understand that their old enemy -- and I'm not talking about Ahmadinejad -- could save them.)

So no, they didn't adopt a gold standard.

Instead, they adopted more regulations and edicts and more bailouts and more printing presses. They adopted Machiavelli and Keynes and crypto-fascism and post-communism and soft socialism. But they couldn't adopt their only real potential savior -- a stable, historically agreeable element to which to peg their chaotic currencies and eviscerated economies.

And that is why the True Believing leaders eventually fell, right along with their funny money. But it took a while. In the meantime, they kept on trying to get us to Believe. To believe that gold was fit only for jewelry stores and savages. To believe that privacy was fit only for terrorists and international drug smugglers -- even

as it became more obvious to observers of reality that both gold and privacy were desperately needed. by ordinary men and women, ordinary companies, and ordinary trading partners.

Although *they*, the Control Believers, were stuck in a destructive mindset of their own creation, most of us had moved on. We knew as soon as the stocks began to crash that we were in a different reality. Finally, instead of letting Washington or Brussels or London or New York define our economic world, we just ... dealt with it.

The reality was that millions of us, with quintillions of worthless fiat bux drifting around us like poisoned snow, still needed to trade with each other. And not just with known trading partners, but with strangers. And we needed to do it both in person and electronically. That required both a solid medium of exchange *and* privacy protections to ensure against identity theft, electronic bank robbery, and other perils.

So there was a need for a trust agent. Now, I don't know if that's a real term in economics. I think I just made it up, myself. And if so, I'll take credit for it, because it's a damnfine term.

Gold, for all the other roles it's played throughout history, is the best monetary *trust agent* ever discovered. If human beings need to fix their world around one steady point to keep their brains, their wealth, and their freedom from flying off into the universe (and so it seems we do), human beings are predisposed to follow the steady star of gold.

Since no government on earth could be trusted and no major government would set world economies back on course by adopting gold in time, millions of traders did the job on their own.

We created an independent gold standard without reference to any paper currency anywhere. And I say "we" because nearly everybody played some role, even if the role was no bigger than refusing to take worthless national currencies in trade-- or taking them only to burn for fuel.

Although at first people traded using everything from silver to seashells to poker chips to local currencies to crude barter, swiftly gold asserted itself in its historic role. It became the measure for every other trade. (Ironically, it also became the measure for the worth

-- or lack thereof -- of every currency, even over the opposition of the currencies' own creators).

Today, on Gold Island and in similar centers across the planet, trades can be denominated in anything the trading parties wish; but ultimately everything is weighed against the master measure -- gold.

The physical place -- Gold Island on its monumental floating understructure -- was the work of wealthy, entrepreneurial risk-takers, aided by thousands of more humble investors and idea people. But the new world order (if I may borrow that hated term) -- the free world order of gold-based trade -- arose because billions of people needed a stable, trustworthy medium of exchange and not one of their leaders had the vision or the courage to provide it.

And that's all to the good. Because Gold Island is the kind of "win" you get when you don't waste your time expecting True Believing fools to become unfoolish. You just wait them out, stay calm and flexible, then go around them when their folly finally catches up to them.

Gold Island may float on water. But it really rides on the unleashed energy of sheer market reality and the ordinary, everyday needs of millions of human beings.

-- 30 --

AMERICA'S LARGEST P2P LENDING MARKET, PROSPER.COM, GETS HAMMERED OUT BY U.S. REGULATORS

Prosper.com gets cease-and-desist from SEC (U.S. Securities & Exchange Commission)

Prosper.com is or at least was America's largest P2P lending marketplace. It was created to make consumer lending more financially and socially rewarding. No banks, no worries, high rates of return for everyone. Sounds simple enough.

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- Launched 2006
- America's largest people-to-people lending marketplace
- Over 830,000 members
- Over \$178,000,000 in loans funded on Prosper

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No surprise!

You know when your gold or dollars will be deposited in your account.



ON BNN, EMBRY WARNS OF FAILURE OF DECEMBER GOLD CONTRACT

Tuesday, October 21, 2008

<http://www.gata.org/node/6802>

Dear Friend of GATA and Gold:

Sprott Asset Management's chief investment strategist, John Embry, went on Business News Network in Canada this morning and, interviewed by Amanda Lang, discussed, among other things, the suppression of the gold price on the New York Commodities Exchange.

Embry speculated that long contract holders may call for delivery of enough December contracts as to prompt a claim of force majeure when the exchange cannot delivery enough real metal.

The interview with Embry begins at the 11-minute mark and continues for about 6 1/2 minutes at the BNN Internet site here:

<http://watch.bnn.ca/tuesday/#clip104603>

CHRIS POWELL, Secretary/Treasurer
Gold Anti-Trust Action Committee Inc.

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GOLD DEMAND OUTPACES SUPPLY, PERTH MINT SUSPENDS ORDERS

At a conference this week in Munich, delegates were lined up 30-deep to purchase physical gold. Failing fiat money systems are turning up the heat on global precious metal mints.

The Perth Mint, one of the most prominent gold mints in Australia, as been forced to suspend orders.

Global fear of the long term effects caused by the current financial crisis is pushing up demand for gold to new levels never before seen in these markets. Despite operating around the clock seven days a

week with three shifts of workers, the Perth Mint cannot meet the unprecedented level of orders they are receiving. The Perth Mint has ceased taking new orders until January.

There is a race on by investors and private buyers to secure delivery of physical gold bullion.

Perth Mint sales and marketing director Ron Currie said Europe was leading the demand, with Russia, Ukraine, Middle East and US all buying — making up 80 per cent of its sales. One European client purchased 30,000 ounces for \$33 million. Robert Jaggard, manager of bullion and rare coins dealer Jaggards said, "Professional business people who have previously bought small amounts now want more gold because they are suffering in other markets,"

[*http://www.theaustralian.news.com.au/business/story/0,28124,24687337-643,00.html](http://www.theaustralian.news.com.au/business/story/0,28124,24687337-643,00.html)

World Gold Council chief executive James Burton revealed the figures showed retail investment demand rose 121 % to 232 tonnes in the third quarter, with strong bar and coin buying reported in Swiss, German and US markets.



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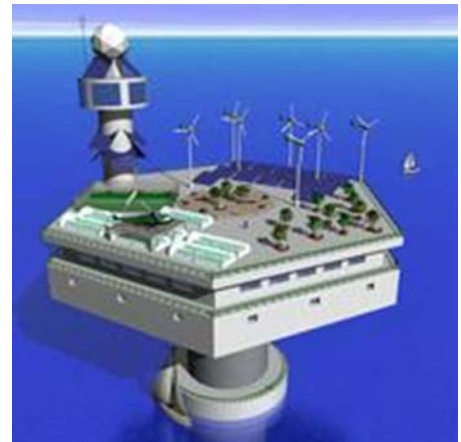
Happy Anniversary!



Dissatisfied with current political systems,
and interested in trying out new ones?

Hopeless about the chances of changing
current governments?

Do you want to stop arguing about your
ideas, and start living them?



THE SEASTEADING INSTITUTE IS BRINGING BACK HOPE FOR A BETTER TOMORROW!

Founded by Patri Friedman & Wayne Gramlich with a \$500,000 grant from Peter Thiel, TSI's mission is "To establish permanent, autonomous ocean communities to enable experimentation and innovation with diverse social systems." Unlike past projects with multi-billion-dollar price tags, where the "research" consisted purely of 3d renderings, Patri & Wayne have gotten some funding, written a 100+ page book (free online!), and designed a realistic path with small steps to get from the world we're in now to the one we all dream about. We believe in dreaming big - and then transforming those dreams a reality.

TSI is currently working on these areas:

- **Community:** Inspire a social movement around our mission. Build a membership of people who are committed to and passionate about seasteading, and see it as the answer to the world's most pressing problems. Create a network of potential residents who have the skills and resources needed to make a vibrant new city. Establish revenue to enable the Institute to operate in perpetuity.
- **Baystead:** Prove that our plan is viable by building a series of safe, cost-effective, gorgeous seasteads, culminating in a full-sized Coaststead based in the San Francisco Bay and able to travel offshore. Use it for publicity to grow the community, and as a platform for research.
- **Research:** Explore the core seasteading requirements: Structure (not sinking), Autonomy (getting left alone), and Infrastructure (having light, heat, food, etc.). When current solutions are sufficient for our needs, learn them. When they aren't, invent new ones. Secondly, advance seasteading technologies through grant-funded research and partnerships.

Trust?



THE TRUST BUBBLE ... EXPLODES ...

By Omar Javaid, Sr. Editor, *Critic* MAGAZINE

Trust is the name of the game, mistrust is the code followed. Today digital currency is the fuel of financial system, and it extracts value from the paper currency (backed by nothing) in circulation. But on the contrary it deems to have the power to purchase anything based on its value derived from the trust in the economy of the nation it belongs to (demand of currency in international market: more economic strength, more demand, and more value). The Economic Strength of the nation? Is only a matter of perception, as proved many time in the history. In present times the economic strength stands over a bubble of debt in the economy. The bubble expands with the ever growing debt, with a fraction of real wealth to back. The ultimate result.... the Bubbles are there to burst, leading to benefit of the few, and disaster for millions. Case in point: sub-prime mortgage crises in America.

EU Internal Markets Commissioner Charlie McCreevy comments came in a speech at the opening of the European headquarters of US bank Wachovia in Dublin “Irresponsible behavior: Irresponsible lending, blind investing, bad liquidity management, excessive stretching of rating agency brands, defective value at risk modeling pose questions for a much wider audience,”

Since the time Lehman brothers declared bankruptcy, a plethora of articles with analysis of the entire fiasco, its causes and impacts has been published but probably none (at least I cannot find one) has really disclosed or talked about the real root cause of the entire disaster. When I look at the entire scene, the question that pops in my mind is how a debt of \$11 trillion in 'mortgages', alone, is loaned out when there is only \$1.3 Trillion of printed notes available? In addition to this Credit card debts, other types of public and private loans mounting to a total of around \$50 Trillion, only in American economy? (Total U.S. mortgage debt outstanding was \$10.7 trillion at the end of the third quarter 2006. Source: http://www.freeratesearch.com/en/newsroom/mortgage_statistics/)

OUT OF THIN AIR

A common man, uninformed of this jugglery, would eventually ask that how on earth can this ever be

possible. The answer is simple but seems like a joke, a nasty one indeed. The Banks creates money out of thin air when they have to loan out to someone? Magic? No! The process they use is called fractional reserve banking and the effect is called Money Multiplier in economics.

"The study of money, above all other fields in economics, is one in which complexity is used to disguise truth or to evade truth, not to reveal it (p15). The process by which banks create money is so simple that the mind is repelled." -John Kenneth Galbraith, Money: Whence it came, where it went - 1975, p29.

Individual Bank	Amount Deposited	Lent Out	Reserves
A	100	80	20
B	80	64	16
C	64	51.20	12.80
D	51.20	40.96	10.24
E	40.96	32.77	8.19
F	32.77	26.21	6.55
G	26.21	20.97	5.24
H	20.97	16.78	4.19
I	16.78	13.42	3.36
J	13.42	10.74	2.68
K	10.74		
			Total Reserves:
			89.26
	Total Amount Deposited:	Total Amount Lent Out:	Total Reserves + Last Amount Deposited:
	457.05	357.05	100
	Commercial Bank Money Created + Central Bank Money:	Commercial Bank Money Created:	Central Bank Money:
	457.05	357.05	100

*http://en.wikipedia.org/wiki/Fractional-reserve_banking

This is the core of banking business and all the central bank policies are directly or indirectly related with it. Paper Currency is printed in the quantity, desired by Central Bank, is multiplied as it passes through Fractional Reserve Systems of Conventional banks. The CB imposes a Cash Reserve Requirement i.e. CRR is 7 ~ 10% on commercial banks (even Islamic banks)

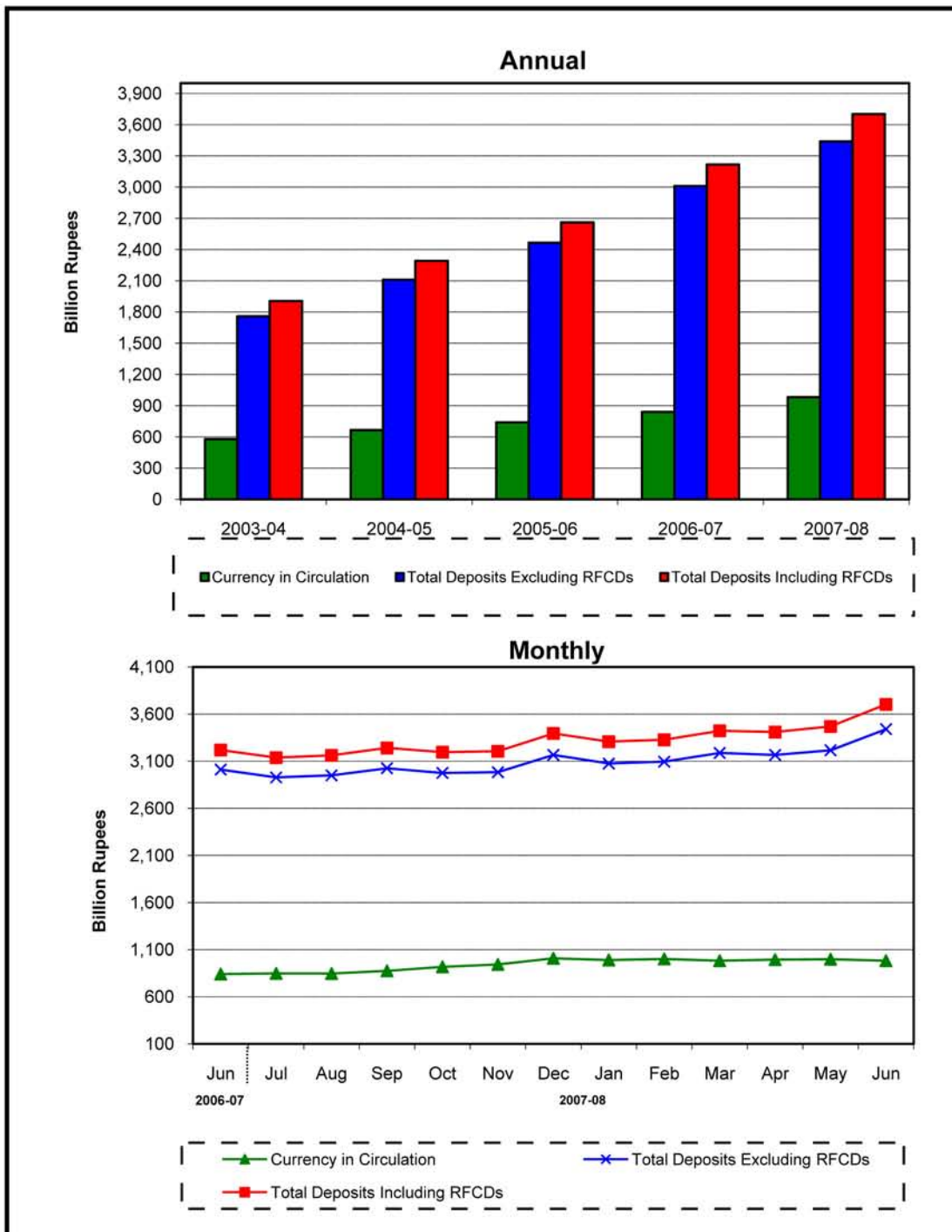
which determines the amount to be loaned out. A CRR of 20% means that a bank can lend 80 rupees if it has a deposit of Rs. 100. The bank in fact transfers this amount to the borrower's bank account, i.e. the same bank (or any other bank) receives it, again making it a part of the deposits (of the banking system) ready to be loaned again. The cycle continues and the money printed or minted by central bank is multiplied many times in the form of loans and the commercial bank expects it back with interest.

visit: (<http://mises.org/story/1118>, <http://mises.org/mysteryofbanking/mysteryofbanking.pdf>, www.lewrockwell.com/rothbard/frb.html)

No surprise the amount of debt (increasing every year) is more or less the same as the amount of time and demand deposit (demand deposits are saving and current accounts, and time deposits are long term deposits which are not withdrawn at least for one year) during the same period. Thus money is created continuously as debt. Today in US economy, only 3% is real money and the remaining is just ... Numbers!!!

Check the chart above or for more details please

Monetary Statistics



*http://www.sbp.org.pk/reports/stat_reviews/Bulletin/2008/Sep_08/Money_and_Credit.pdf



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Same is the case with UK. In Pakistan the cash in circulation is Rs. 982 Billion, which is around 21% of the total Money supply (Rs. 4,672 Billion) and 21.6% of total domestic credit (Rs. 4,531 Billion). These statistics has been taken from

http://www.sbp.org.pk/reports/stat_reviews/Bulletin/2008/Sep_08/Money_and_Credit.pdf

“In my view, issuing promises to pay on demand in excess of the amount of goods on hand is simply fraud, and should be so considered by the legal system. For this means that a bank issues “fake” warehouse receipts—warehouse receipts, for example, for ounces of gold that do not actually exist in the vaults. This is legalized counterfeiting; this is the creation of money without the necessity for production, to compete for resources against those who have produced. In short, I believe that fractional-reserve banking is disastrous both for the morality and for the fundamental bases and institutions of the market economy.”

-Murray N. Rothbard states in his article “The Case for a 100 Percent Gold Dollar” (<http://mises.org/story/1829>)

INFLATION OR DEVALUATION

The rate of increase of these numbers is the fundamental source of real inflation, or more appropriately devaluation as the increase reduces its value. Let’s say if these numbers multiply by an amount of 10% in one year, then the inflation would be around 10%. In other words there is 10% more money in the economy to buy the same amount of goods. This will eventually increase the prices in case the production has decreased? Yes of course if the production in the economy has also grown by an amount of 10% then supply (production) and demand (purchasing capacity) will be synchronized and there won’t be any inflation. However this seldom happens, the rate of increase of money supply (of course numbers) is always faster in the conventional economic system and thus supersedes the rate of increase in production hence inflation (devaluation) is mostly observed.

Conventional economic theories suggest that some inflation (say around 4 ~ 5% is desirable), as it encourages people to purchase more in fear of increase of prices in near future, thus increasing demand which further encourages the production. However when the interest rates (of course absolutely illegitimate in Islam) are low, the banks go crazy and starts to lend to almost every one. A common man perceives that its profit that’s driving them crazy, but there is more to it, the entire banking machinery allows

each other to generate numbers (having purchasing power) with an exponential rate. The loan of one bank is the deposit

“The different forms of money in Pakistan’s money supply statistics arise from the practice of fractional-reserve banking. Whenever a bank gives out a loan in a fractional-reserve banking system, a new type of money is created. This new type of money is what makes up the non-M0 components in the M1-M2 statistics. In short, there are two types of money in a fractional-reserve banking system.”
See http://en.wikipedia.org/wiki/Money_supply

of another, but please, the deposit in the banks are considered as liabilities, in order to convert them to assets the deposits must be loaned out again, and when they are loaned they again become deposits of some third bank. The cycle continues; and we see a continuous increase in the money supply and of course an equal increase in the prices of the commodities we purchase. More money for the same amount of products! In other words devaluation of monetary unit.

BANKRUPT: A LOSER LIKE IN THE MUSICAL CHAIR GAME

When this mindless (and intentional) multiplication of money supply is increased, please note that the debt with in the society also increases with the same pace. Increase in debt increases the money supply in form of numbers (97% of America’s Money supply). Now if all the debt has to be paid back with interest (of course) then how on earth every one can pay back

Total Bankruptcy Filings, U.S. (Units)



their debt 'with interest' as the total money supply in the economy is (more or less) equal to the amount of debt produced? ... Mathematically it's impossible. The only way is to look back at the system for more debt to cover this gap! (And that's also needed to be paid back with interest). The result is constant inflation as money supply is always created as debt to fill the gap. ... A never ending 'vicious' circle!

Bankruptcy is an inherent feature of the system. Somebody at some point in time will get bankrupt, despite any unforeseen circumstances, as there isn't enough money ever to pay back the interest with the principle amount.

Credit cards, mortgages, car loans, personal loans, etc, when advertised in TV or print media, claim to bring the ultimate prosperity and happiness to its users. If you are a user of these services then ask yourself, do you ever become 'happy ever after' or satisfied to the extent shown in TV commercials? I am sure majority will say no. The fear is there, as the threat of bankruptcy is real. Check out the charts showing the bankruptcy trends in America.

THE CENTRAL BANK COMES TO THE RESCUE

When the threat becomes substantial, the central bank wakes up due to the havoc caused by the merciless, uncontrolled expansion of the money supply, raising the prices out of the reach of the ordinary man. Now the state bank drops another bombshell on already aggravated and indebted citizens, by increasing the interest rates. This discourages people to restrain themselves from the banks as cost of purchasing debt (I repeat, illegitimate in Islam) has gone up. Now lesser money is generated and as lesser debt is generated, the inflation is reduced; the central bank celebrates.

"I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a money aristocracy that has set the government at defiance. The issuing power should be taken from the banks, and restored to the people to whom it properly belongs."

-Thomas Jefferson, 3rd US President

But as we have already discussed that debt is actually the money supply and the bank payments against debt (principle + interest), are greater than the amount available in the economy and requires more debt to generate to pay back the interest on principle amount. Now due to tighter monetary policy (high interest rates) lesser new money or debt is created, thus the gap

between what is required (principle + interest) and what is available, widens! Now somebody has to loose, like in the musical chair game, and he is no other than ordinary citizen. And as the vacuum or gap widens, the number of bankruptcy goes skywards. In Urdu we call it "Asman se Gere, Khajoor main atke" (society escaping from one problem by getting stuck into another).

Such a period is called recession and when this period starts creating havoc as unemployment rates soars, prices decline due to reducing purchasing power etc, the central bank comes again to rescue and does its best by reducing the interest rates. This again makes the banks go crazy, again, to add more to the money supply and of course to their Profit. And guess what, the poverty is never reduced in fact increases in real terms (reduces in nominal terms though!), either due to high inflation or lack of employment in either forms of monetary policies.



Michael Rowbotham observes:

"This (monetary management) a government does by lowering or raising interest rates. This alternately encourages or discourages borrowing, thereby speeding up or slowing down the creation of money and the growth of the economy.... The fact that, by this method, people and businesses with outstanding debts can be suddenly hit with huge extra charges on their debts, simply as a management device to deter other borrowers, is an injustice quite lost in the almost religious conviction surrounding this ideology..."

...This method of controlling banks, inflation and



PEACE OF MIND – SECOND TO NOTHING

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money supply certainly works; it works in the way that a sledge-hammer works at carving up a roast chicken. An economy dependent upon borrowing to supply money, strapped to a financial system in which both debt and the money supply are logically bound to escalate, is punished for the borrowing it has been forced to undertake. Many past borrowers are rendered bankrupt; homes are repossessed, businesses are ruined and millions are thrown out of work as the economy sinks into recession. Until inflation and overheating are no longer deemed to be a danger, borrowing is discouraged and the economy becomes a stagnating sea of human misery. Of course, no sooner has this been done, than the problem is lack of demand, so we must reduce interest rates and wait for the consumer confidence and the positive investment climate to return. The business cycle begins all over again - There could be no greater admission of the utter and total inadequacy of modern economics to understand and regulate the financial system than through this wholesale entrapment and subsequent bludgeoning of the entire economy. It is a policy which courts illegality, as well as breaching morality, in the cavalier way in which the financial contract of debt is effectively rewritten at will, via the power of levying infinitely variable interest charges."

Like bankruptcy, poverty is another inherent feature of the conventional debt, interest and FRB based economic system. Considering an economy such as of UK where 97% of all the money supply is in the form of debt created as numbers or book entries by fractional reserve banking system. Disposable income of individuals in such economies is draining out in payments of credit card bills, car loans, mortgages etc. There monetary savings are being gradually reduced and threat of bankruptcy has rendered these disintegrating savings increasingly sacred (<http://www.creditaction.org.uk/assets/PDF/stats/2008/october.pdf>).

Similar the case in United States or other developed countries with similar economic scenario.

It's a common banking practice nowadays that whenever a person asks for some debt, the bank in return asks him to pledge his real wealth / savings so that bank investment can be secured in case the creditor gets bankrupt. Thus pledging further disables the creditor to extract a portion of his savings to help the poor of the society. So if the citizens of such economies would have been Muslims it would increasingly become psychologically and financially difficult to pay Zakat or any other form of charity to the poor.

In an interest / debt driving economies, the lending

institutions ask for more (principle plus interest) than they actually give. Financial vulnerability of an individual or any business gives them an excuse to charge more markup. Thus, the banks gradually suck up the money supply and ultimately increase the amount of economic disparity. Little surprise when we say "Richs are getting richer and poor are getting poorer" in today's debt reddened so called developed countries ...

ROOT CAUSE OF ALL EVIL

Looking back at the subprime mortgage crisis in America, there are a lots of reasons being cited such 'as boom and burst in the housing market', speculations, High-risk mortgage loans and lending practices, Securitization practices, Inaccurate credit ratings, Government and central bank policies, Financial institution debt levels or leverage etc ... but I think they are only the symptoms of the underline causes which are as follows:

Fear and Lust: Fear of bankruptcy and consumption beyond the means, are the two motivating factors that derived the behavior of the borrowers. But looking closely we realize that this has also been a byproduct of the system which first created the debt and then through media, "psychologically conditions" its user to become indebted, for the sake of their own profitability. (Watch the movie: Zeitgeist-Addendum) This led us to the ultimate reason which is:

The bank's ability to control the money supply:

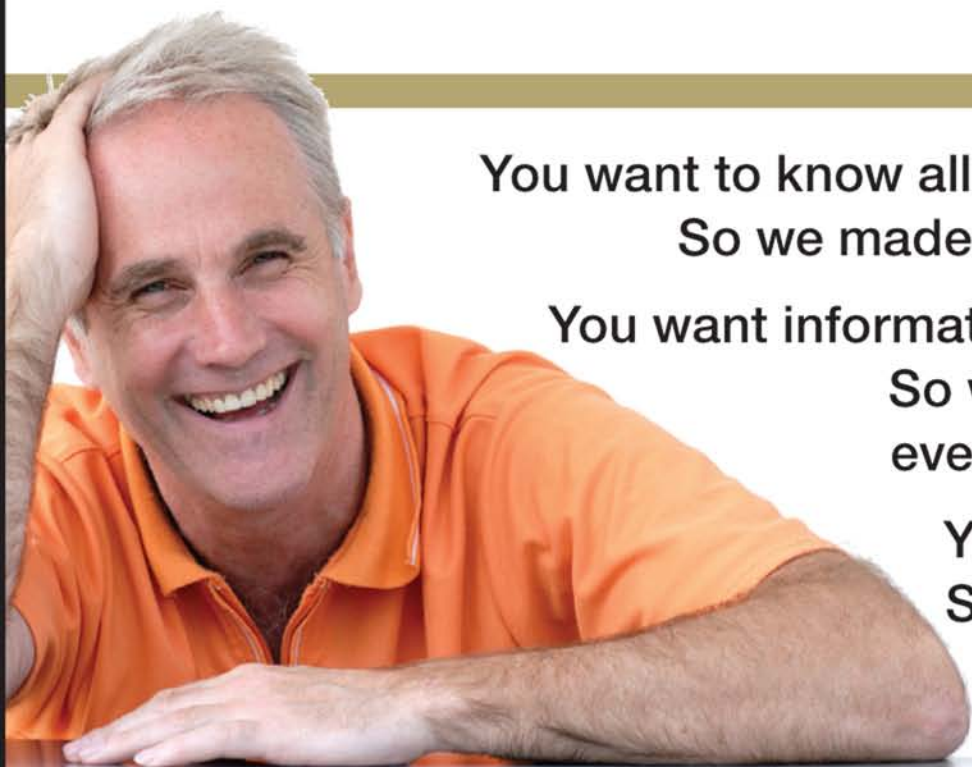
For the sake of their own benefit, they create money supply out of thin air, this leads to exploitation and mass bankruptcy (some of their own gets sacked as well), and implementation of solutions which creates more problems than are solved, like monetary policies of central banks. All of this brings them unprecedented power to control, manipulate or enslave nearly everything, including governments, central banks, corporations, or even entire nations.

"Allow me to issue and control the money of the nation, I care not who writes the law"

-Mayer Amschel Rothschild, in 1828

"Banking was conceived in iniquity and was born in sin. The Bankers own the Earth. Take it away from them, but leave them the power to create deposits, and with the flick of the pen they will create enough deposits to buy it back again. However, take it away from them, and all the great fortunes like mine will disappear, and they ought to disappear, for this would be a happier and better world to live in. But if you wish to remain the slaves of Bankers

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and pay the cost of your own slavery, let them continue to create deposits."

-Sir Josiah Stamp, President of the Bank of England in the 1920's, The second richest man in Britain

THE QUESTION OF ISLAMIC BANKING

IB cannot be called totally legitimate, but it can be said that the evil effects of the banking system have been significantly curtailed though not eliminated. The number (money supply) generation in IB is supposedly balanced with the real asset creation, speculation or gambling is totally prohibited and of course business which are illegitimate like vulgar TV channel, wine or cigarette factory, casinos etc are also not financed by Islamic Banks (ideally speaking). Furthermore, Islamic banking is completely asset backed and talks about profit and loss sharing.

However certain modes of Islamic finance are criticized and there is difference of opinion among scholar. Like the markup charged is benchmarked to KIBOR and Islamic banks are bound to follow the policies of the state bank etc.

However the biggest challenge for Islamic Banking would be to free itself from the fractional reserve system of conventional banking. Since state bank of Pakistan has clearly defined cash reserve requirement (CRR = 11%, source:

<http://www.sbp.org.pk/bsrvd/2008/c8.htm>) for Islamic banks, thus has forced Islamic banks to follow the foot print conventional banks. Many Scholars Including Omar Chapra, has tried to develop a framework however these frameworks remains theoretical till date. Even Mr. Taqi Usmani, has criticized FRB to full lengths in his book "Historical Judgment on Riba" however a very clear framework is not presented there as well. Professor Dr. Muhammad Anwar department of Economics of International Islamic University Malaysia states his verdict on Fractional reserve model as follows.

Supporters of Islamic banking in the ranks of fuqaha, economists, bankers, and others mainly focused on the interest-based transactions as deals between banks and their clients. This outlook, perhaps inadvertently, led to the negligence of the larger issue of the legitimacy of the banking system itself. The banking system representing the institutional arrangements for collecting deposits and making advances in a fractional reserve system is in violation of the explicit Qur'anic verdict that forbids devouring of peoples' money in the following words "O' believers, do not eat your properties among yourselves through false means" (Nisaa, 4: 29)

Suppose all the money created by the banks is translated into real growth so that there is no inflation and no reduction in the real value of deposits. Then do the commercial banks have any advantage? Yes, because they being the creditors still become owners of the deposits created through this process. Therefore, inflation or no inflation the commercial banks would enjoy undue advantage thanks to the money expansion multiplier process. The government enjoys similar advantage when money supply is increased by the central banks as it acquires ownership of the peoples' property in exchange to the tune of the money so created. The difference being the central banks directly create money while the commercial banks create money indirectly through the deposits.

If all the depositors turn to banks to withdraw their deposits then would they be able to receive back their deposits? Surely not because of the fractional reserve system that grew out of the dishonest practices of the early goldsmiths with whom people used to keep their trusts. Therefore the Allah's orders like "Allah commands you to render back your trusts to those to whom they are due" (Nisaa, 4: 58) and "do not misappropriate knowingly things entrusted to you" (Anfaal, 8: 27) can never be complied in the presence of the fractional reserve system. Moreover, due to expansion of money supply by the banks, the resulting inflation means that real value of the deposits falls. This means that the deposits withdrawn from the banks have diminished value. This amounts to a clear violation of not only the above commands but also of those commands that require to "give not short measure or weight" (Hud, 11: 84) and "give full measure and full weight" (Hud, 11: 85).

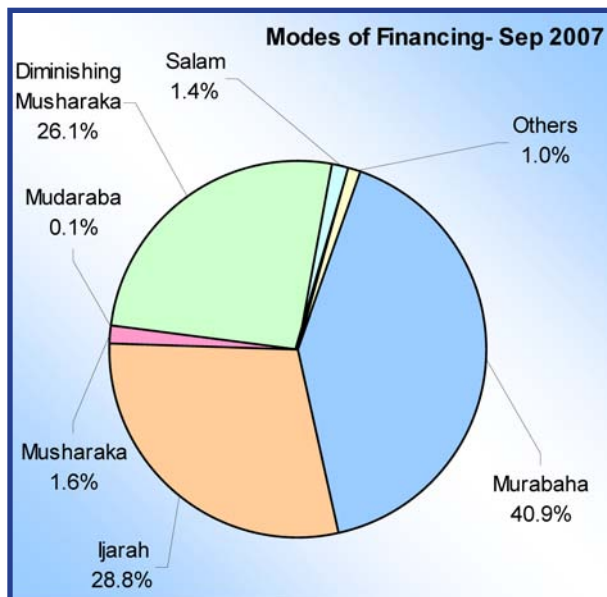
Accrual of the seignorage to the commercial banks by devaluing the money holdings of people through inflation necessarily favors concentration of real wealth into few hands, an outcome contrary to the Qur'anic command that wealth "does not make a circuit among the wealthy among you" (al-Hashar, 59: 7). The tendency of concentration of wealth into few hands is due to the seignorage that would happen even if the loans were issued at a zero rate of interest. Therefore, credit system imposes a larger problem compared to the practice of interest.

*[*http://www.globalwebpost.com/farooqm/study_res/i_econ_fin/anwar_islamicity.doc](http://www.globalwebpost.com/farooqm/study_res/i_econ_fin/anwar_islamicity.doc)*

Islamic Banking financings constituted 49.7% of the

total assets and stood at Rs. 88.3 billion in September 2007 as compared to Rs.78.8 billion at the end of June 2007, showing an increase of 12%. However total cash in hand with Islamic banks was 16.3 Billion in Sep 07 which is 9% of the total assets. Whereas the total deposits were 124.4 Billion in Sep 07.

<http://www.sbp.org.pk/ibd/Bulletin/2007/Jul-Sep-Bulletin.pdf>



The most interesting part is that the 70% of the business of Islamic banks is through Murabaha (working capital finance) and Ijarah (Rental Lease), while 26% is via Diminishing Musharaka (Alternate to Mortgages). The point to note is that there isn't much profit and loss sharing in these modes. And since from customer's point of view all these modes are liabilities and there is a possibility of customer getting bankrupt due to any unforeseen circumstances.

Furthermore when these financings operate under fractional reserve framework they contribute to further creation of money supply in the economy, out of thin air. As all Islamic banks are privately operated, there ability of creating money out of thin air, reminds me of Thomas Jefferson's statement *"I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a money aristocracy that has set the government at defiance. The issuing power should be taken from the banks, and restored to the people to whom it properly belongs."*

This will only happen, if Islamic banks get profit to top their priority list and get blind folded from the ill effects built in the fractional reserve system, if they keep stick to the same model of fractional reserve nature for the

sake of monetary returns, if they don't take the pain to improve on all the inherent discrepancies, then my views will coincide with that of Thomas Jefferson in context of ground realities of Islamic Banking (although in theory the major emphasis is on Musharakah and Mudarabah). The current trends if extrapolated to paint the future status of Islamic banking industry, what we see is a subsidiary of conventional banks curtailing some of the conventional banking problems, not all.

Despite all this I personally believe that there are a few people in the industry who are genuinely interested in taken the economy toward the Islamic fundamentals. For example efforts of the team headed by Mufti Taqi Usmani are no doubt applause-able and deserves due support. Their supervision of certain banks makes them in any case a better alternate for customers in case of dire need of any financial services. However I would still emphasize that by remaining under the framework fractional reserve banking the path to ultimate objectives remains blur. My opinion and proposed alternative would be to design and develop a system completely free present framework, which I shall Inshallah try to demonstrate in my limited capacity.

FLOATING ON 'THIN AIR'

Another important dimension which must also be taken into account while extending the Islamic banking framework to international levels, is the floating exchange system. Through this system the value of a currency is considered flexible and weighted against other currencies such as dollar.

Floating Exchange Rates: *Currency exchange rate which is determined by free market forces, rather than being fixed by a government.*

http://www.investorwords.com/2016/floating_exchange_rate.html

Take a look at this simplified model: if demand for a currency is low, its value will decrease, thus making imported goods more expensive and thus stimulating demand for local goods and services. This in turn will generate more jobs, and hence an auto-correction would occur in the market. A floating exchange rate is constantly changing.

<http://www.investopedia.com/articles/03/020603.asp>

Before this, let's talk on Paper currency first. Paper currency is a hoax (pay orders, bonds, cheques and other receipts included) and digital currency (debt / credit cards) are even bigger hoax, as it was supposed to be hedged to gold (or any other real asset) but it's not. The reason paper currency superseded gold and silver was that it could be produced effortlessly and

multiplied many times over in form of debt by passing it through the FRB system. The digital currency in form of credit and debit cards has even eliminated minor repercussions which paper currency had, like printing and distribution, as now it's even easier to generate and multiply it in digital form, thanks to the latest information technology.

Furthermore paper currency is a pivotal element of Debt / Interest based economic environment which enables world powers to accomplish their agenda of Economic domination and slavery (for details of this agenda read the book by Confession of an Economic Hitman by John Perkins who worked at organizations supporting IMF and World bank), as it allows the banks to control, issue and devalue the money supply.

Devaluation of currency is practiced to keep countries under the economic slavery of international agencies like World Bank and IMF. You must have noticed the devaluation of Rupee in the past and more significantly in recent times. The World Bank occasionally pushes Pakistani government to devalue the currency or through design political turmoil (see video zeitgeist addendum, part 2 for interview of John Perkins) accomplish this, simply because it increases the amount of debt in dollars and the interest on that debt (previously to pay back 1 dollar, we had to earn Rs. 60, now we have to earn Rs. 80) as a result Pakistan has to pay more out of its savings for an even longer period of time to pay back the debt and accumulated interest rate, and if things are more precisely executed by the agents of the agencies then the country go to the verge of bankruptcy. Now in return of the debt, the country is asked to hand over its natural resources at a fraction of a cost in the name of privatization.

The ultimate delima with the paper currency (and floating exchange rate) is that the real goods produced in a country are valued as per the exchange rate of the country in international market. Now if the value of Pak rupee is decreased then the value of the real good such as cotton or wheat is also reduced in the international market. With a 50% decrease in value of Rupee as compare to euro (for example), twice the amount of cotton will be sold to anyone having the same amount of euro in his pocket. How on earth, the intrinsic value of real good is reduced with the reduction is fictitious value of worthless pieces of papers? To justify this injustice, citizens are told that this will enhance the trade of the country as the price of our products are reduced in the international market as Rupee is now 26% weaker than dollar. Now if that's the case then, if the currency loses say 99% of its value against dollar, then the real

goods will be sold in the international market for almost free! Now please thinks from the buyers point of view, wouldn't they always want the currency of a country, rich with natural resources, to lose its value to the extent possible? Why wouldn't they and it is already happening with all the country in debt, thanks to greed and hunger of already stuffed despots.

“THE GREAT ESCAPE”, THE DESIGN

Following are the factors which must be perused in the following sequence after studying the prevailing challenges in the conventional economic models and threats from its stakeholders.

- 1. *Mode of Interest Free transactions, of course***
- 2. *Unit of Exchange Based on real wealth, totally asset based. Deterrent to devaluation via floating exchange rate. For details please read “The Case for a 100 Percent Gold Dollar” by Murray N. Rothbard (<http://mises.org/story/1829>)***
- 3. *Effective mechanisms for uplifting the poor via education and financial support, Reduction and elimination of economic disparity***
- 4. *Mode of financing for contingencies (Takaful)***
- 5. *Need driven, rather than want driven***
- 6. *Continuous circulation of wealth, in every nook and corner of the society***

Of course the entire society cannot be converted on to the system probably in one go. The change will take many years, probably decades. In order to make it an inherent part of the society, the change must also be brought on social, political ground and most importantly at spiritual levels (social and individual). Every facet of his change will have a different sub-strategy and also grand one including all smaller ones, which can be designed by the respective experts of every field. However everyone has a right to contribute and so do I. Thus in context of this article, I present here an idea which may lead us into the direction of cumulative well being of the society. The idea is to start the model, as a business, just like the Gold Smiths started all the scam, but we will do it for the welfare with utmost honesty. Now think about reversing the process the Gold Smiths started. Following are some of the starting steps which will at least establish the model.

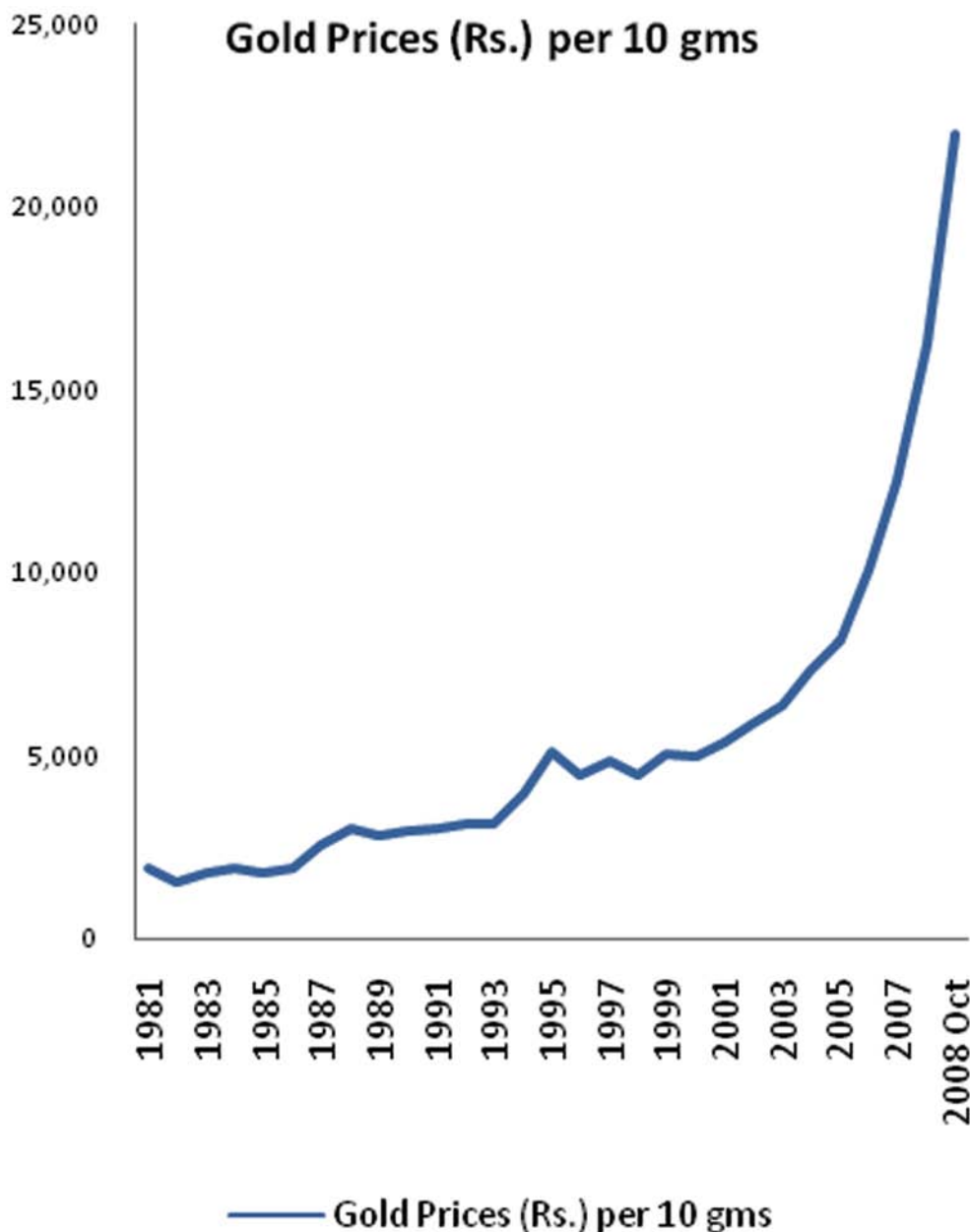
THE GAME PLANE, BRIEF

Think about a commodity trade model like NCEL in Pakistan, DMCC in Dubai or E-Dinar in Malaysia (check out <http://www.dmcc.ae/>, <http://www.ncel.com.pk/> and <http://www.e-dinar.com>), with some modification. Think about a commodity exchange company which allows investors to open an account with an amount as low as Rs. 10,000/- (and no upper limits) however this amount will be stored in the forms of commodities, such as gold, silver, diamonds, or a variety of things. This will eventually free investment from the waste caused by devaluation or inflation. Future buying will be restricted and depositors will be allowed to take physical possession when they require.

There will also be a salary account in which depositors can put their monthly salary, in form of Gold (or other

commodities), and use it to shop for grocery and other stuff, "via debt card system" and keep their savings or disposable income in commodities such as gold. For that, Super stores like Naheed Superstore, Aga's super market (to start with) for example will have their commodity accounts as well, so that electronic trading among them is seamlessly possible. These accounts will be like foreign currency accounts, as the prices of commodities fluctuate (but increase substantially in long run due to monetary inflation). By keeping their savings or disposable income in gold/silver or a mix of different commodities, will save the customers from loses caused by devaluation or inflation of the monetary unit.

The profit to the company will come from service charges and long term investments and trading in commodities such as gold whose annual price increase is averaging around 70% during last 5 years at least.



Short term Qurd-e-Hasana (interest free loan) in the form of commodities will be given to the ultra poor (after proper screening). For example 10 gm of gold or monetary equivalent (monetary unit will be naturally preferred due to general acceptance) will be credited to them to finance specially the working capital and the time of maturity will be short i.e. 1 week or 1 month. After maturity the borrower will have to return the commodity credited to him in the same amount (10 gm of gold in this case) or its monetary equivalent. Due to short term nature of the loan, the increase in price of commodity in monetary terms will be nominal (some time lesser as price decrease some time as well) thus its return won't be a burden or probably a blessing in case of decrease. These customers will be invited to open up a commodity account (like current accounts) with whatever amount they can save. They will be told and they will eventually experience (Inshallah) that through saving in form of commodities such



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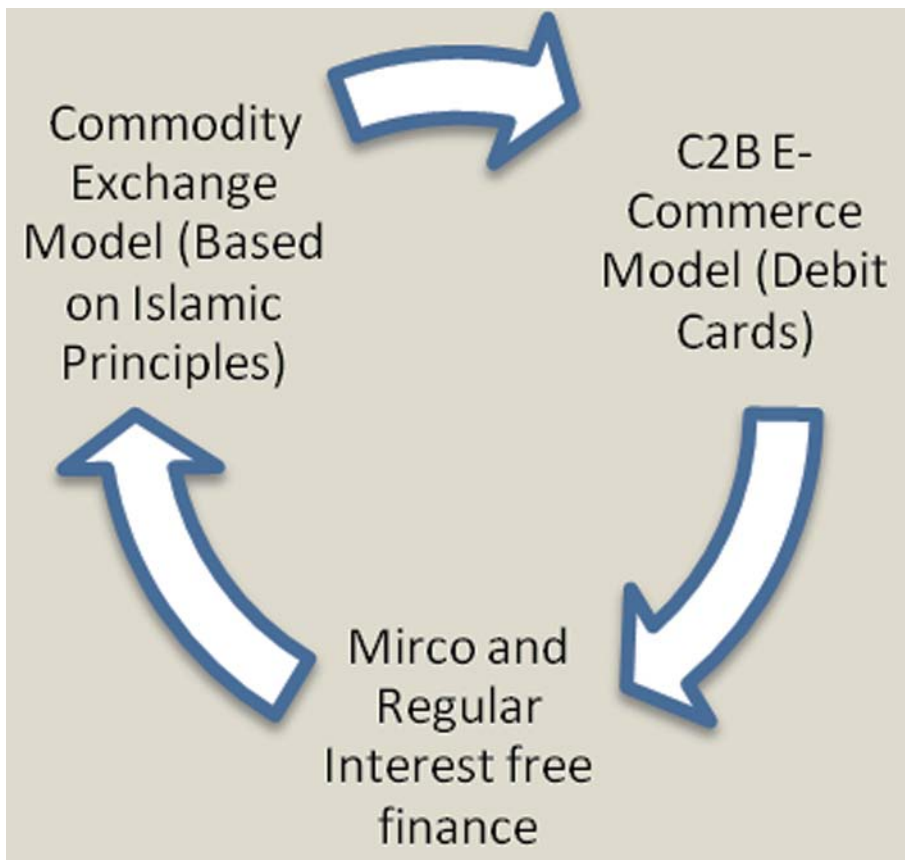
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predicted by keeping an eye on the global economic and political events. Generally gold price increases when dollar devalues, if global events tend to devalue the dollar, investors prefer shifting to gold and other commodities like oil, increasing the demand thus raising the prices.

As we have already defined that Islamic economic system must contain interest free modes of financing, prohibited from creating money out of thin air (FRB), and must be free from the impacts of inflation (through electronic barter), etc

These features are embedded into the proposed system. Through Combining the Commodity Model, with electronic trade at consumer level (debit cards), further extending it to working capital financing to ordinary businesses and business giants expanding and taking it to the poorest of poor through micro finance all under the guidance of Islamic Shariah of course,. This can

as gold, inflation will become an alien concept. These savings will be investments in the company and can be used in trading real assets. However they will be allowed to withdraw their savings whenever when in need.

RATIONALE OF 3D COMMODITY EXCHANGE

This proposed model is only an extension of the commodity exchange model, in fact micro finance, and electronic commerce (Debit Card) has been merged in to the commodity model. If all three of these have done wonders in their respective areas, then there isn't slightest of doubt in my mind that there combination model won't do miracles specially when executed in the light of principles of Islamic Shariah.

The company also profits (though in monetary terms) from its investment in gold as in monetary terms it increases about 70% annually in Pakistan at least. There is always an impact of demand and supply on the gold and silver prices, however this fluctuation is always moving around the theoretical price (see chart above). The formula to calculate the theoretical prices of gold or any other commodity is simple. By tracking the inflation of monetary unit (particularly dollar) and inflation in gold (annual production) predicts the theoretical price of gold. And guess what, the real price of gold always keeps on coming back to theoretically predicted value. The shift from theoretical can also be

start the process of bringing the public to real Islamic model, free people from debt, free them from inflation, however though this is just a start. The benefits will only be reaped by those who get them self associated with the system, however the entire society will benefit only if the entire financial sector adopts this model.

This system will promote welfare in the society directly and indirectly. Short term loans with Qard-e-Hasana will directly uplift the poor and help them to stand on their feet. in the long run the poverty reduction will increase the purchasing power of the masses thus demand for essentials will increase, this demand might increase the prices of commodities in monetary terms but the customers dependent on this system will remain protected as their savings are kept in the form of commodities them self! Furthermore this increased demand will encourage the producers to produce more of the essentials then luxuries.

Educational programs for the customers (of micro finance) in the form of seminars, etc will be designed to educate them spend their incomes in the most efficient ways, they will be educated to focus on essential items and restrain them self from going after luxuries. This education will eventually increase the demand of essentials, affecting its monetary price. Furthermore, the company will have to keep its borrowers under



proper monitoring so that their borrowings remains constructively utilized there benefits and they remain in a credit worthy state. Grameen Bank ways of operational management of micro finance can be used to improve the efficiency of the system (check out <http://www.grameen-info.org>)

This model will remain profitable for the business in 'Real Terms' (real growth = nominal growth - monetary inflation). As already explained, the profit will come from long term investment and trading in commodities, which will be sold as soon as a deal with reasonable profit is established the market (buy in bulk, sell in chunks). Furthermore this system has inherent feature of raising demand of commodities which eventually increase the prices in monetary terms. But the effected are those who didn't invest their savings in this system but for those who have! So through word of mouth a massive demand of this system will be created as no one wants to get hurt by inflation, this will also reduce the marketing cost.

All the investors will be encouraged to contribute to the charity fund, they will be educated through newsletters, seminars etc that doing so it their religious responsibility, Quran and Ahadith has put ample emphasis on it, they will be told that real benefit to the poor can only be delivered when they will be pulled out of the grip of monetary inflation, education and employment

generation. Now since this 3D commodity exchange model is indulged in doing so, thus this will be the best way to help poor i.e. to help this model grow. This charity fund will be effectively utilized to help customers of micro and regular finance in case of any unforeseen emergency. Furthermore the model of Takaful can also be integrated into the system to profitably help the customers in case of emergencies.

SOME FINAL THOUGHTS

You might have already noticed that this system is also dependent on the paper currency for external transactions. However endogenous exchanges will be made without the need of any paper at all. I cannot claim that it's the ultimate way out, nobody can, however I hope that this model will allow people to think about new possibilities and new ways which may ultimately free humanity from the destructions of current usurious, monstrous, cancerous, economic model.

The proposed model isn't a nonprofit NGO. It's a profitable business at the same time, as profit is a necessary requirement for any systems survival and growth; however that should not be the real purpose, if it is, then from Jim Collins point of view such a business is short lived i.e. dies with in a generation. However if it's developed around certain core purpose and vision based on timeless principles and universal values, it is destined to last till the time its foundations remain

Mufti Taqi Usmani states in his book “An Introduction to Islamic Finance”:

Another possible type of Islamic Funds may be a commodity fund. In a fund of this type the subscription amounts are used in purchasing different commodities for the purpose of resale. The profits generated by the sales are the income of the fund which is distributed pro rata among the subscribers.

In order to make this fund acceptable to Shari’ah, it is necessary that all the rules governing the transactions of sale are fully complied with. For example:

1. The commodity must be owned by the seller at the time of sale, because short sales in which a person sells a commodity before he owns it are not allowed in Shari’ah.
2. Forward sales are not allowed except in the case of salam and istisna’ (For their full details the previous chapter of this book may be consulted).
3. The commodities must be halal. Therefore, it is not allowed to deal in wines, pork or other prohibited materials.
4. The seller must have a physical or constructive possession over the commodity he wants to sell. (Constructive possession includes any act by which the risk of the commodity is passed on to the purchaser.)
5. The price of the commodity must be fixed and known to the parties. Any price which is uncertain or is tied to an uncertain event renders the sale invalid.

.... it may easily be understood that the transactions prevalent in the contemporary commodity markets, especially in the futures commodity markets do not comply with these conditions. Therefore, an Islamic Commodity Fund cannot enter into such transactions. However, if there are genuine commodity transactions observing all the requirements of Shari’ah, including the above conditions, a commodity fund may well be established. The units of such a fund can also be traded in with the condition that the portfolio owns some commodities at all times.

intact and it continues to practically achieve the vision. Like in our case, it is “The establishment of Islamic economic and social system, first within its boundaries then extending it gradually to every nooks and corner of the society”, if this vision remains intact and if every stakeholder remains adhered to it with utmost conviction, honesty and determination, then it won’t be surprising to see such an organization (or something similar) might bring about the noble changes in the society it intends to achieve.

###

UKASH PARTNERS SPAIN’S TELEFÓNICA TO ISSUE DIGITAL CASH AT PHONE KIOSKS

Ukash has inked a deal with Spanish telecommunications giant Telefónica which will see the digital money outfit’s vouchers available 24 hours a day from 70,000 telephone kiosks across the country.

To buy digital cash at the phone kiosks, users follow the prompts on screen and deposit coins for the voucher’s value. Customers then receive a unique 19-digit code via SMS text message, which can be used to buy goods and services online.

Social networking site Habbo is already piloting the service and will accept Ukash vouchers from Telefónica kiosks with initial values of five and 10 euros.

With mobile penetration at 111% in Spain, Telefónica has been seeking to add new features to its public phone terminals. The company first upgraded the booths to send SMS to mobiles and e-mails in 2003 and turned them into points of sale for small payments the following year.

Juan Utande Ramiro, marketing director, Telefónica Telecomunicaciones Públicas, says: “Kiosks are hugely widespread, present in the great majority of communities, including rural areas. They allow services such as Ukash to conveniently reach audiences which would be almost impossible to reach otherwise.”



PM

Perfect Money is a top-quality financial service created by a team of specialists in the field of electronic finances especially for Internet Users



USD



EUR



GOLD

Why is Gold Money?

--Jason Hommel, <http://www.silverstockreport.com/>

Gold is the perfect commodity as a unit of exchange for the following reasons:

- Gold is liquid and easily traded, with a narrow spread between the prices to buy and sell (about 1%).
- Gold is easily transportable, because it has a high value for its weight.
- Gold is money because it is divisible, you can divide it into coins, or re-melt it into bars, without destroying it.
- Also, gold is interchangeable. It can be substituted for another piece of gold with no hassle.
- Gold is also nearly impossible to counterfeit, as genuine gold is easily recognizable.
- When measured by weight, gold is easily countable, and verifiable.
- Gold is money because it is a great store of value. It is not subject to decay, rot, or rust.
- Gold has an intrinsic value, because it is rare, highly desired by the world over, and is a luxury item.

There is not a single other commodity with those attributes, except, perhaps, for silver. Since gold is too valuable to be used for small transactions, there is potentially more monetary demand for silver.

When gold becomes money again, silver will be desperately needed to make change.

'bullion with a mission'

*by Barry Harbaugh
photography by Julia Sherman*

"Bernard von NotHaus's crusade to establish an alternative to the dollar and challenge the supremacy of the Federal Reserve."

"He's founded a church in Hawaii, with the tagline "All people must find the god within their own head." Our problems have migrated from our wallets to our souls. The Liberty Dollar is no longer enough to satisfy him or to succor us. He calls this new enterprise the Free Marijuana Church: the foundation of which is, once again, discernible from its name."

This is a great article over on TripleCanopy about Bernad and the Liberty Dollar. I highly recommend it. The piece is entitled 'bullion with a mission' by Barry Harbaugh, with photography by Julia Sherman,

You have to love Bernard! Check out the article.
http://canopycanopycanopy.com/4/bullion_with_a_mission

Yellow Fever

(Forbes Magazine deluxe article on e-bullion)

by Dirk Smillie, Forbes.com

"James Fayed was a smart, early player in the digital gold currency business. Today he's in jail, indicted for murder--and likely to be charged with laundering \$1 billion or so."

"Even the nastiest divorces don't play out this badly: starting with investigations by the FBI, the IRS and the Justice Department--and ending with the murder of the wife, slashed to death in a parking lot, and the seizure of \$24 million in gold and cash. At the heart of the ugly dispute between James Fayed, 45, and his wife, Pamela, 44 at the time of her death, was the gold brokerage business they had founded and run, Goldfinger Coin & Bullion, from their ranch in Camarillo, Calif. James is being held in a Los Angeles jail, facing murder and conspiracy charges--and an imminent indictment for money laundering."

Detailed article in Forbes about e-bullion.
<http://www.forbes.com/finance/forbes/2008/1208/154.html>



PRIVACY is your RIGHT...
only if you DEFEND IT.

Anonymous Offshore Private Internet Access Since 2002



Engineered for your Privacy. Nextgen anonymous surfing.

Tunneler Gold

Encrypted Proxy Service
SSH + HTTP or Socks
\$49.95/yr

Tunneler Pro

Encrypted Full Network VPN
High Speed Internet Access
\$99.95/yr

Windows - OSX - Linux
Easy Installer
No Logging
Skype Tech Support

<http://www.metropipe.net/>
support@metropipe.net
Skype: MetroPipe

LIBERTY RESERVE ADDS TRANSPARENT COMPANY INFORMATION TO WEB



(<http://www.libertyreserve.com>) Headquartered in sunny Escazu county of Costa Rica, Liberty Reserve S.A. would like to welcome everyone to the future of electronic currency industry. In 2008 we have finally finished our expansion and transition to a state of the art, highly secure building, which allows our employees to provide even better service for you. We have worked very hard to complete this transition with no interruptions to our service.

CORPORATE HISTORY (2006 TO PRESENT)

Liberty Reserve was acquired by Amed Mekovar in May of 2006. It was acquired as a result of a long research of digital currency industry, the problems and limitations this industry has faced in many jurisdictions, and with all unexplored potential in mind. Why Liberty Reserve? Because the system was designed exceptionally well, it had a great future and idea behind it – but it did not move anywhere. He has been approaching past Liberty Reserve owners since July of 2005, and in May of 2006 he has successfully negotiated an acquisition of Liberty Reserve.

As you may see, in the two and a half years of our ownership of Liberty Reserve, we have turned it into one of the leading payment systems with stellar reputation, millions of happy customers, and a delicate balance of privacy and local law compliance that this industry has not seen before. With over 4,000 new users per day, and about 32,000 transactions settled daily, over 30,000 support tickets answered monthly, 21 on site employees in Costa Rica and 11 employees abroad, with traffic rank surpassing many banks you can imagine what effort everyone has to put into creating this fast growing, smoothly running efficient system.

PEOPLE BEHIND LIBERTY RESERVE S.A.

AMED MEKOVAR — CORPORATE DIRECTOR

An economist with twelve years of experience in banking industry. Served as a financial consultant to one of the leading banks in Costa Rica. Performed extensive research of financial structures worldwide. Has closely followed digital currency industry to study all possible ways to integrate real banking structure into on-line currency world.

ERIC PALTZ — BUSINESS DEVELOPMENT

Has worked for Scotiabank for nine years. Worked his way from assistant manager to investigator in IFU (International Fraud Unit). Extensive experience with fraud cases around the world allows him to maintain Liberty Reserve S.A. a safe and sound place for your on-line banking experience.

NATALIA ALFARO — GENERAL MANAGER

Was one of the managers of the largest call centers in Costa Rica. Superb management and office organizational skills keep our employees happy and our clients satisfied.

PAOLA SANTOSO — COMPLIANCE OFFICER

Assures that company is compliant with all applicable licenses and is responsible for verification procedure for corporate clients.

SOPHIA YASSINE — PUBLIC RELATIONS

Is responsible for all press releases to be scheduled monthly starting January 2009. She is also responsible for public image of Liberty Reserve S.A. here in Costa Rica and abroad.

SANDRO CASTRO — ABUSE AND BUSINESS DEPARTMENT INQUIRIES

Is responsible for handling all abuse inquiries and most tickets submitted to business department. There are currently fifteen customer support agents for live chat and support tickets.

Office Building in Costa Rica



LOCATION

Headquarters Address

Torre Fuentes del Obelisco
2do Piso, Codigo postal 1265
Escazu, Costa Rica, Central America
(please no customer support mail at this address, as headquarters are not equipped with mail sorting facility)

Mailing address

Liberty Reserve S.A.
1849-4050 Alajuela,
Costa Rica, Central America
(mail sorting facility for customer support mail)

Legal Counsel and Inquiries

Arias & Munoz Centro Empresarial Forum,
Edificio C, Oficina 1C1.
Santa Ana, San Jose
Costa Rica, Central America

Financial Information

Liberty Reserve S.A. Registration number:
3-101-446858
Liberty reserve S.A. Tax registration number:
40631001754416

KIVA loans that change lives

www.kiva.org



\$25
\$375

loaned so far
still needed

\$25

LEND NOW

Kiva.org is a non-profit that is revolutionizing the fight against global poverty by enabling people to connect with and make personal loans—of as little as \$25—to low-income entrepreneurs in the developing world. Most of the poor in developing countries are self-employed entrepreneurs and a small loan to purchase business-related items such as sewing machines or livestock can empower them to earn their way out of poverty.

HOW DOES IT WORK?

Kiva brings together lenders and worthy enterprises on the web.

From Kenya to Ecuador, microfinance institutions (MFI) around the world go to Kiva.org and post photos and profiles of low income entrepreneurs in need of money for their businesses.

Loans made easy and personal.

Lenders go to Kiva.org and browse through profiles of low-income entrepreneurs—a dairy farmer in Kenya, a man who wants to open a shoe shop in Honduras, or a tailor in Bulgaria. Lenders can then loan as little as \$25 to the entrepreneur of their choice via PayPal, a globally recognized online payment service.

When a loan is funded by individual lenders, Kiva pools the money and transfers it to a Microfinance partner who handles distribution and collection of loan payments.

Journal updates keep the lenders informed about the progress of the entrepreneur they sponsored. Loan repayments made by the entrepreneur over the course of about 6-18 months are sent back to Kiva by the MFI partner.

Once loans are repaid, Kiva users can choose to withdraw their principal or re-loan to another entrepreneur. (80%+ of Kiva lenders choose to re-loan!)



Kiva Shows You Where Your Money Goes

Unlike donations which usually go into general funds, Kiva loans show you exactly WHO your money goes to, WHAT they are doing with it, and HOW you are making a difference. Best part? It's a loan, not a donation. We invite you to make a small loan and make a big difference!

BusinessWeek

"Innovation of the Week:

Kiva.org uses smart design to make a little cash go a long way."

BBC

"Revolutionizing how donors

and lenders in the US are connecting with small entrepreneurs in developing countries."

CNNMoney

"If you've got 25 bucks, a PC

and a PayPal account, you've now got the wherewithal to be an international financier."

VOICE

"Kiva simply democratizes access to a

worldwide microfinance movement that has been empowering the working poor for two decades."

The New York Times

"At Kiva.org,

a schoolteacher in Kansas can partner with an expert seamstress in countries like Kenya, Mexico and Ecuador to jump-start a tailor shop."

Is low data integrity putting your business at risk?

Competitors and foreign governments monitor sensitive business communications to gain intelligence and market advantages.

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THE CHAMBERSBURG LIBERTY DOLLAR WAS THE VERY FIRST
LIBERTY DOLLAR "COMMUNITY CURRENCY" IN AMERICA



November, 2008

Is it any wonder our monetary system is in a state of collapse?

Former Assistant Treasury Secretary Gene Godley admitted years ago:

"A Federal Reserve Note has no lawful or standard value... Intrinsicly, a Federal Reserve note is only a piece of paper...on which a denomination has been imprinted as a matter of convenience... The denominational indication is only incidental."

Chambersburg Liberty Dollars...The private currency solution to inferior government "legal tender." Contact us... get the REAL Money Solution to your depreciating green federal debt notes.

All 2008 Dated Chambersburg Liberty Dollars are hallmarked in the center BY HAND with "CHAMBERSBURG, PA 1764"
<http://www.chambersburglibertydollar.com/>

LIBERTY MERCHANT NEWS

Hello Merchants, Associates, RCOs, New Readers ...

THE ELECTIONS – Well, here we are on Election Day 2008. For the next few days it's going to be all about and who's going to "lead" us for the next 4 years. Unfortunately, what happens in the dirty city (DC) affects merchants and the economy more than anything else. Even more unfortunate is, as usual, we have a choice between Tweedle Dee and Tweedle Dum for President or, if you prefer, Communist Number 1 or Communist Number 2. Think those words are harsh? I couldn't think of anything kinder to say. Just look at Obama's and McCain's records and who their handlers are. You can jump start your research by reading some facts about both of them here:

<http://www.newswithviews.com:80/Stang/alan169.htm>

After reading Mr. Stang's commentary, you may lament that you only have the lesser of two evils to vote for, but that's not true. There are OTHER candidates. There is also the option of not voting if you don't like any of them. Let your friends vote for Obama and McCain. That way, you won't blame yourself for what happens. And contrary to what the Major Party shills want you to

believe, there is no such thing as a wasted vote. That's just propaganda to keep you voting for the same old New World Order candidates. You can't be for America and a New World Order too.

A DEPRESSION, OR RUNAWAY INFLATION? – Some say we're now more likely to slip into a depression rather than runaway inflation. Please consider this, however—the Federal Reserve is inflating the money supply at 341% per annum. That doesn't sound like what the FED did in the 1930s which caused that depression. Back then, they removed liquidity from the monetary system; they're doing just the opposite now. And if you don't think it will have consequences, I have a bridge to sell you.

The U.S. Dollar is in a state of collapse, plain and simple. It's just a question of how much longer its ultimate demise can be postponed. Yes, we are in a serious "recession" for the time being, but the ultimate end result will be runaway prices. It's "baked in the cake." <http://www.garynorth.com:80/public/4178.cfm>

BULLION CURRENCY VS. BARTER CURRENCY – Brand new Silver Liberty Dollar "rounds" were introduced in early 2008 with "PVBC" on the reverse side. Liberty Dollar founder Bernard von NotHaus informed us that those letters stood for "private, voluntary barter currency. It went a long way in letting the little G-boys know Liberty Dollar was in no way interested in trying to pass itself off as inferior government "legal tender" money that you use to "buy" things with. The term barter suggested that when using Liberty Dollars, you were just trading something of value for something else of value, not necessarily "buying" something with Liberty Dollars.

Then, a strange thing happened... the new 2008 Liberty Dollar brochure was introduced. In it, the descriptive word "barter" had been replaced with "bullion." More recently, the October Liberty Dollar News made reference to Liberty Dollar as a "bullion currency." The question is this—is it a bullion currency or a barter currency?

How can you have a "bullion" currency? Common sense and tradition say you can't. When we think of bullion, we think of a quantity of metal, usually in the form of bars. My Miriam-Webster's Dictionary says bullion is, gold or silver considered as so much metal; specifically: uncoined gold or silver in bars or ingots. The word "coined" is used in the broadest generic sense, referring to metal "rounds," whether produced by a government or private facility. Ballentine's Law

Dictionary gives an even more succinct definition of bullion as uncoined gold or silver.

There's another reason why "bullion" is not a good descriptive term for the Liberty Dollar "Silver Liberty." Bullion always carries a relatively small price premium over its intrinsic value. It is for this reason that bullion tends to be kept rather than used. It is always denominated as a "weight of metal." It MAY also have a price denomination on it. However, in the case of US Dollar denominations—because congress no longer "regulates the value thereof," the USD face value of US Mint gold and silver coins is kept artificially low so the coins cannot compete in the marketplace with the FED's printing-press dollar. The premiums on them are still relatively small. For these reasons, they're often referred to as "bullion" coins.

Silver Liberty Dollars are different because they have a face value high enough that there is an incentive and ease in USING them. Sounds like barter to me.

MERCHANT OF THE MONTH – Congratulations go to Roman's Army Store at 4369 Sunset Pike, Roman's Army Store Has A Large Selection Of Gear For Hunters, Campers, Military Buffs, And The Martial Arts. SPORTSWEAR -- CAMPING GEAR -- MILITARY -- CAMOUFLAGE --KNIVES -- FOOTWEAR -- EYE CARE -- SURVIVAL GEAR --SPECIALTY FLAGS AND BANNERS. Their hours are: Mon & Fri 9-8, Tue Wed Thu Sat 9-6. You can reach Roman's by calling (717) 263-3700. You can see their "Merchant Directory" listing at <http://www.chambersburglibertydollar.com/merchants.htm>

As always, thank you for supporting the local community and independent businesses by using Chambersburg Liberty Dollars, America's favorite "community currency." Special thanks to all you professionals and independent merchants out there for providing us with such a wide array of goods and services. It would be a bleak community without you all.

Pete Hallock Sr
Liberty Dollar of Chambersburg, RCO
(717) 375-2560
<http://www.chambersburglibertydollar.com/>
Liberty Dollar of Chambersburg
P.O. Box 339, Marion, PA 17235, 717-375-2560

*Photo is of a Liberty Dollar Silver piece.
Flickr Photo courtesy Tony Olm of Western New York
See more of Tony's photo's here:
<http://www.flickr.com/photos/tonyolm/>*

GLOBALCOLLECT PARTNERS WITH DX EXCHANGE FOR EUROPEAN ONLINE CURRENCY CONVERSION TO VIRTUAL MONEY

DX Exchange has signed an agreement with GlobalCollect, the world's premier payment service provider of local e-payments, to enable Second Life Residents to exchange European currencies for virtual money

Amsterdam, The Netherlands – November 17, 2008 -- DX Exchange, a Dutch 3D media company and Virtual Service Provider, has teamed up with GlobalCollect to allow Residents of Second Life®, the popular 3D online virtual world created by Linden Lab®, to exchange Euros for Linden Dollars, the currency used to pay for goods and services offered in Second Life. The local e-payment methods offered via GlobalCollect's single-interface platform WebCollect will initially be direct debits plus Giropay, Paysafecard, Ukash, and Wallie in Germany as well as iDeal, Paysafecard, Ukash, and Wallie in the Netherlands. Future plans entail expanding this service to the UK, France, Belgium, and other European countries.

Via GlobalCollect's online payment platform WebCollect, the Second Life community already had the ability to buy Linden Dollars by means of credit card payment in US Dollars since 2007. The newly formed cooperation between DX Exchange and GlobalCollect enables European Second Life Residents now to acquire Linden Dollars by paying in Euros and soon British Pounds. Plus, they can select from a choice of preferred local payment options while receiving local language support.

Bart Bockhoudt, CEO of DX Exchange said: "Teaming up with GlobalCollect gives us the opportunity to expand into the rest of Europe faster and on an even more professional level.

Meaning, we can focus on our core business of providing local support."

Jan Manten, CEO of GlobalCollect, continued "We've already been servicing credit card transactions in US Dollars for Second Life since April 2007. Thanks to the collaboration with DX Exchange we can now expand this service to include European currencies and a wide choice of popular local payment methods. In addition, we offer a comprehensive Fraud Screening Service to

minimize the risk of fraudulent transactions within the online environment."

About DX Exchange

DX Exchange is a Dutch 3D media company and Virtual Service Provider that offers its services in the field of virtual Internet. Since 2007 DX Exchange has been creating and running 3D communities. DX

Exchange was founded in 2006 as a currency exchange office for the Dutch community in the Second Life virtual world, and is currently expanding to the surrounding countries. The DX Exchange payment system makes it possible to exchange Euros for virtual money and vice versa, using accepted and leading local payment methods and support. Currently in Second Life the company serves some 13,000 customers.

<http://www.dxexchange.com>

ABOUT GLOBALCOLLECT

GlobalCollect is the world's premier Payment Service Provider of local e-payment solutions for international Customer Not-Present (CNP) businesses such as internet, mail and telephone orders and specializes in a wide range of industries such as travel, ticketing, telecommunications, retail, publishing, portals, online games and digital content. While most providers limit their payment services to a technical link with payment acquirers, GlobalCollect is a full-service partner providing a comprehensive service portfolio from contractual and technical solutions to local payment processors worldwide, bank account network management, matching, reporting and finally fund remittance. Through one single web-enabled technical and administrative interface, our online payment platform offers the largest range of local e-payment methods and currencies in over 200 countries, including all major credit and debit cards, direct debits, bank transfers, real-time bank transfers, eWallets, cash at outlets, prepaid methods, checks and invoices. www.globalcollect.com.

Contact DX Exchange

Bart Bockhoudt

CEO

e-mail: bart@dxexchange.com

Contact GlobalCollect

Bettina Duske

Manager PR & Marketing Communications

tel: + 31 (0)23 567 1500

e-mail: bettina.duske@globalcollect.com