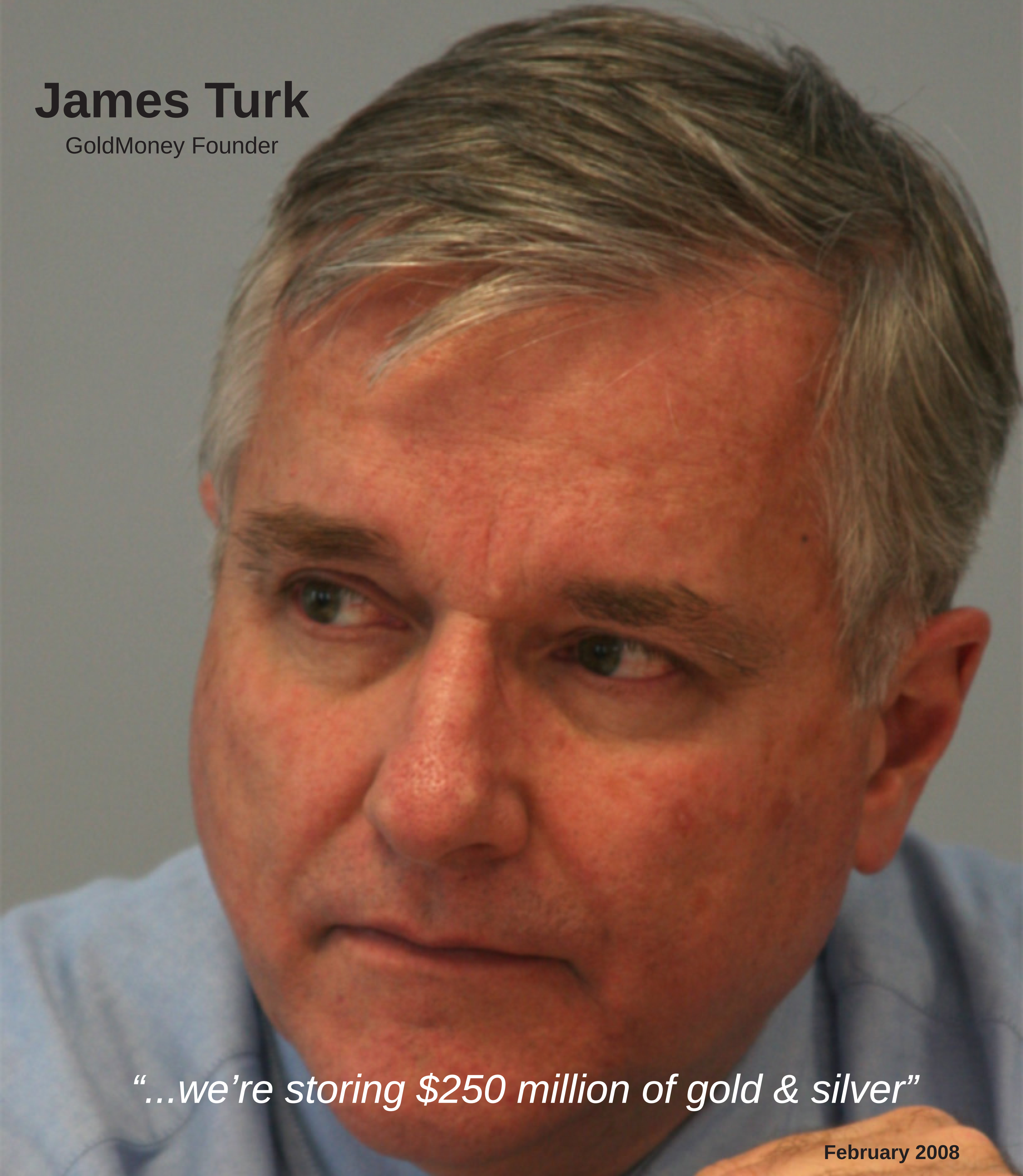
"Paper is poverty.... it is only the ghost of money, and not money itself." - Thomas Jefferson 1788

DGC Magazine

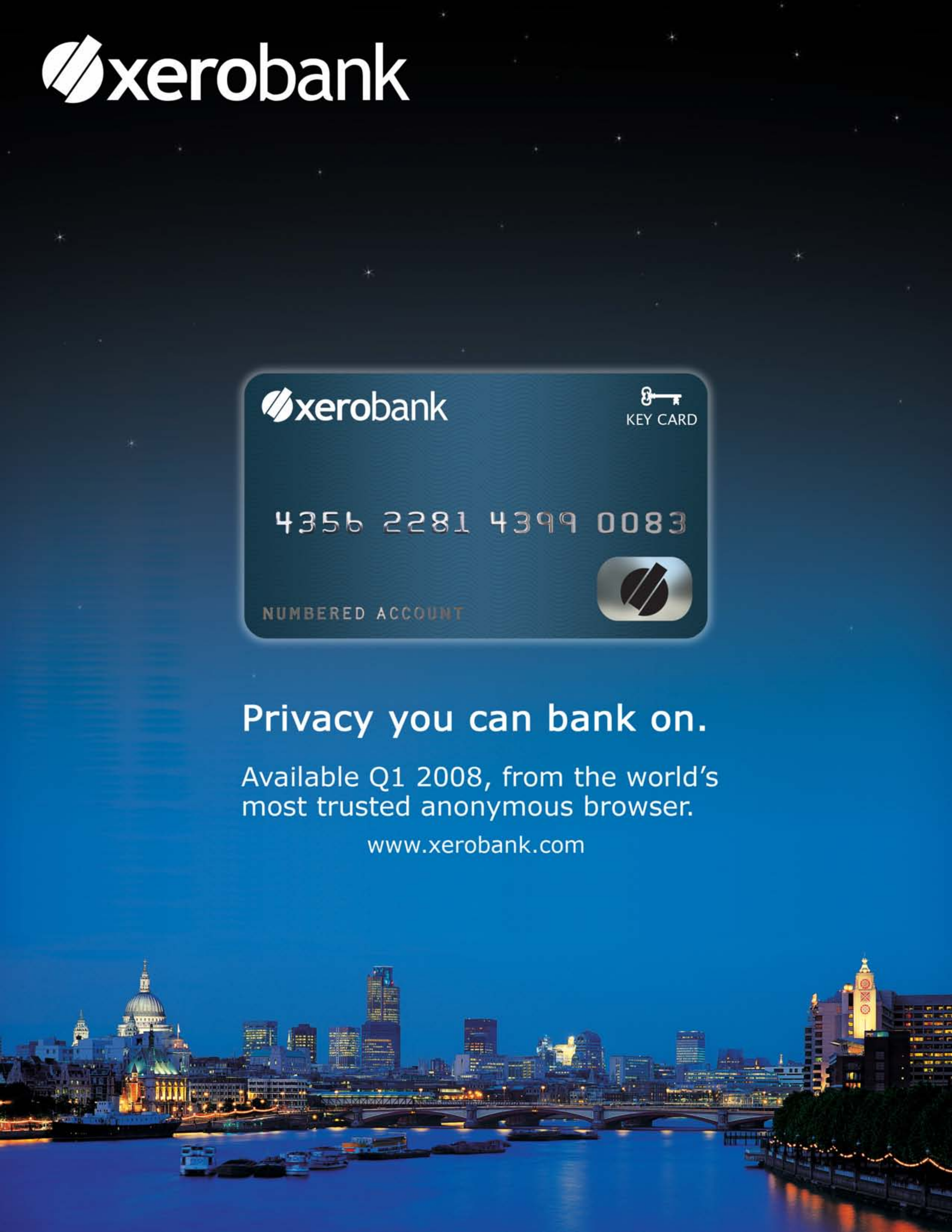
James Turk

GoldMoney Founder



"...we're storing $250 million of gold & silver"

February 2008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FISCAL SAVAGES NO MORE

by Paul Rosenberg

When people think of savages, they tend to think of external characteristics – things like clothing, language, grooming, manners, and so on. But there are internal characteristic that are also common to savages. Chief among them is instability.

When physically threatened, savages tend to either cower or to attack wildly, or, to alternate between the two. Reasoning people, on the other hand, are much more likely to make plans first and to strike second. (Needless to say, reasoning folks tend to do a lot better than savages.)

Until quite recently, "average people" have been savage concerning economics. They understood little, and they tended to over-react in whichever direction they were pushed. Many people were proud of their ignorance of economics. "The experts may know economics," I often heard in my youth, "but not an honest working man like me."

INSTITUTIONS BUILT FOR SAVAGES

Before I tell you why things are looking up, it's important to explain that savagery in the area of economics is responsible for the financial institutions we have inherited.

Few of us have studied the economic situation of the early 20th Century, but if you ever have the chance, I recommend it. There is far too much detail to cover here, but consider that this was a time when Progressive movements were far more powerful than they are today. Commerce had been successfully demonized and Marx was thought to be a prophet. Businessmen were terrified. The 19th Century and its triumphant Laissez-Faire liberalism were waning. The old Monarchist order was breaking up and no one knew what would come next for most of the world. Immigration, for the first time in human history, was fast and cheap. This was the moment when both Socialism and Fascism found their roots and began to spring up. Quite a time.

At just this moment, international financial interactions were growing massively. It was terrifying for people to realize that financial problems a thousand miles away could ruin them.

Not many of us know about the Panic of 1907, but this was the event that gave us our modern banking system. I'll leave you to find details on Wikipedia if it interests you, but suffice it say that there were many bank runs and that people were terrified. And, like any crisis, it gave the era's power-seekers a powerful tool for stirring up masses of people.

There's a wonderful story from this time about J.P. Morgan locking all the chief bankers of New York in his office and not releasing them until they had solved the panic. I'm not really sure the story is true, but it is true that Morgan played a major role. He was the one man who all the players respected and followed.

Once the Panic was over, the bankers remained shaken by how close they came to an abyss. (At least as they saw it.) But as they looked forward – Morgan being an old man at this point – one phrase was continually whispered throughout the financial district of New York: What happens when he dies?

It was this fear that gave us the Federal Reserve: A fear of fiscal savages running amok. The Fed was created, not so much to create stability, but to avoid mass panics.

MY, HOW THINGS HAVE CHANGED!

Those of us who are interested in digital gold currencies tend to do a lot of complaining. We are buffeted on every side by outdated institutions and their unthinking defenders; we are forced to defend ideas that frighten people for no good reason. In other words, we suffer for the privilege of creating better things. (Not very fair, is it?) But it is important to understand that we suffer these things, not because of our absolute position, but because of our position relative to the average.

We are out ahead of the pack, and it is this distance that creates most of the unpleasantness. But… that doesn't mean that the pack is stationary.

If you're driving 30 miles per hour and I'm driving 90 miles per hour, you'll probably think I'm driving far too fast, but that doesn't mean that you're standing still.

The pack of "average folks" is emphatically not standing still; they are moving forward rapidly. The economic civilizing of the average man may be the greatest success of our time.

Forty years ago, it was rare for a middle class person to own more than a few shares of stock. Now, well over 50% own stock, and usually a number of stocks. This has many effects, but none more important than educating people in economics. We may complain that the announcers on financial shows are overt cheerleaders, but they are cheerleaders that talk about supply and demand, about operating margins, and about tax jurisdictions. This is a very big development.

Just as importantly, economic courses in schools have changed-over from Statist, Keynesian texts, to free-market texts. (I've had the opportunity to check a number of economic textbooks over the past few years, and they were almost universally good.) The Econ departments of most major universities are full of free-marketeers, who also win most of the Nobel Prizes. Hayek, Freidman and Mises more or less rule the roost. (Thank God.)
Joe Six-pack is now a stockholder, and he's learning a few things about economics. This situation is far from pure, but it is strongly positive.

WHAT NOW?

Have you ever been criticized for doing something new, only to see the masses do the same thing some years later? Well, if all goes well, you may just experience it again.

(Yes, I know, since 9-11 there have been a lot of negative developments. The control-fetishists and chaos-phobics have run amok, trying to lock everything that moves into a well-watched box. Nonetheless, these people are running on yesterday's power source, and they may not be able to hold the line.) Let me give you more good news: The first wave of reaction to the 2007 housing slump is in, and the "we have to help the poor homeowners" mantra has mostly fallen on deaf ears. I followed the comment trails to several such stories on local newspaper websites; the comments were at least 80% anti-intervention. People were asking the right questions, giving the right answers, and displaying a real understanding of economics.

If this were 1907, there would be far more panic and fear than we are seeing today. Economic education has taken root, and the results are starting to show. And if this holds, reasons to build ridiculous, control-biased systems in our time will be absent. That leaves room for Digital Gold Currencies – and other good things - to thrive.

(Special thanks to Larry Parks of www.fame.org for patiently explaining much of this to me.)

Paul is the author of A Lodging of Wayfaring Men and other books. You can find his work at www.veraverba.com Also see: Bye Bye Big Brother

Photo above is from the National Bank Awards ceremony in Moscow. Accepting the award for Webmoney Transfer is Mr. Peter Darakhvelidze.

WebMoney
National Bank Award Winner

by Mark Herpel

WebMoney Transfer is the 2007 National Bank Award Winner for Best Online Payment System.

To announce the winners of the National Bank Awards, on the 12th of December in Moscow there was a very elobrate ceremony. Present at the awards event there were more than 400 representatives of the bank association, the leaders of power structures, deputies, journalists and honored guests. Not surprising, Webmoney Transfer won for most popular online payment system in Russia.

The voting for this award took place online and contenders included banks and registered credit organizations with no less than three years operating history in the Russian Federation. All entries had also previously met the requirements of Boards of Exchequer and the Russian bank.

The award was presented during the 'Bank Days' in Moscow which is exhibition of bank product and services that took place in Moscow, December 12th through the 14th.

The stated goals of the event are to better inform citizens on Russian bank services and financial services offered through credit organizations. The event takes place over several days and increases the public's financial literacy and acquaints users with the local bank representatives services.

On hand for this event were the top bank managers and the financial professionals from the credit subdivisions of the leading Russian banks.

The National Bank Award is the leading professional award in the Russian banking and the payment industry.

The award was established in 2005 by the Association of Russian Banks and National Bank Magazine.

The Association of Russian Banks (ARB) is a non-governmental non-commercial organization founded in 1991 that unites commercial banks and other credit organizations, as well as organizations involved in the functioning of finance-and-credit system of the Russian Federation.

As of December 2007 the ARB had 753 members including 574 credit organizations which contain 2902 branches. The ARB actively cooperates with 47 regional banking associations and unions as well as with the banking communities of separate 19 Russian regions.

Since 1997 the Association of Russian Banks has been an associated member of the European Banking Federation.

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WebMoney
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James Turk is the founder and chairman of GoldMoney.com

GoldMoney.com stores the largest amount of precious metal bullion of any digital gold currency (DGC) in the world. Today their vaults contain around a quarter of a billion dollars worth of precious metal. Account holders can easily purchase digital gold and digital silver bullion through a variety of payment methods. They also provide customers a choice of bullion storage through secure vaults in London and Switzerland.

GoldMoney accounts also offer a variety of practical financial services which can be used in conjunction with the purchase or sale of this popular digital gold currency. The company is organized and operated from Jersey, one of the Channel Islands situated in the English Channel near the north-western tip of France. The GoldMoney web servers are also based in Jersey.

Filed back in 1993, the first GoldMoney patent was finally granted in 1997. Since that time they have received 3 additional patents for their digital currency technology and a fifth patent is now pending. Their patent technology focuses on GoldMoney's, "...system and method that enables gold or other commodities (tangible assets) to circulate through an electronic medium as currency."

Mr. Turk has created the world's largest digital gold currency. Here is my interview.

DGC. Are you the original inventor of digital gold currency (DGC)?

Turk. Yes, after coming up with the idea for DGC, I began researching patent law in the early 1990s and realized that my idea was patentable. I therefore hired a patent attorney in 1992, and the first patent application was filed in February 1993. GoldMoney now holds four US patents, and other patent applications are pending as we continue to develop our intellectual property.

DGC. How many account holders does GoldMoney currently have?

Turk. Over 40,000

DGC. How is a goldgram created? Who is involved in that chain of issuing the digital units?

Turk. It's a very important process, and I can't share all of the checks and balances for security and competitive reasons, but here are the key steps to the process. The first step is the notification GoldMoney receives from its customer that gold or silver bars are being delivered into the vault. This information is then passed on to Via Mat and Euro-Dutch Trust Company. When the bar(s) arrives in the Via Mat vault, it is first checked by Via Mat personnel to make sure it meets in all respects the standards of the London Bullion Market Association. They then notify EDTC of the fine weight of the metal content in the bars, which EDTC then records into the system. GoldMoney supervises the process and provides a double-check to make sure that everything is properly recorded, namely, that the fine weight of gold or silver are accurately recorded in the customer's Holding. There is no fee for adding or removing gold and silver from GoldMoney.

DGC. More importantly, what prevents the GoldMoney database from containing more digital grams than are on deposit in the secure vaults?

The short answer is there are numerous checks and balances between different service providers that are part of the processes that enables GoldMoney to operate. All of this is then verified

by our auditors who confirm the 1-to-1 relationship that the total weight of gold and silver in the vaults always equal the total quantity of goldgrams and silver ounces recorded in customer Holdings.

I recommend that your readers review our extensive governance procedures to see how we safeguard our customers' gold and silver. This information is available on our website at the following link: http://goldmoney.com/en/governance.html

DGC. I've read your quote many times, "Gold is Money" and I agree, yet there are very few places in our modern society where one can pay for a common daily expense using a gold coin or even online using digital gold. Will we see this change over the next few years?

Turk. Yes, I expect it to happen over time, but in my view that is not going to be gold's major application as currency over the next few years. Gold's principal use will be in cross-border commerce, and principally by companies, rather than individuals.

DGC. Do you still refer to GoldMoney as a 'currency' ?

Turk. Yes, of course, because it is indeed a currency. People can use their goldgrams as currency, spending them or exchanging them for other currencies or saving them. These are just like things you can do with any national currency.

DGC. If the US dollar continues to decline in value or even collapses do you feel that the US Government and Treasury would adopt a new gold standard?

Turk. No, the likelihood of that happening is less than 10% I think. Even if they tried it, no one would believe them, which would undermine their effort to establish a gold standard – unless of course Congressman Ron Paul was elected president. That event would change my view because he is committed to re-establishing a monetary system based on what the framers provided in the Constitution, which is the system that prevailed more or less for the first 180 years of this country's history.

DGC. Your first GoldMoney patent was awarded just over ten years ago in October 1997. Given the loss of confidence in some national currencies and gold's recent move up in price are you concerned that a pack of Internet DGC competitors will emerge over the next couple of years?

Turk. I don't know, but if they do, they will need to match our governance procedures. Anything less than we have done will not provide their customers with the necessary assurances of integrity that all customer gold and silver is safe and secure. The failure to meet this requirement is one reason some GoldMoney wannabees have fallen along the wayside over the years.

DGC. I'm interested in making digital gold more mainstream for daily use with businesses and consumers. What advice can you give me which will help to move this idea forward with retail merchants and consumers?

Turk. They need an incentive or some "killer" application. That's the way online commerce has been developing. If they see an incentive or some application for which they need to use digital gold, they will quickly start using it. The incentive can be many things, like lower costs, security of payment, convenience, etc. But it takes time for people to understand the advantages. Remember, gold is unfamiliar to most people.

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It has not been circulating as currency for eight decades, so few today remember using it as currency. And few today understand that gold is money, or even why gold is money. They see it as an investment, rather than money.

DGC. I'm sure you are aware of the new proposed e-money the government authority is now working to get issued in Singapore. (Singapore Electronic Legal Tender) Do you have an opinion on SELT?

Turk. I only know what I've read about it in news reports. While electronic currency makes sense, legal tender does not, regardless whether the currency is electronic, paper or other forms. Legal tender means that the currency circulates because of the use of force. In other words, governments force you to use it, and accept it in payment. That's bad because the fundamental underpinning of the marketplace is voluntary exchange, and there's no place for force in a voluntary exchange.

DGC. Last week there was an interesting article on how PayPal's money market fund portfolio was currently holding $1.63 billion dollar of illiquid assets, which is 5.5 percent of their total holdings. PayPal is often considered a 'safe' place to keep funds, yet they now seem to be writing down a massive amount of their current portfolio. Ouch!

Turk. Ouch indeed. People everywhere are starting to learn about counterparty risk.

DGC. This is a purely sarcastic question, however based on that last question, I can't resist asking. Have you ever had to write off 1 billion dollars because your gold bullion was NOT liquid?

Turk. Absolutely not!

DGC. One of the biggest obstacles I've found when talking to new users of digital gold or interested people is their ability to grasp the concept of how a digital gold account is valued. In a standard bank account, a deposit is made in dollars, remains in dollars and the deposit amount never changes, it just accrues interest. In a digital gold account dollars are exchanged for physical gold. That amount of physical gold never changes but the value moves up or down with the daily price of gold. Would that be a correct description of a GoldMoney account?

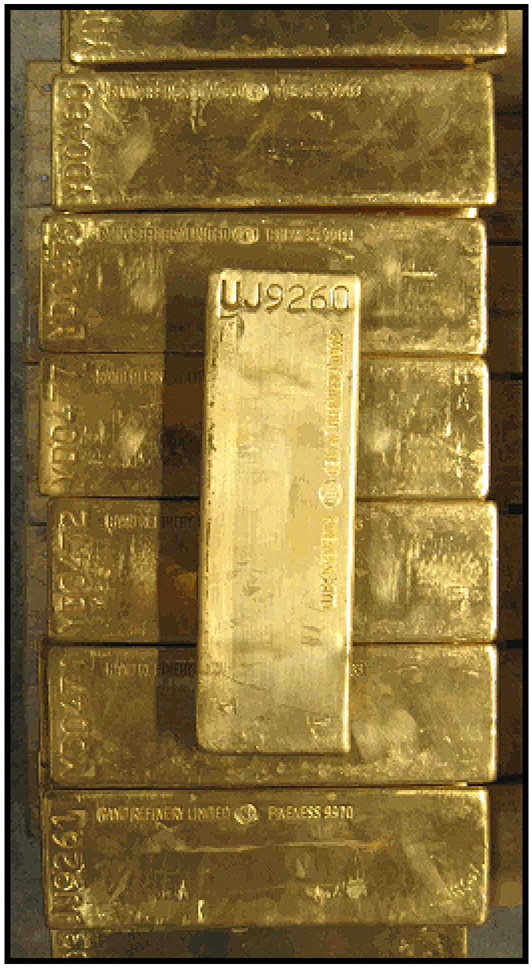
Turk. Yes, that description is accurate because in GoldMoney you own gold, not dollars. You use your account like a bank account, but a GoldMoney account is different in two important ways. First, your account is denominated in goldgrams and mils, not dollars and cents. That's because you own gold sitting in secure storage in England or Switzerland in vaults owned and operated by Via Mat International, the big Swiss storage company. The second difference is that there is no counterparty risk. This point is important, and I often use the recent bank-run at Northern Rock to explain counterparty risk. Namely, you are dependent upon the creditworthiness of the bank where you deposit your money.

Occasionally people then ask: "But don't I have counterparty risk when I store gold with GoldMoney?" The answer is a definite no. Your gold is not dependent upon GoldMoney's creditworthiness. If GoldMoney were to go out of business, your gold would be safe. In contrast to banks, you do not "deposit" your gold in GoldMoney. You simply authorize us to store it for you. There is no change in title – no change in ownership – of your gold, which contrasts with banks. When you deposit money in a bank, the ownership of your money changes. The bank now owns your money, and they give you a certificate of deposit or bank statement evidencing their debt to you, making you dependent upon the bank's creditworthiness. That's counterparty risk.

There is a risk with GoldMoney, but it is performance risk. Our customers have the risk that we will act and do things as we say. To overcome this risk, we have strong governance procedures, which mitigate performance risk. Consequently, these strong governance procedures, some of which we have already discussed, provide our customers with assurances of integrity that their gold is safe.

DGC. Investors in today's world, at least most American investors, seem to have faith in the US government. They believe that the government could and would bailout the banks if they get in trouble. Does GoldMoney operate with the full backing, guarantee or assurances of any government? Is there a possibility of anyone bailing out GoldMoney in the face of big problems?

Turk. Well, again your question centers upon counterparty risk, but before I address that, I question your premise about faith in government. Just look at the surveys asking people whether they expect to receive Social Security when they retire. Add to that the countless people directly impacted by Hurricane Katrina and the people who were just watching, all of whom learned not to rely upon government promises. And many more government promises are going to be broken in the years ahead. So do you really want to rely on a government promise to bailout your bank? And as we are now seeing, banks do need bailing out from time to time.



Anyway, to get back to your point, regardless what happens to GoldMoney, the gold and silver owned by our customers is safe because it is sitting in a secure vault, insured, and protected by our governance procedures and policies.

DGC. Adding Switzerland as a vault location is a great alternative for your customers. Do you have plans to add more friendly jurisdictions in 2008?

Turk. Yes, we plan to add more vault locations in 2008, but "friendly" is in the eye of the beholder. For example, many French do not like to store gold in Switzerland because they believe it is too close to the French taxman. They prefer the United States. But many Americans are reluctant to store gold in the United States because of the previous confiscation, where gold owned by Americans – but not other nationalities – was taken by the federal government. Our aim is to open a number of vaults around the world, and let our customers choose where they would like to store the gold and silver they own.

DGC. When an account holder sells his position, do you have any limits on the client's outflow of sale proceeds?

Turk. No, we do not restrict a customer's ability to exchange gold for a national currency. Also, all sales regardless of size are done at the spot price. We do not take any fee on sales. If the amount is $30,000 or less, we can usually fix 24/7 the price at which the gold is being sold. Larger amounts are completed at the first London fix after we receive the order.

DGC. Who developed or created your KYC and AML policies? Are they based on a bank's policies and if so what jurisdiction?

Turk. We operate in the island of Jersey in the British Channel Islands, which is one of the world's largest financial centers and one of the most respected countries for its KYC and AML policies. So we follow the law in Jersey, and therefore our policies are the same for all financial institutions in Jersey. The Financial Services Commission is a government body that ensures the country's policies in this regard are followed. Thus, if you were to open a bank account in Jersey, you would need to follow at that bank the same KYC and AML policies that we follow in GoldMoney.

DGC. During the mid 1980's you were manager of the Commodity Department of the Abu Dhabi Investment Authority. In November just weeks ago, Citigroup obtained a $7.5 Billion dollar cash 'investment' from the Abu Dhabi Investment Authority. The purchase gives away a 4.9% equity stake in Citi and makes Abu Dhabi the bank's largest shareholder. The equity units purchased pay an annual fixed rate of 11% ! Do you have an opinion on this transaction?

Turk. We can draw some conclusions about Citibank. To pay such a relatively high rate makes Citi looks desperate for money, which is probably an accurate assessment. Recent events and in particular, announcements from them indicate that they have severe asset quality problems, so the counterparty risk people incur when they lend or deposit money in Citibank has risen considerably as a result. Higher risk means lenders will require a higher rate on any loans they extend to Citi.

DGC. In October of 1929, the US stock market collapsed and the great depression gripped America for many years. I would call the stock market crash a 'trigger event'. Based on what happened during that period in American history, do you see any similarities to the present day US economy and financial condition?

Turk. Absolutely. The major similarity is the growth of debt, but this comparison needs some explanation. The growth of debt over the past ten years totally dwarfs the growth of debt in the 1920s, so the financial situation is even more fragile and unstable today than it was in 1929.

DGC. Can you tell us what sort of 'trigger event' could cause that type of collapse today?

Turk. I do not expect a stock market crash. Some stocks will of course crash, but I think the major averages will climbed higher in nominal dollar terms. That happens in any country before the currency collapses, which is what I expect to happen to the dollar. It's on the path to the fiat currency graveyard and unless some corrective action is taken – and I see nothing being done in this regard – it will sooner or later get there, and probably sooner than most people think. Hundreds of fiat currencies are buried there, including the Continental, this country's first national currency.

DGC. Goldman Sachs' global markets team in its top 10 trades list for 2008 has recommended investors short gold. Their call is for investors to short gold priced in U.S. dollars in order to capitalize on a gradual relaxation of US credit concerns. Is this a good idea?

Turk. Not in my view. First of all, shorting anything is a dangerous proposition. Only experienced traders should get involved with shorting. Second, gold has been rising for seven years in a row. Why should it reverse course now? I see no reason to expect gold's bull market to stop here. In fact, I expect a 4-digit gold price in 2008.

DGC. In a 2001 interview, you said, "There's no doubt in my mind that DGC will become central to global ecommerce." Do you still feel this way?

Turk. Yes, I do. What I am saying is that gold will once again become central to global commerce, and it will happen in a technologically advanced way, namely, digital gold currency – not paper gold currency, coin gold currency or any other form.

DGC. If I buy goldgrams, can I have them delivered?

Turk. You can redeem goldgrams for LBMA gold bars if you have enough of them. One LBMA bar typically weighs over 12,000gg, which is about $300,000. If you have less than that, you can exchange your goldgrams for coins or small bars. Just contact Kitco and tell them what kind of fabricated gold you want, and tell them you will pay for your purchase with goldgrams.

DGC. I've bought GoldMoney using the US bank account payment option. I have to ask, do you experience any fraud with purchases of GoldMoney?

Turk. There are always fraud attempts because crooks are a tenacious lot. But the number of attempts is inconsequential. For example, in the past twelve months we processed over 18,000 electronic check transactions, of which 8 were fraud attempts. And these 8 were stopped so no money was lost.

So the crooks tend to leave us alone because they know we are vigilant and that our anti-fraud procedures are so good that they will come up empty-handed. They therefore pick on easier targets.

DGC. Since 2001 when GoldMoney started have you ever had a security breach where account holders' information was leaked out?

Turk. No, it has never happened. Our security is really that good. We have great security procedures, and our security team does first-class work.

DGC. What additional new products or services can we expect to see from GoldMoney in the coming months and years?

Turk. I can tell you what we are working on, but I don't know the launch dates yet. In the pension plan area, we are trying to develop an IRA product for customers in the US, along the lines of the SIPP product we launched this year in the UK. We are going to add purchases and sales of silver in Switzerland, so silver can be stored in the Zurich vault. We also plan to add some basic foreign exchange trading, so customers can switch between the different currencies in the Customer Segregated Funds account. We also have a few other things that I would rather not mention because they are still early in their development.

DGC. Can you tell us if you have found any common factors between all GoldMoney users?

Turk. We really haven't surveyed our customers in detail, but we do see some common characteristics. Foremost among these is their desire to diversify their wealth. They see gold and silver as important assets that enable them to achieve that goal, and they choose GoldMoney because they want physical metal, and not some 'paper' product. These paper products give people exposure to the gold price, but come with counterparty risk. Our customers do not want that risk. They want physical metal and know that is what they are buying in GoldMoney. Also, they are confident in our governance and do not want the inconvenience and higher cost of buying and storing precious metals themselves.

DGC. I was talking to a client yesterday and he is looking for an alternative for his company's short term money market fund and he asked me about GoldMoney. Do you have a lot of corporate account holders and are corporations moving their national dollars into the GoldMoney's safe financial environment?

Turk. Back in our early days, only a few companies opened accounts.

But now that we are bigger – we're storing $250 million of gold and silver – more companies are taking a closer look. We believe that it's an area that will increase in coming years, and in this regard, we have some plans to make GoldMoney more company friendly next year. The payment process is one area we intend to upgrade. To give you one example, companies tend to make payments with two signatures on a bank check. We plan to have a similar functionality within GoldMoney.

DGC. In January of this year, the spot price of gold was at $610 USD per ounce. In a GoldMoney online account, if I had made a purchase at that time of one troy ounce and left the GoldMoney account untouched until today, disregarding any minor fees, approximately what USD value would be reflected in my GoldMoney account today? Keep in mind, today that the spot price for gold is just under $800 per ounce bidding at $795.   What is my $610 gold GoldMoney deposit worth and immediately liquid for today?

Turk. There is a 1/10th of a goldgram monthly account fee, which isn't minor if you only have a small amount of gold in your account. That fee is presently about $2.50. But ignoring that, your gold is worth $795, and that is the amount you would receive if you chose to exchange your gold for dollars.

DGC. Where would you like to see GoldMoney in 10 years?

Turk. Good question. Obviously I expect GoldMoney to continue growing, but I think there's a more important answer to your question. Technology today enables gold to circulate as currency in a way that is far more efficient than any national currency, and further, anything you can do today with a national currency you can do with goldgrams. So I would like to continue expanding our scope of products. For example, we are often asked to issue a debit card that people can use to access their goldgrams. I'd like to see that happen in the next year or two, but longer term there are ways to use goldgrams that people aren't even considering yet. How about buying and selling stocks using goldgrams in payment? How about an efficient online stock exchange where the shares listed and traded there are quoted in goldgrams? Basically, anywhere we today use national currency we could also be using goldgrams instead. There are no technological hurdles to stop that from happening. So as GoldMoney grows, I hope to see goldgrams used in more and more ways.

DGC 2007
The Year In Review
by Mark H.

What a year! Violence continued in the Middle East, Iraq and Afghanistan doubling the price of oil topping $100 per barrel.

The price of gold passed $840 per ounce which is up more than $200 an ounce for the year and the US dollar dropped like a rock.

What happened in the DGC world?

January
During the World Economic Forum, Microsoft® announced that they are developing an online payment system which might be based around their existing Microsoft Points Framework.

We all hope to hear more on their new system in 2008.

The Canadian financial institution, North York Credit Union, closed and took with it many well known digital currency debit cards including the wildly popular BestGoldCard plus IGEcard, IMTcard, Agronex jCard, Bluebanking, GoldtoCard, ROBOXchange, gCard and Evergreen Cards.

e-gold® celebrated their 10 year anniversary.
January 10, 2007 e-gold, one of the world's foremost Internet payment systems, celebrates its tenth anniversary this month. As the pioneer of Internet payments, e-gold has flourished due to its strong fundamental principles of freedom from default and finality of settlement. e-gold has settled over 70M transactions, serves customers in 165 countries, and holds nearly 3.5 metric tonnes of gold. e-gold has continued to successfully serve its customers, while other payment systems have come and gone losing millions of investment dollars. e-gold has always held true to meeting its User obligations. When merchants are paid they stay paid, and consumers can make payments without compromising their personal information online.

PayPal® decided to take a pro-active approach to phishing and introduced an electronic password security key (fob) and made it available to all account holders for the small price of $5.

Micropayments provider BitPass closed, blaming "circumstances beyond our control".

February
GoldMoney® was awarded its 4th Patent.

> *US Patent No. 7,143,062 was issued to GoldMoney. Entitled "Electronic cash eliminating payment risk", the patent describes a system and method to allow gold to circulate as digital cash through a global computer network such as the Internet and/or private communication networks, much like cash currently circulates in the physical world.*

Brink's Global Services decided they will no longer "vault gold for internet gold services".

e-gold® updated their software to offer compliance with the Unlawful Internet Gambling Enforcement Act of 2006 by empowering online gambling sites to refuse payments from US Persons.

March
The 10th annual Digital Money Forum in London, was a big success. The goal of the Forum is to encourage discussion and debate around the real issues at the heart of electronic money in all its forms. Don't miss this year's forum co-sponsored by Webmoney.

GoldMoney announced some great new client services - 'Customer Segregated Funds'

> *In addition to a GoldMoney digital bullion accounts, they are now offering clients a segregated national currency 'connecting account' with their local Jersey bank. Customers can now deposit funds directly into their segregated accounts using any of 4 different currencies: US dollars, British pounds, euros or Canadian dollars.*

Bernard von NotHaus and the Liberty Dollar organization, sued the Federal Government.

Liberty Dollar v Henry M. Paulson, Secretary of the Treasury, Alberto Gonzales, Attorney General of the United States, Edmond C. Moy, Director, US Mint

The Webmoney Transfer 2006 annual report was released showing excellent growth.

Number of registrations during the past year has exceeded 1.1 million — for January 1, 2007 there were 3.145 registrations in the System. Total turnover equivalent to USD, has reached 1.46 billion and has exceeded 2005' results: WMZ — grew 2 times bigger, WMR- three times bigger, WMU — 4 times bigger. Number of transactions is more than 15 million.

ALFII and My Icis were closed by the authorities. Attorney for Arkansas Securities Department, said:

"… the FBI and IRS have confirmed there is an ongoing criminal investigation underway naming Hicks and My Icis, and they are asking for complainants to come forward."

The Best Gold Card version 2.0 was canceled due to an unrelated bank problem.

Webmoney moved into mainstream e-commerce by partnering with merchant card processor CronoPay.

E-Gold was indicted for alleged money laundering and illegal money transmitting but today remains open and seems un phased. e-gold® founder Dr. Douglas Jackson vigorously denied all criminal charges in a public letter on the e-gold web site.

Around 60 e-gold accounts are frozen and an estimated $16-20 million of e-gold is force liquidated through OmniPay and the proceeds are seized by the US Government Department of Justice pending the outcome of the charges.

1MDC effectively closes.

"It appears that a U.S. Government court order has forced e-gold(R) to close down or confiscate all of 1mdc's accounts. All 1mdc account's have been closed at e-gold by order of the US Government."

OmniPay primary dealer for e-gold announced they are moving to Africa. As of January 1, 2008 that move and their new operation appears still pending.

"The OmniPay exchange service will suspend operation pending provisioning of a suitable bank account for OmniPay Africa. It is anticipated this service interruption will start May 24, 2007 with service resuming on or about June 18, 2007. With resumption, all bank wires from customers must be directed to the new bank coordinates which will be posted on the omnipay.com website."

e-gold video's appeared on YouTube detailing Dr. Jackson's testimony before Congress regarding the prevention of payments in the child pornography business. Two ten minute videos including questioning by some seriously ignorant Congressional representatives.

June

Patrick Chkoreff's Loom Gold software gained popularity and even has its own a tutorial video out. http://www.dgcblog.com/Loom-Vid-Tutorial.htm

July

Webmoney Transfer announced a new digital gold purse. The WMG, Webmoney Gold Currency-1 WMG equals 1 gram of Gold.

c-gold digital gold currency debuted. This unique new start up comes from the successful CyberFrontier team. At present, Commerce Gold is showing 32 kilos in the vault. c-gold is working to offer walk in locations for over-the-counter bailment and redemptions.

V-money relocates to Panama. The parent company was issued a commercial license number 2007-4886 to process online payments.

“We are pleased to announce that V-Money is now running on secure encrypted servers located in Panama. We have just secured a lease agreement for office space in one of the most prestigious Panama locations, right in the heart of the Financial District, in the new Global Bank Tower.”

Cyber Space ATM (CSATM) previewed which is one of the earliest versions of the Loom software.

Global Digital Currencies Association (GDCA) issued a warning regarding e-bullion.

“...Global Digital Currencies Association would like consumers and merchants to be aware that E-bullion.com closes and/or freezes accounts...”

August
Webmoney Transfer reached 4 Million customer registrations

GoldNowBanc Issues Gold Grams on Loom.cc

e-gold gets a new blog. Dr. Jackson and associates now offer direct information and commentary to the blogosphere. http://blog.e-gold.com/

Webmoney Transfer partners with cashU.

“cashU, one of the largest Internet payment systems in the Middle East and Africa, announced they have now partnered with Webmoney Transfer.”

September
Google Adwords bans the term ‘e-gold’ in their popular advertising medium.

The Liberty Reserve web site gets a new blog.

“We created this blog to provide news, updates, introduction to new features, and as a way to receive feedback from you, our client.”

October
GoldMoney introduces a new storage facility in Zurich, Switzerland.

Liberty Reserve introduced their Euro account.

Webmoney audit reveals 30 kilos of gold bullion backing the currently issued WMG

Pecunix pilots a new ‘scam warning screen’ which is an experimental scheme to dissuade customers from misusing their system.

“Pecunix accounts are now actively monitored for HYIP activity and each account that is discovered or recognized gets ‘marked’. All ‘marked’ accounts then receive the following payment interface upgrade. Once upgraded, the effect is the same whether you use a payment link, the PRI (shopping cart) interface or a standard account to account payment, so all payment activity for that account is covered. Anyone attempting a payment through the marked account will meet a large warning screen.”

GoldMoney announced a new tax efficient way for UK customers to own GoldMoney through a newly created Self Invested Personal Pension (“SIPP”) which is designed especially for holding gold bullion.

November
C-gold opened their primary walk in location in Penang, Malaysia

e-gold web site became 100% available in the French language.

Global Digital Currencies Association (GDCA) issued a NetPay warning and suspends their membership.

FBI and Secret Service agents raided the Liberty Dollar office in Evansville as the price of gold moved above $800 an ounce.

December
WebMoney wins the National Bank Award for best online payment system.

Kitco's ChipGold Bar

The ChipGold Bar offers quality, security and the pure beauty of .9999 fine gold bars as small as one gram. The gold is presented in credit-card like vacuum packaging with advanced security features.

Suitable for all budgets, the bars are available in four weight options: 1gram, 5gr, 10gr and 20gr. sizes. One of the most unique features of this product is the option that ChipGold can be easily sold back to Kitco at Bid spot market value. That's nice!

These are small standard gram denominated weights, sealed credit card sized packaging and they are only available from Kitco, a recognized leader in precious metals. On each credit-card like package, you will always find a purity certificate which provides a quality guarantee.

This small ChipGold card is one of the most innovative investment tools available on the market, plus they make great gifts. Since gold is now approaching $900 an ounce, a gram or two might just be the correct size for your purchase. Do you have a special friend or family member who already has a stack of Home Depot gift cards? Here is a great gift for them, because everyone loves gold.

The Kitco web site also offers a fine selection of gold, silver and platinum coins. Maple Leafs, Krugerrands and even that new US Buffalo coin, Kitco has them all and up to the minute spot prices. Do you need a kilo of gold or a 1000 oz bar of pure silver? Kitco.com is the place for you to shop online with confidence and they accept GoldMoney as payment.

Interview with eCache Operators

by Jonathan Logan
December 17 2007

Note: This interview was conducted via Instant Messaging and later edited for clarity. The edited version has been approved by all participating participants. Furthermore the text has been signed by the official eCache key for verification.

Participants:
- Jonathan Logan, interviewer
(j.logan@meshmx.com)

- the-guy, eCache operator
(eCache@hushmail.com)

- aragon thine, eCache operator
(eCache@hushmail.com)

Logan: First off, thank you for taking the time for this interview. Let's start with introductions - Who are you guys?

the-guy: We are two of the eCache operators. I'm a consultant in my official life, and aragon is a system administrator. We've decided against revealing our true names at this point.

Logan: Okay, can you tell me in one sentence what eCache is?

the-guy: eCache is a digital cash-equivalent that brings the methods of meatspace cash payment to the Internet.
aragon: The formal definition would be anonymous, traceable digital bearer certificates resembling paper IOUs.

Logan: Please elaborate on what that means. What is eCache for? What makes it different from other systems on the market?

aragon: eCache is a highly anonymous way to transfer value over the Internet. It's actually the digital version of your greenback. We issue digital cash, backed by gold, that can be used to pay for anything you could pay cash for… so long as the other party accepts it, of course. The main difference between eCache and other digital payment systems is that it does not know any "clients" or "accounts." It only knows Digital Bearer Certificates that can be transferred to another party just like any other data on the Internet. One other difference is that we are working on a raid- and theft-safe issuing and backing infrastructure.

Logan: All right, let's explore some of the things you've said. You mentioned that eCache is anonymous but traceable. What does that mean?

aragon: Anonymous means that we do not attach any identity to the certificates we issue, nor do we undertake steps to identify clients. Our system requests no login, no account opening and it is meant to be accessed via anonymous communication networks like Tor (http://tor.eff.org/).

So, nothing links a person to the money and transactions involved. However eCache is traceable… at least in theory. That means that transactions can be linked to each other. But although this is technically possible, we do not record transaction links.
the-guy: And, we offer methods to break traceability with Mixes.

Logan: What are Mixes and how do they help with breaking traceability?

the-guy: Imagine you have a big magic jar sitting on the counter. Anyone can throw in some bills and take some bills out in return. The magic of the jar is that it verifies that the bills are actual money and that you cannot take out more money than you put in. This is what a Mix does. It allows you to exchange a DBC which might be traced with a random certificate. By doing this several times with several mixes you can rapidly decrease the risk of your transactions being traceable.

Logan: That sounds terribly complicated. Why don't you issue DBCs that are untraceable from the very start, like blind signature DBCs?

the-guy: One of our design goals when building eCache was simplicity. We wanted to have processes, algorithms and methods that are easy to implement, easy to understand and usable without special software. Furthermore we wanted DBCs that are human-readable. Blind signature digital cash does not have these characteristics. It is processing- and communication-expensive, can't be used without special software and is simply overkill. The system we had in mind resembles physical cash and has about the same characteristics when it comes to potential traceability, anonymity and usage processes. And it's cheap to operate. With the Mixing option, we cater to the more paranoid users that do not want to trust us in respect to traceability.

Logan: You say that Mixing breaks traceability. Couldn't you trace the DBCs anyways when operating the Mix?

aragon: The safety is that we do not operate all, or even any, of the Mixes. It's pretty simple software that can be downloaded from our site, and it's easy to install and operate on a standard web server. That means that anyone can operate a Mix and thus the trust is distributed.

It would even make sense from a business standpoint. An eCache exchanger can run a Mix on his website and charge his clients for using it. Or throw it in as added value to increase customer binding.

Logan: Since you mentioned exchangers: How do people get money in and out of eCache?

the-guy: We rely on exchangers selling and buying eCache. There are a couple of them on the market right now that offer eCache exchanges. Another option is to ask eCache for an exchange, but we don't really like to do that because we want to increase security both for us and the client, as well as building a market around eCache where exchangers have sound economic motivation to participate. That is why direct exchange with eCache will become more and more expensive over time and sooner or later we will refrain from doing exchanges for anyone but respected digital gold exchangers.

Logan: Since eCache transactions are free it seems that exchange transactions are the only way you make money with eCache. Do you think that is a sustainable way to run a digital currency?

the-guy: Not at all. Exchanges alone would end us up bankrupt as soon the initial growth period is completed. Our business model is different. First of all eCache transactions won't stay free for ever.

In late 2008 we will introduce operation fees. A user would then have to pay on a per transaction basis. However, fees will be pretty low, roughly around 0.001-0.005 grams of gold per operation.

The second way for us to make money is to develop and sell software and services for the eCache ecosystem. And there is the third income factor, which is indirect income from a growing market for anonymous services paid for by eCache. There is a lot of potential in a truly anonymous digital economy and I think each of us will profit from its growth. Actually, the latter is our primary motivation in this business. Implementing our vision of a digital free market is the biggest success we can hope for and that leads us in our decision making.

Logan: I have to admit that I doubt that eCache will ever become big enough to justify the term "eCache ecosystem." When following the public discussion about eCache, one has to notice that potential clients have some concerns with not knowing who you are or if there is really any money in your vaults. You seem overly secretive.

How do you expect the market to develop trust in you as company?

aragon: We fully understand these concerns. I would have the same. Let me explain why we are so secretive and how we will increase the trust in us.

When we were thinking about digital currencies - especially anonymous, gold backed digital cash - we couldn't help but notice the external risks to such a system. And the last 18 months have proven us right.

With the USA and other states cracking down on digital gold currencies it has become clear that a structure that is too open invites predators. e-gold has been attacked and funds frozen or actually stolen, Liberty Dollar has been raided, several exchangers and value transfer system operators have experienced some rather big troubles. None of these things increased trust in digital gold currencies.

Some will say that operating DGCs outside of the USA is the way to go. But I think this is naïve. The US has a pretty well known history of snatching so called criminals from transit zones on airports, even redirecting flights. The US even says that it has the right to kidnap people abroad to bring them into the US for trials. And with seizing valuables all over the world in so called terrorist cases even your bullion in vaults isn't safe anymore.

Add to the picture that it's not only the US does those things; several other countries are following their lead. So, you have to reconsider the whole concept of "offshore" DGCs. Nothing can keep those bureaucrats from attacking things they do not understand or approve of.

I have to admit that I am not brave or stupid enough to risk any of this. That's why we do not mention our real names, that is why our servers are only connected to the Tor network, that is why our backing is in a place never mentioned in public. In my opinion that is the only reasonable way to operate any such system without implementing "Know your customer" rules or risking complete disaster. Another way is to keeping the eCache operated mint small and going for a distributed ecosystem as soon as possible.

Logan: Before we come back to the term "ecosystem," you didn't answer the question on how to build market trust in your system.

aragon: I was coming to that. All of the things I just mentioned led us to think about trust in fresh ways. Clearly the old way has some crucial flaws and has to be adapted to the risks we face today, and may continue to face for a long time. So, we defined, and partially implemented, new ways of establishing trust.

Instead of being fully transparent to all market participants, we decided to delegate the question of trust in a secure and distributed fashion. Our answer is "bonding." That means that we build trust with parties that publicly agree on standing in for us in case of damage, by issuing bonds. Those bondsmen have access to an auditing process that does not put the location or content of our backing into risk of seizure while still giving them enough assurance that we are not issuing money out of thin air. Furthermore, those bondsman have access to all data required to honor our obligations to our clients in the case that eCache gets taken down permanently, so that no client looses all of his money. The process of building this network of bonds is still underway and is expected to be completed in mid-2008.

Logan: This is a pretty unusual way to handle trust in the DGC arena and the market will decide if it approves of it.

the-guy: It is always the market that decides.

Logan: Certainly. You mentioned the "eCache ecosystem." How do you envision it? What is your part in it?

aragon: The non-anonymous economy has established quite a few services that support market participation, and we think that some of those methods should be implemented in the anonymous economy as well. There are several building blocks we are working on or that we hope the market will come up with on its own. The parts we may implement are ways to make it easy to automatically accept eCache on your website. (Now, each developer has to build it on its own.) While this is not hard, it certainly could be easier.

Another thing is the web wallet which is a combination of a web service that one can install on a web server to accept incoming transactions, as well as an extension to the Firefox web browser that supports two click automatic payments to websites and all DBC management. Furthermore we are working on a concept for instant payment integration in an instant messaging system for peer to peer transactions. Also inter-mint clearing to connect mints operated by different parties.

There are other people involved in building tools for the eCache ecosystem too. We're in contact with two people both working on mobile phone support and one guy who is building an escrow system for eCache. And not to forget there is a project to build an anonymizer network paid for by eCache on the fly.

The latter is a pretty good example of what new services are possible with digital anonymous cash.

My vision is that one day there are many operators quite like eCache that operate locally or globally, digital workers that can easily pay each other with peer-to-peer transactions and websites that allow users to pay as they go. All that in a manner that protects the user's privacy and removes violence from a market that is resented by the "official" economy.

To simplify: I want freedom.

Logan: Which brings me to the last topic for this interview. Doesn't eCache provide the perfect place for criminals and "scum of the earth"(tm) to conduct money laundering, pay for child porn, support terrorism and whatever else the media says DGCs do today?

the-guy: Don't get me going on media coverage of DGCs. I think an objective assessment of the situation is necessary. I don't see how eCache could be any worse than state-issued fiat money. Today you can buy your porn, drugs, guns, whatever for dollars at almost any dark corner in every city and every country. Money laundering is happening throughout the government-licensed banking networks. And if you want to do global cash transfers you simply put a few dollars in an envelope and have it delivered by the US Postal service. Bad things happen because of bad people, not because of anonymous money.

But somehow people think that control, licenses and ID cards can battle crime. That is why credit cards and bank accounts are so big today. Guess what, all those methods didn't solve the situation. Instead they made it worse. Now we have phishing, credit card abuse and identity theft. The problem with all those solutions – which are repeated endlessly in the media - is that they don't solve anything but create additional problems. You cannot build the society of the Twenty-first Century global digital society with Nineteenth Century mindsets. As bad as this sounds to socialists and control freaks all over the world: Money does not stink, only some people do.

If you want to stay free in the digital world, you have to utilize anonymous systems. You have to use encryption. You have to cooperate globally and tear down barriers. If we don't, I truly believe we might wake up in a world none of us wants to live in. But if we do, we might evolve into a society that works better and where innovation, risk taking and honest profits are honored again.

Logan: And you seriously think eCache can build that utopia?

aragon: No, we aren't trying to be Messiahs. But we do think that taking the initiative and doing what we think is right is what life is for. We are crypto-anarchists, capitalists, and just plain normal guys. We won't just whine about the economic and political mess that is going on in the USA and many other places around the world without doing anything. eCache is an idea, a meme that might inspire people. That might lead someone to the next big idea. Or just help a few people to make their lives better. Where this all ends up in a few years no one knows.

And, as you said: The market will decide.

Logan: We'll leave those as closing words. Thank you for the interview.

eCache wishes to thank yodelbank for their inspiration.

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Announcing: Vera Verba's First Annual Internet Conspiracy Hunt

We'd like to bring some mirth to the darkest, coldest days of deep winter. So, being huge fans of the Internet, we decided that we'd amuse ourselves (and you too, hopefully) by locating the best Conspiracy Theory on the Internet.

After all… If we have to put up with every wacko having a right to the public square, we might as well get some laughs out of it!

So, on the third Friday night of February (February 15th, for 2008), we will award $100 worth of our books, downloads, and/or T-shirts to the person who points out the wildest, weirdest conspiracy site on the Internet. A single book, download or T-Shirt will be awarded to each runner-up.

BONUS: Graham Kelly of GoldNow has joined the festivities and added $100 of e-gold to the Prize Pot. Thanks, Graham! www.goldnow.st (For those who don't know, GoldNow was one of the very first e-gold exchangers.)

Results will be published at:
www.veraverba.com/conspiracy2008.html

WHAT WILL BE THE CONSPIRACY THEORY OF THE YEAR?

KRYPTOHIPPIE beta

Peace Of Mind – Second To Nothing

Cryptohippie, Inc. is pleased to announce that it has acquired both Diclave Networks and MeshMX, the developers and providers of the most advanced VPN and innovative Internet security systems.

While the names Diclave and MeshMX are not well-known, their technologies have been widely used under private-label arrangements. They have long been the premier developers and operators of secure Internet systems. Their client list is very significant (but private).

Cryptohippie, Inc. (under the KRYPTOHIPPIE brand) will continue to provide private-label products, as well as selling to the public directly.

Beginning in February 2008, we will offer the very finest in military-grade VPN services and Location-Agnostic Servers (LAS). Further innovative, new services will follow.

e-mail info@cryptohippie.com

http://www.cryptohippie.com

Can The U.S. Return To A Gold Standard?

By Alan Greenspan (1981)

This article was originally published in the Wall Street Journal on September 1, 1981. At the time Alan Greenspan was a partner at Townsend-Greenspan & Co. an economic consulting company.

The growing disillusionment with politically controlled monetary policies has produced an increasing number of advocates for a return to the GOLD STANDARD - including at times president Reagan.

In years past a desire to return to a monetary system based on gold was perceived as nostalgia for an era when times were simpler, problems less complex and the world not threatened with nuclear annihilation. But after a decade of destabilizing inflation and economic stagnation, the restoration of a GOLD STANDARD has become an issue that is clearly rising on the economic policy agenda. A commission to study the issue, with strong support from President Reagan, is in place.

The increasingly numerous proponents of a GOLD STANDARD persuasively argue that budget deficits and large federal borrowings would be difficult to finance under such a standard. Heavy claims against paper dollars cause few technical problems, for the Treasury can legally borrow as many dollars as Congress authorizes.

But with unlimited dollar conversion into gold, the ability to issue dollar claims would be severely limited. Obviously if you cannot finance federal deficits, you cannot create them. Either taxes would then have to be raised and expenditures lowered. The restrictions of gold convertibility would therefore profoundly alter the politics of fiscal policy that have prevailed for half a century.

Disturbed by Alternatives

Even some of those who conclude a return to gold is infeasible remain deeply disturbed by the current alternatives. For example, William Fellner of the American Enterprise Institute in a forthcoming publication remarks "...I find it difficult not to be greatly impressed by the very large damage done to the economies of the industrialized world... by the monetary management that has followed the era of (gold) convertibility... It has placed the Western economies in acute danger."

Yet even those of us who are attracted to the prospect of gold convertibility are confronted with a seemingly impossible obstacle: the latest claims to gold represented by the huge world overhang of fiat currency, many dollars.

The immediate problem of restoring a GOLD STANDARD is fixing a gold price that is consistent with market forces.

Obviously if the offering price by the Treasury is too low, or subsequently proves to be too low, heavy demand at the offering price could quickly deplete the total U.S. government stock of gold, as well as any gold borrowed to thwart the assault. At that point, with no additional gold available, the U.S. would be off the GOLD STANDARD and likely to remain off for decades.

Alternatively, if the gold price is initially set too high, or subsequently becomes too high, the Treasury would be inundated with gold offerings. The payments the gold drawn on the Treasury's account at the Federal Reserve would add substantially to commercial bank reserves and probably act, at least temporarily, to expand the money supply with all the inflationary implications thereof.

Monetary offsets to neutralize or "earmark" gold are, of course, possible in the short run. But as the West Germany authorities soon learned from their past endeavors to support the dollar, there are limits to monetary countermeasures.

The only seeming solution is for the U.S. to create a fiscal and monetary environment which in effect makes the dollar as good as gold, i.e., stabilizes the general price level and by inference the dollar price of gold bullion itself. Then a modest reserve of bullion could reduce the narrow gold price fluctuations effectively to zero, allowing any changes in gold supply and demand to be absorbed in fluctuations in the Treasury's inventory.

What the above suggests is that a necessary condition of returning to a GOLD STANDARD is the financial environment which the GOLD STANDARD itself is presumed to create. But, if we restored financial stability, what purpose is then served by return to a GOLD STANDARD?

Certainly a gold-based monetary system will necessarily prevent fiscal imprudence, as 20th Century history clearly demonstrates. Nonetheless, once achieved, the discipline of the GOLD STANDARD would surely reinforce anti-inflation policies, and make it far more difficult to resume financial profligacy. The redemption of dollars for gold in response to excess federal government-induced credit creation would be a strong political signal. Even after inflation is brought under control the extraordinary political sensitivity to inflation will remain.

Concrete actions to install a GOLD STANDARD are premature. Nonetheless, there are certain preparatory policy actions that could test the eventual feasibility of returning to a GOLD STANDARD, that would have positive short-term anti-inflation benefits and little cost if they fail.

The major roadblock to restoring the GOLD STANDARD is the problem of re-entry. With the vast quantity of dollars worldwide laying claims to the U.S. Treasury's 264 million ounces of gold, an overnight transition to gold convertibility would create a major discontinuity for the U.S. financial system. But there is no need for the whole block of current

dollar obligations to become an immediate claim.

Convertibility can be instituted gradually by, in effect, creating a dual currency with a limited issue of dollars convertible into gold. Initially they could be deferred claims to gold, for example, five-year Treasury Notes with interest and principal payable in grams or ounces of gold.

With the passage of time and several issues of these notes we would have a series of "new monies" in terms of gold and eventually, demand claims on gold. The degree of success of restoring long-term fiscal confidence will show up clearly in the yield spreads between gold and fiat dollar obligations of the same maturities. Full convertibility would require that the yield spread for all maturities virtually disappear. If they do not, convertibility will be very difficult, probably impossible, to implement.

A second advantage of gold notes is that they are likely to reduce current budget deficits. Treasury gold notes in today's markets could be sold at interest rates at approximately 2% or less. In fact from today's markets one can construct the equivalent of a 22-month gold note yielding 1%, by arbitraging regular Treasury note yields for June 1983 maturities (17%) and the forward delivery premiums of gold (16% annual rate) inferred from June 1983 futures contracts. Presumably five-year note issues would reflect a similar relationship.

A Risk of Exchange Loss

The exchange risk of the Treasury gold notes, of course, is the same as that associated with our foreign currency Treasury note series. The U.S. Treasury has, over the years, sold significant quantities of both German mark - and Swiss franc denominated issues, and both made and lost money in terms of dollars as exchange rates have fluctuated. And indeed there is a risk of exchange rate loss with gold notes.

However, unless the price of gold doubles over a five-year period (16% compounded annually), interest payments on the gold notes in terms of dollars will be less than conventional financing requires. The run-up to $875 per ounce in early 1980 was surely an aberration, reflecting certain circumstances in the Middle East which are unlikely to be repeated in the near future. Hence, anything close to doubling of gold prices in the next five years appears improbable. On the other hand, if gold prices remain stable or rise moderately, the savings could be large: Each $10 billion in equivalent gold notes outstanding would, under stable gold prices, save $1.5 billion per year in interest outlays.

A possible further side benefit of the existence of gold notes is that they could set a standard in terms of prices and interest rates that could put additional political pressure on the administration and Congress to move expeditiously toward noninflationary policies. Gold notes could be a case

of reversing Gresham's Law. Good money would drive out bad.

Those who advocate a return to a GOLD STANDARD should be aware that returning our monetary system to gold convertibility is no mere technical, financial restructuring. It is a basic change in our economic processes. However, considering where the policies of the last 50 years have eventually led us, perhaps there are lessons to be learned from our more distant GOLD STANDARD past.

Set It and Forget It - Harnessing Collective Wisdom to Achieve Monetary Stability

Posted by Douglas Jackson on the e-gold blog, December 10, 2007

Ben Bernanke, Chairman of the Federal Reserve, in his keynote address this week at the Cato Institute 25th Annual Monetary Conference further elaborated his intention to increase the transparency and collegiality of the analytical processes that inform Fed monetary policy. One element of the new transparency will be to publish the forecasts of individual FOMC members in a fashion that enables the public to better observe the range, diversity and provisional nature of forecast projections.

The Fed move, in my view, indirectly acknowledges that collective wisdom can be harnessed in a way that generates predictions of greater accuracy and validity than any individual, regardless of expertise. As noted, however, by William Niskanen, Chairman of the Cato Institute, all of this systematic transparency goes out the window - suspended when a macroeconomic shock threatens an untimely recession. Abrupt ad hoc seat-of-the-pants mode comes into play whenever an asset bubble (likely induced by previous Fed reactions) starts to collapse.

Recent literature examines how, in certain properly conceived settings, collective wisdom, instead of manifesting a dysfunctional madness-of-crowds trajectory, may be the optimum predictive or analytical paradigm. James Surowiecki relates that an average calculated from a large number of guesses - such as the number of pennies in a large jar - tends to be more accurate than any individual estimate. Oddsmaking, pricing of futures contracts, perhaps even maintenance of factual content neutrality on Wikipedia further illustrate the phenomenon. This note contrasts two qualitatively different institutional arrangements for systematic metering of a money supply; a conventional government central bank, using the Fed as example, vs. e-gold.

The Fed reality is discretionary and given to politically pressured interventions to overrule itself. The e-gold model is automatic and immune to override.

It is necessary to contrast:
1. the processes by which information is channeled and assimilated into protocols that lead to monetary policy implementations, and,
2. the levers by which adjustments are effected.

Both systems have two sets of levers:
1. Procedures by which M0, the aggregate quantity of base money, may increase or decrease.
2. Mechanisms that influence broad money supply (M1-2) by affecting the terms by which base money is made available to the banking system.

With the Fed:
1. M0 is modulated by open market operations with primary dealers.
2. M1-2 is influenced mostly by setting and maintenance of the Fed Funds rate and to a lesser degree by the discount rate. There is a bidding process whereby banks compete with each other for the deposits of the public but the choice is limited to which bank or financial intermediary to lend to rather than whether to lend money to the financial system at all.

In the case of the Fed and every other government central bank, both sets of procedures entail discretion. The Fed itself initiates the buy or sell orders that implement open market ops. The Fed funds target rate is obviously determined/ announced and, to some extent, made effective, by the Fed. In contrast, once banks have embraced e-gold and an e-gold broad money supply, i.e., AUG denominated deposits, payable in e-gold, has emerged...

With e-gold:

1. M0 is modulated by open market operations with primary dealers.
2. M1-2 is influenced entirely by the aggregated individual decisions of Users of AUG.

M0 (and other monetary aggregates), open market operations, and primary dealers in the AUG economy all have similar meanings, but also have key differences...

Unlike the Fed, e-gold Ltd, the core e-gold institution performing e-gold (M0 in the AUG economy) issuance and settlement, is unable to make open market operation decisions. e-gold Ltd is neither itself a financial institution, nor is it exposed to financial institutions to the extent that it has no bank accounts, and thus no way to receive, emit or order the emission of a conventional money payment.

As a result it is not able to buy gold and bail it into e-gold reserves for the purpose of issuing additional e-gold liabilities, nor (for the same reason) is it able to redeem e-gold –allowing a quantity of liabilities to be extinguished and freeing up physical reserves to be removed/delivered/sold. Additionally, lacking bank accounts, e-gold Ltd itself also has no ability to own or hold gold, as it has no ability to buy or sell physical gold. Bailment and redemption decisions are driven by the trading balance requirements of Primary Dealers. Bailments increase the assets held by the e-gold Bullion Reserve Special Purpose Trust (which exists to back e-gold in circulation for the benefit of all e-gold Users collectively), and correspondingly cause new e-gold to be minted. Redemptions decrease the assets held by the e-gold Bullion Reserve Special Purpose Trust, and correspondingly cause existing e-gold to be extinguished (removed from circulation).

(continued on page 38)

Loom Electronic Accounting System

by Bill St. Clair, http://billstclair.com/

Loom.cc is Patrick Chkoreff's general-purpose digital accounting system. It enables creation of asset types, and accounts in each type. It is basically a huge, sparsely-populated spreadsheet, with 2^128 rows and 2^128 columns. Each column is an asset type. Each row is a "folder". Each "location" (spreadsheet cell) holds a single 128-bit number. The "issuer" location for each column contains a negative number, initial -1, and the other locations hold positive numbers. The sum of all the locations in a column is always -1. Units of each asset are created by decrementing the issuer location and incrementing another location. Your folder is a location for each asset that you hold.

You buy a location by exchanging "usage tokens", asset number 0, with the loom system. You must be given the location of some usage tokens to buy your folder and exchange locations. You trade with another user by one of you purchasing an exchange location, then moving funds from your personal folder to that location, and telling the other person the exchange location. You can then release the exchange location, and get back the usage tokens you used to purchase it, or continue to use it for exchanges with the other party.

The system allows you to assign names to locations, so that you can easily recognize them. It also provides transaction history, if you enable it. Security is through secrecy of the locations. Given how hard it is to guess a 128-bit number, that's pretty good security. There's even an on-screen keyboard for typing location numbers, to make it harder for keystroke loggers. You're still trusting the security of https encryption, and, most of all, you're trusting the security and integrity of loom.cc. Caveat emptor.

I have not yet discovered any way to get an "invitation" location, containing usage tokens required to create your initial folder, though the e-gold vendors who use loom.cc will likely provide that.

Some of the articles about the Loom system say that it's open source, but I haven't found any links to the source. The grid itself could be implemented as a B-Tree, living in a single file, but Patrick Chkoreff likely used a commercial database.
[http://billstclair.com/loom/]

Interesting links:
loom.cc news
[https://loom.cc/?function=news]
loom.cc grid documentation
[https://loom.cc/?function=help&topic=grid&mode=advanced]
loom.cc archive documentation
[https://loom.cc/?function=help&topic=archive&mode=advanced]
loom.cc grid interface
[https://loom.cc/?function=grid_tutorial&mode=advanced]
dgcblog video tutorial
[http://www.dgcblog.com/Loom-Vid-Tutorial.htm
]**vertoro.com tutorial**
[http://www.vertoro.com/loom.htm]
PayPerCPM tutorial
[http://paypercpm.blogspot.com/2007/11/loom-gold.html]
StevensGold.com tutorial
[http://www.stevensgold.com/Tutorial.html]
DGC Blog Loom articles
[http://www.dgcblog.com/category/looms/]
Digital Money World Loom articles
[http://www.digitalmoneyworld.com/category/loom/]
CyberspaceATM, another Loom implementation
[http://www.thecyberspaceatm.com/]
GoldNow, a place to buy usage tokens
[http://www.goldnow.st/Page.aspx]

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Panama

(continued from page 34)

The trading balance requirements of Primary Dealers in the AUG economy are dictated by the aggregate individual decisions of all e-gold Users rather than by a central authority; therefore, the circulating amount of AUG M0 (e-gold) derives from collective wisdom rather than centrally controlled, politically influenced, monetary policy.

The unprecedented attribute of e-gold is that the real-time gross settlement system for base money (the portion of AUG consisting of direct liabilities of e-gold Ltd) is available to the general public, allowing each individual the ability to decrease or eliminate their exposure to the banking system or any other financial intermediary. Each and every e-gold user (in addition to deciding the quantity of AUG M0), directly determines, minute by minute, 24/7, how much base money (e-gold) is made available to the banking system for use as reserves (AUG denominated liabilities - i.e. AUG M1-2), and the interest rates at which she is willing to lend to the banks or other financial intermediaries across the full spectrum of maturities.

But what about crises?

Since e-gold has no ability to override the automated mechanisms that govern base money and broad money supply – what could be done in the event of a shock? The responsive assertion is that:

1. The exquisite sensitivity of a huge cohort of individual e-gold users voting with their feet, with zero-latency of their feedback, and,
2. The elimination of moral hazard,

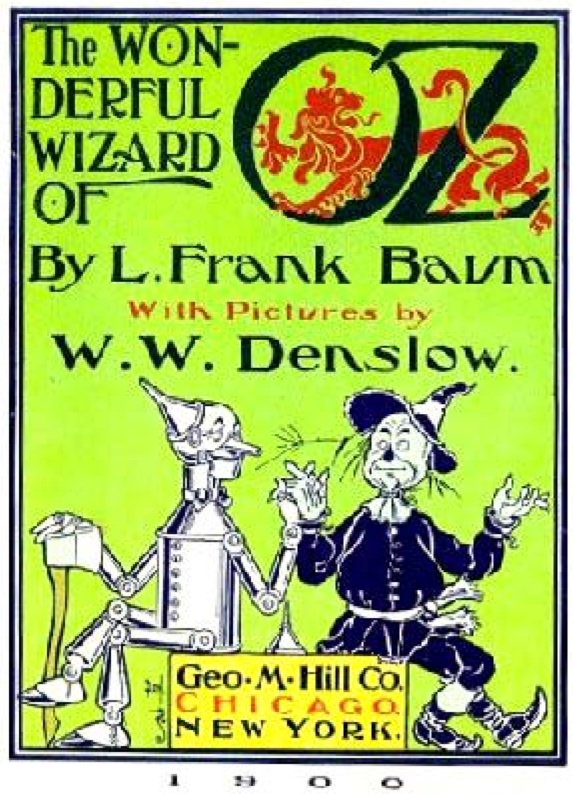
is likely to attenuate the amplitude of swings in aggregate demand and forestall shocks of a bubble forming/bursting nature.

Vera Smith, in her landmark 1936 essay “The Rationale of Central Banking” concluded; “How to discover a banking system which will not be the cause of catastrophic disturbances, which is least likely itself to introduce oscillations and most likely to make the correct adjustment... is the most acute unsettled economic problem of our day”.

This monetary holy grail - an automatically self-correcting mechanism for metering money supply and credit is why we created e-gold.

[set it and forget it!]

In another note, however, I will need to address transitional effects. To preview - in the long run e-gold is the ultimate leveler of playing fields. Getting there however will tend to temporarily create winners, losers... and whipsaw effects on exchange rates. The prudent course for early adopting banks will be to reserve their AUG deposits heavily at first, biding their time until exchange rates stabilize before becoming fully loaned up.



Wizard of Oz and The Gold Standard
by Mark Herpel

Did you know that many scholars have theorized that the images and characters used by L. Frank Baum in the original ‘Wizard of Oz’ resembled political images that were well known in the 1890s.

‘Oz’ is short for ounce and more specifically the “Yellow Brick Road” with all its danger represented the gold standard. Before 1873 the U.S. dollar was defined as consisting of either 22.5 grains of gold or 371 grains of silver. This set the legal price of silver in terms of gold at roughly 16:1 and put the country on a gold/silver bimetallic standard.

The emerald city was of course, Washington with its green paper money delusion. Dorothy, represented the individualized ideal of the American people. The twister that carried Dorothy to Oz symbolizes the Populist cyclone that swept across Kansas in the early 1890s.

Even Dorothy’s dog ‘Toto’, represented the prohibitionists which were at the time among the Populists’ most faithful allies.

The silver slippers which became ‘ruby slippers’ in the movie, represented the sixteen to one silver ratio and the Populists’ solution to the nation’s economic woes. A critical component in the Populist platform was a demand for “free and unlimited coinage of silver and gold” at a fixed ratio of sixteen to one. The Populists goal was to make it easier for cash poor farmers to borrow money and pay down their debts.

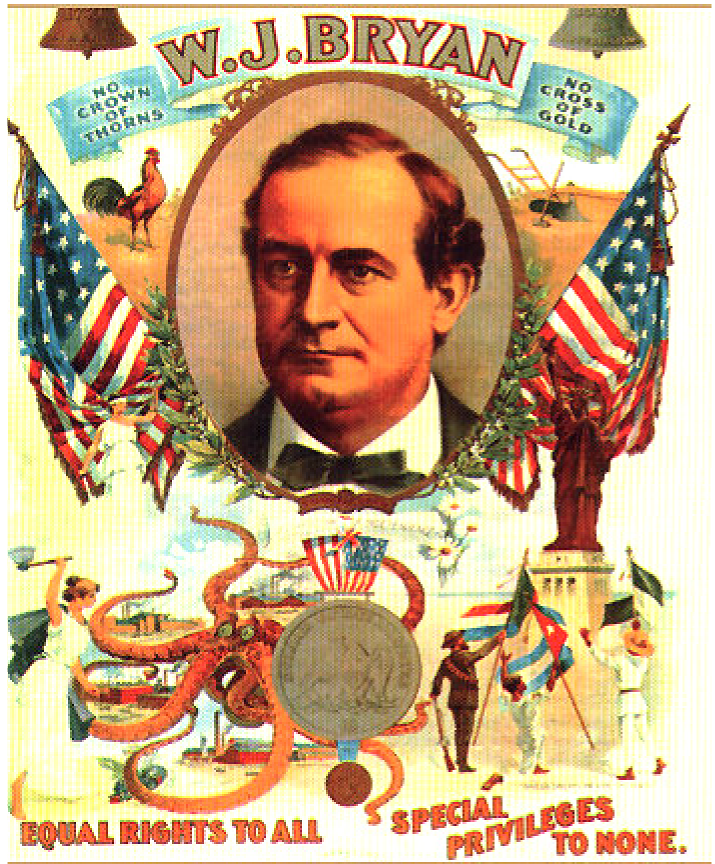
Inside the Emerald Palace (Washington, DC) Dorothy had to pass through seven halls and climb three flights of stairs which represented the number ‘73’, those digits stood for the Crime of ‘73. A congressional act in 1873 eliminated the coinage of silver.

Other characters in the book represented identifiable people or circumstances occurring at that time. The wicked witch of the east represented the local banks and industrialist who controlled the population which was cast as Munchkins.

The Scarecrow represented the western farmer (Populist party).

The Tin Woodman represented the factory worker, the dehumanized industrial workers of the North. Their long hours and little pay caused the workers to lose their hearts!

The Cowardly Lion was William Jennings Bryan who was an unsuccessful presidential candidate in 1896.



Finally the wizard represented any US President of that era.

The movie staring Judy Garland has become a permanent part of American popular culture.

Graphics (cover) is the original book cover from the The Wonderful Wizard of Oz published in 1900

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---. 2001. Add a Pinch of Biography and Mix Well: Seasoning the Allegory Theory with History. South Dakota History 31: 153-62.
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Measuring Wealth
by Mark Herpel

During the birth of the United States, gold was the standard of financial wealth. Even thousands of years before Columbus discoverd the new land, people measured their wealth and empires using gold.

Below is a photo of gold ingots, coins and nuggets found in the shipwrecked SS Central America. This US Mail steamship sank in 1857 during a hurricane off the coast of the Carolinas. The ship carried nearly 3 tons of gold and the cargo included over 5,000 brand new $20 denomination (“Double Eagle”) gold pieces minted at the San Francisco Mint.

This gold symbolizes the wealth of a country during one of the most significant periods of growth in American history. After this ship sank, unable to meet payrolls or pay creditors, banks around New York began to fail. Stores and factories closed creating a massive financial crash in the US and Europe known as the ‘Panic of 1857’.

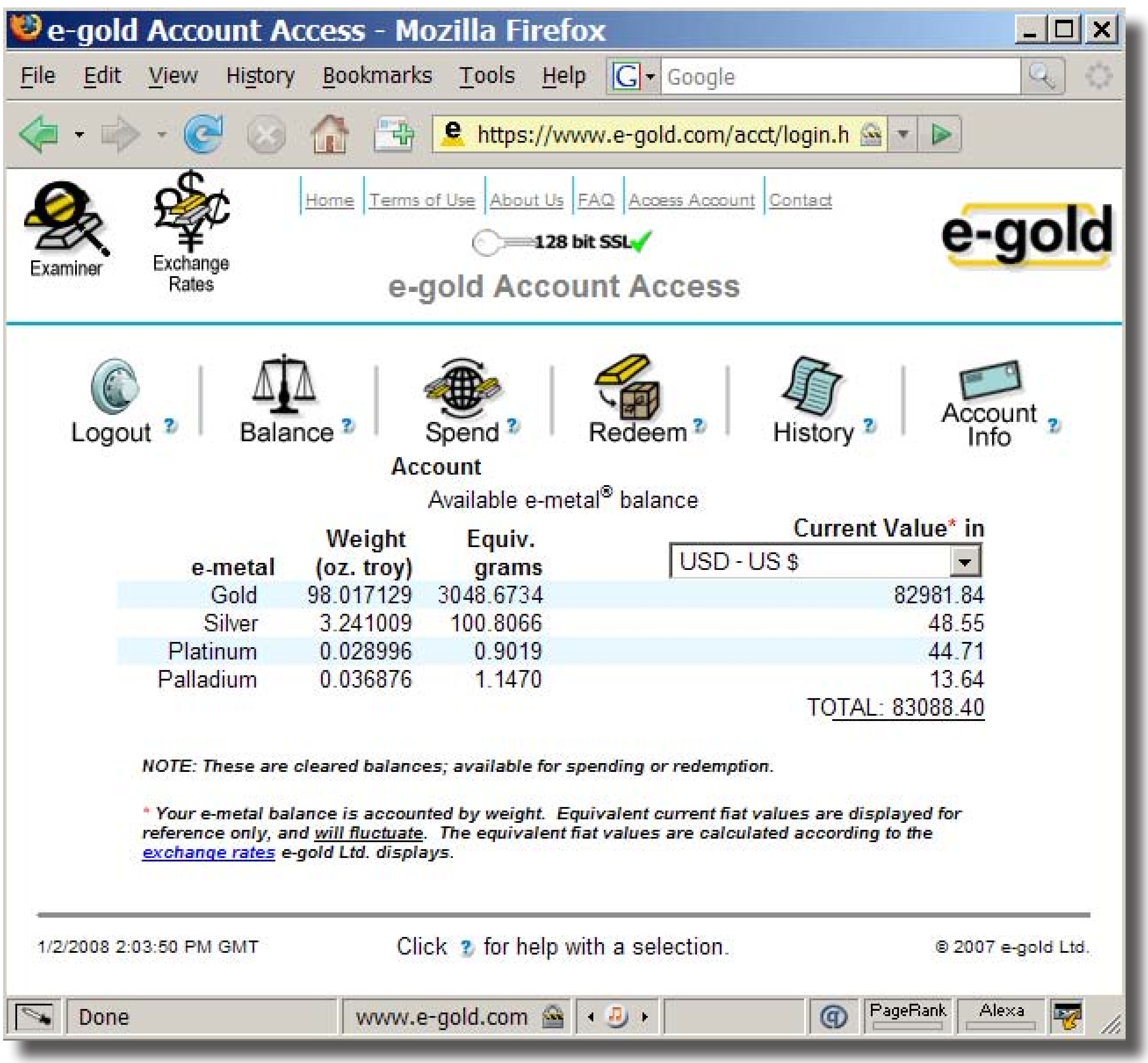
Photo courtesty [http://www.shipofgoldinfo.com/]

As we pass a decade of what was considered the 'Internet Gold Rush', digital gold now sets the standard for today's wealth. Using allocated gold bullion we account for our treasure with Internet ones and zeros.

150 years after the sinking of the SS Central America, gold wealth can be acquired, sold, traded and effortlessly transferred online. With digital gold currency, precious metal bullion is held securly in vaults around the world and never changes hands. Unlike the 1800's, gold ownership now moves through a book entry electronic accounting system. We view our digital treasure through a modern computer screen. Here is what 'digital gold' looks like today.

The e-gold® account shown below contains almost 100 ounces of pure gold plus small amounts of silver, platinum and palladium. At today's current metal prices the account is valued at just over $80,000. US Dollars.

Unlike gold coins and bullion of centuries past, digital gold can be instantly transferred to another account holder anywhere in the world with just a few keystrokes. Start building your empire today... acquire some digital gold.



IceGold: New Estonian AML Regulations Caused Agent Closure

The Ice Gold web site reads,

> *"Starting from December 14th 2007, no new orders for buying e-gold can be placed at the IceGold website. Due to the pending adoption of the new version of Estonia's Anti Money-laundering Law IceGold can no longer complete exchanges once the law will take effect in the first half of January 2008. The new law requires exchangers of alternative payment systems such as IceGold to identify all customers face to face."*

Estonia has adopted a new a customer identification and verification program including robust new standards to identify and verify all new customers. For the past 7 years, IceGold has been a very popular and successful DGC exchange agent. They are credited as being the first e-currency exchange in Europe and have been transacting in digital gold currency since as far back as 1999.

When this bad news appeared on their web site, several people had emailed for additional information. For a better understanding of what occured, here is a reprint of their email less the hyperlinks.

From: Icegold Support
Date: 2 Jan 2008
Subject: Re: IceGold support: Anti-money laundering regulation

The Estonian AML law has been adopted from EU DIRECTIVE 2005/60/EC - All EU member countries had to adopt it by the end of 2007. Our law has been signed in parliament on Dec 20th...and approved by President on Dec 27th...It will take effect in 10 days after being published in the State Gazette...which will happen in the next few days. The full text is in Estonian and the clauses addressing us directly are [translated]:

Definitions
§ 6. Credit and financial institutions
(2) financial institution in the context of this law is:
4) provider of alternative payment systems

(4) Provider of alternative payment systems is a person who - using communications, wire transferring or clearing system - buys, sells or mediates means having monetary value which can be used to fulfill monetary liabilities or exchanged into valid currency and is not a credit institution as defined in the credit institution law

Due diligence measures
€ 15. Distinct measures for credit and financial institutions

(1) When opening an account or using another service for the first time in a credit or financial institution, the person's identity must be verified while being in the same place with him (= face to face, customer physically present)

(8) provider of alternative payment system is required to:

1) verify every customer's identity in the same place with him when establishing a business relationship or when making a transaction with the amount exceeding 15000 EEK (~1000 EUR) in one month.

Customer Support, IceGold

There is one bright note to mention, the IceGold web site text also reads, "We hope that this is only a temporary interruption of service and we are actively looking for solutions..."

Additional Comments from Darren Rhodes:
The EU directive does not require face-to-face meetings to confirm identity. See Article 8 in the Directive. The face-to-face requirement comes from the Estonian legislative body that has brought the directive into force within Estonia. A quick note about the EU - amongst other things, it issues directives. The directives have to be interpreted by the Member States legislative bodies' within two years of issue. The Member State then drafts legislation appropriate to its State to incorporate the articles of the directive.

Special Thanks to Darren for tracking all this information down and the gold-silver-crypto@rayservers.com e-mail list for making it available.

THE Sam Adams ALLIANCE

COMMON SENSE

With Paul Jacob

Paul Jacob has offered "Common Sense" since 1999, and his words of wisdom and common-sense provocation can be heard on more than 150 radio stations throughout the United States, as well as on computers and iPods around the world. The easiest way to get "Common Sense" is by email. And it's free! Subscribe today at ThisIsCommonSense.com

Bad as Gold

December 19, 2007

On November 14, Liberty Services, an Evansville, Indiana firm was victimized by a break-in. According to founder Bernard von NotHaus, the gang took everything but desks and chairs.

No ordinary burglars did this. It was government agents. Targeting a firm that dared to provide an inflation-proof safeguard against government money. Liberty's latest offering was a Ron Paul silver dollar.

According to a leaked affidavit, Liberty Services is being investigated for "uttering coins of gold, silver, or other metal," or "making or possessing likeness of coins." Mail fraud, wire fraud, money laundering, conspiracy are the types of charges being bandied about. The affidavit says the company's goal is to "undermine the United States government's financial systems by the issuance of a non-governmental competing currency for the purpose of repealing the Federal Reserve and Internal Revenue Code."

Sounds like thought-crime.

Liberty Services has been in business for years. The first Liberty Dollars were sold in 1998. NotHaus has sought to ensure that his company complies with relevant law. Andrew Williams, a spokesman for the Fed, has told the firm that "no law . . . says goods and services must be paid for with Federal Reserve notes. Parties entering into a transaction can establish any medium of exchange that is agreed upon."

So why the raid now? What real crime has Liberty Services committed? Aside from inflation-proofing their clients? Maybe in court the government will have to say. Meanwhile, Mr. NotHaus could use some help. To learn more, visit **libertydollar.**org.

This is Common Sense. I'm Paul Jacob.

THE Sam Adams ALLIANCE
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312-920-0080

Gold and Economic Freedom

by Alan Greenspan (1966)

From the 1950's Alan Greenspan was a close member of Ayn Rand's intellectual inner circle. Greenspan wrote for the Ayn's first issue of the Objectivist Newsletter in 1966. In 1967, she published the non-fiction work, Capitalism, the Unknown Ideal. The essay below appears in the book.

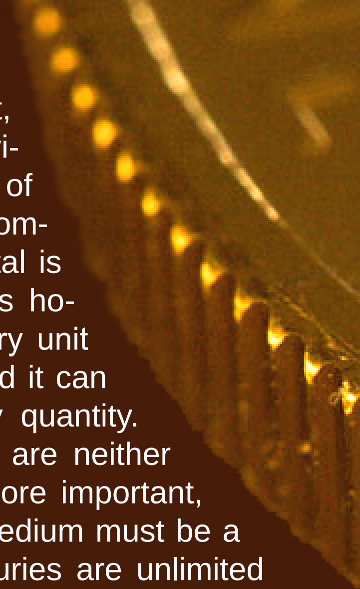
An almost hysterical antagonism toward the gold standard is one issue which unites statists of all persuasions. They seem to sense - perhaps more clearly and subtly than many consistent defenders of laissez-faire - that gold and economic freedom are inseparable, that the gold standard is an instrument of laissez-faire and that each implies and requires the other.

In order to understand the source of their antagonism, it is necessary first to understand the specific role of gold in a free society.

Money is the common denominator of all economic transactions. It is that commodity which serves as a medium of exchange, is universally acceptable to all participants in an exchange economy as payment for their goods or services, and can, therefore, be used as a standard of market value and as a store of value, i.e., as a means of saving.

The existence of such a commodity is a precondition of a division of labor economy. If men did not have some commodity of objective value which was generally acceptable as money, they would have to resort to primitive barter or be forced to live on self-sufficient farms and forgo the inestimable advantages of specialization. If men had no means to store value, i.e., to save, neither long-range planning nor exchange would be possible.

What medium of exchange will be acceptable to all participants in an economy is not determined arbitrarily. First, the medium of exchange should be durable. In a primitive society of meager wealth, wheat might be sufficiently durable to serve as a medium, since all exchanges would occur only during and immediately after the harvest, leaving no value-surplus to store. But where store-of-value considerations are important, as they are in richer, more civilized societies, the medium of exchange must be a durable commodity, usually a metal. A metal is generally chosen because it is homogeneous and divisible: every unit is the same as every other and it can be blended or formed in any quantity. Precious jewels, for example, are neither homogeneous nor divisible. More important, the commodity chosen as a medium must be a luxury. Human desires for luxuries are unlimited and, therefore, luxury goods are always in demand and will always be acceptable. Wheat is a luxury in underfed civilizations, but not in a prosperous society. Cigarettes ordinarily would not serve as money, but they did in post-World War II Europe where they were considered a luxury. The term "luxury good" implies scarcity and high unit value. Having a high unit value, such a good is easily portable; for instance, an ounce of gold is worth a half-ton of pig iron.



In the early stages of a developing money economy, several media of exchange might be used, since a wide variety of commodities would fulfill the foregoing conditions. However, one of the commodities will gradually displace all others, by being more widely acceptable. Preferences on what to hold as a store of value, will shift to the most widely acceptable commodity, which, in turn, will make it still more acceptable. The shift is progressive until that commodity becomes the sole medium of exchange. The use of a single medium is highly advantageous for the same reasons that a money economy is superior to a barter economy: it makes exchanges possible on an incalculably wider scale.

Whether the single medium is gold, silver, seashells, cattle, or tobacco is optional, depending on the context and development of a given economy. In fact, all have been employed, at various times, as media of exchange. Even in the present century, two major commodities, gold and silver, have been used as international media of exchange, with gold becoming the predominant one.

Gold, having both artistic and functional uses and

being relatively scarce, has significant advantages over all other media of exchange. Since the beginning of World War I, it has been virtually the sole international standard of exchange. If all goods and services were to be paid for in gold, large payments would be difficult to execute and this would tend to limit the extent of a society's divisions of labor and specialization. Thus a logical extension of the creation of a medium of exchange is the development of a banking system and credit instruments (bank notes and deposits) which act as a substitute for, but are convertible into, gold.

A free banking system based on gold is able to extend credit and thus to create bank notes (currency) and deposits, according to the production requirements of the economy. Individual owners of gold are induced, by payments of interest, to deposit their gold in a bank (against which they can draw checks). But since it is rarely the case that all depositors want to withdraw all their gold at the same time, the banker need keep only a fraction of his total deposits in gold as reserves. This enables the banker to loan out more than the amount of his gold deposits (which means that he holds claims to gold rather than gold as security of his deposits). But the amount of loans which he can afford to make is not arbitrary: he has to gauge it in relation to his reserves and to the status of his investments.

When banks loan money to finance productive and profitable endeavors, the loans are paid off rapidly and bank credit continues to be generally available. But when the business ventures financed by bank credit are less profitable and slow to pay off, bankers soon find that their loans outstanding are excessive relative to their gold reserves, and they begin to curtail new lending, usually by charging higher interest rates. This tends to restrict the financing of new ventures and requires the existing borrowers to improve their profitability before they can obtain credit for further expansion. Thus, under the gold standard, a free banking system stands as the protector of an economy's stability and balanced growth. When gold is accepted as the medium of exchange by most or all nations, an unhampered free international gold standard serves to foster a world-wide division of labor and the broadest international trade. Even though the units of exchange (the dollar, the pound, the franc, etc.) differ from country to country, when all are defined in terms of gold the economies of the different countries act as one-so long as there are no restraints on trade or on the movement of capital. Credit, interest rates, and prices tend to follow similar patterns in all countries. For example, if banks in one country extend credit too liberally, interest rates in that country will tend to fall, inducing depositors to shift their gold to higher-interest paying banks in other countries. This will immediately cause a shortage of bank reserves in the “easy money” country, inducing tighter credit standards and a return to competitively higher interest rates again.

A fully free banking system and fully consistent gold standard have not as yet been achieved. But prior to World War I, the banking system in the United States (and in most of the world) was based on gold and even though governments intervened occasionally, banking was more free than controlled. Periodically, as a result of overly rapid credit expansion, banks became loaned up to the limit of their gold reserves, interest rates rose sharply, new credit was cut off, and the economy went into a sharp, but short-lived recession. (Compared with the depressions of 1920 and 1932, the pre-World War I business declines were mild indeed.) It was limited gold reserves that stopped the unbalanced expansions of business activity, before they could develop into the post-World Was I type of disaster. The readjustment periods were short and the economies quickly reestablished a sound basis to resume expansion.

But the process of cure was misdiagnosed as the disease: if shortage of bank reserves was causing a business decline-argued economic interventionists-why not find a way of supplying increased reserves to the banks so they never need be short! If banks can continue to loan money indefinitely-it was claimed-there need never be any slumps in business. And so the Federal Reserve System was organized in 1913. It consisted of twelve regional Federal Reserve banks nominally owned by private bankers, but in fact government sponsored, controlled, and supported. Credit extended by these banks is in practice (though not legally) backed by the taxing power of the federal government. Technically, we remained on the gold standard; individuals were still free to own gold, and gold continued to be used as bank reserves. But now, in addition to gold, credit extended by the Federal Reserve banks (“paper reserves”) could serve as legal tender to pay depositors.

When business in the United States underwent a mild contraction in 1927, the Federal Reserve created more paper reserves in the hope of forestalling any possible bank reserve shortage. More disastrous, however, was the Federal Reserve’s attempt to assist Great Britain who had been losing gold to us because the Bank of England refused to allow interest rates to rise when market forces dictated (it was politically unpalatable). The reasoning of the authorities involved was as follows: if the Federal Reserve pumped

excessive paper reserves into American banks, interest rates in the United States would fall to a level comparable with those in Great Britain; this would act to stop Britain's gold loss and avoid the political embarrassment of having to raise interest rates.

The "Fed" succeeded; it stopped the gold loss, but it nearly destroyed the economies of the world, in the process. The excess credit which the Fed pumped into the economy spilled over into the stock market-triggering a fantastic speculative boom. Belatedly, Federal Reserve officials attempted to sop up the excess reserves and finally succeeded in braking the boom. But it was too late: by 1929 the speculative imbalances had become so overwhelming that the attempt precipitated a sharp retrenching and a consequent demoralizing of business confidence. As a result, the American economy collapsed. Great Britain fared even worse, and rather than absorb the full consequences of her previous folly, she abandoned the gold standard completely in 1931, tearing asunder what remained of the fabric of confidence and inducing a world-wide series of bank failures. The world economies plunged into the Great Depression of the 1930's. With a logic reminiscent of a generation earlier, statists argued that the gold standard was largely to blame for the credit debacle which led to the Great Depression. If the gold standard had not existed, they argued, Britain's abandonment of gold payments in 1931 would not have caused the failure of banks all over the world. (The irony was that since 1913, we had been, not on a gold standard, but on what may be termed "a mixed gold standard"; yet it is gold that took the blame.) But the opposition to the gold standard in any form-from a growing number of welfare-state advocates-was prompted by a much subtler insight: the realization that the gold standard is incompatible with chronic deficit spending (the hallmark of the welfare state). Stripped of its academic jargon, the welfare state is nothing more than a mechanism by which governments confiscate the wealth of the productive members of a society to support a wide variety of welfare schemes. A substantial part of the confiscation is effected by taxation. But the welfare statists were quick to recognize that if they wished to retain political power, the amount of taxation had to be limited and they had to resort to programs of massive deficit spending, i.e., they had to borrow money, by issuing government bonds, to finance welfare expenditures on a large scale.

Under a gold standard, the amount of credit that an economy can support is determined by the economy's tangible assets, since every credit instrument is ultimately a claim on some tangible asset. But government bonds are not backed by tangible wealth, only by the government's promise to pay out of future tax revenues, and cannot easily be absorbed by the financial markets. A large volume of new government bonds can be sold to the public only at progressively higher interest rates. Thus, government deficit spending under a gold standard is severely limited. The abandonment of the gold standard made it possible for the welfare statists to use the banking system as a means to an unlimited expansion of credit. They have created paper reserves in the form of government bonds which-through a complex series of steps-the banks accept in place of tangible assets and treat as if they were an actual deposit, i.e., as the equivalent of what was formerly a deposit of gold. The holder of a government bond or of a bank deposit created by paper reserves believes that he has a valid claim on a real asset. But the fact is that there are now more claims outstanding than real assets. The law of supply and demand is not to be conned. As the supply of money (of claims) increases relative to the supply of tangible assets in the economy, prices must eventually rise. Thus the earnings saved by the productive members of the society lose value in terms of goods. When the economy's books are finally balanced, one finds that this loss in value represents the goods purchased by the government for welfare or other purposes with the money proceeds of the government bonds financed by bank credit expansion.

In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value. If there were, the government would have to make its holding illegal, as was done in the case of gold. If everyone decided, for example, to convert all his bank deposits to silver or copper or any other good, and thereafter declined to accept checks as payment for goods, bank deposits would lose their purchasing power and government-created bank credit would be worthless as a claim on goods. The financial policy of the welfare state requires that there be no way for the owners of wealth to protect themselves.

###

2008 Liberty - 10th Anniversary Hallmark

The 2008 Liberty Dollar and Updates From Bernard.

Dear Liberty Dollar Supporters,

Happy New Year! New 2008 Liberty Dollar for 10th Anniversary! Now let me be perfectly clear. We have never presented the Liberty Dollar as “coin”, “legal tender” or “current money”. In fact, our whole marketing plan is based on the fact that it is NOT government money. We have never advocated violence, racism, revolution or even the collapse of the US dollar. We have no ill will for the US government or its dreadful money. And as we have not received a cease and desist order, why shouldn’t we continue to advocate the type of currency mandated by the US Constitution?

From day one in 1998 our goal has been to simply offer a “private voluntary barter currency” that was “inflation proof” and put a powerful tool in the people’s hands. As stated on 500,000+ gold and silver Certificates still in circulation, the Liberty Dollar is “an exercise of the bearer’s First Amendment right to petition the government for a silver based currency as mandated by the US Constitution.”

The new 2008 $20 Liberty Dollar that contains one ounce of .999 fine silver. Two innovations have been incorporated into its design to eliminate any possible confusion:

First, the 2008 Liberty Dollar is a “private voluntary barter currency” (PVBC) and that acronym has been added to the currency so there is no confusion about the Liberty Dollar. It is NOT government money! Who would want that kiss of death?!

Second, in keeping with other “brand name” practices, the acronym MSRP (Manufacturers Suggest Retail Price) has been added to fully disclose that the face value of $20 is the MSRP. Please note, the $20 Liberty Dollar is NOT denominated in US dollars! It can’t be because the US dollar is not backed by anything except the foul hot air from politicians. The Liberty Dollar is a NEW currency. It is denominated in “Liberty Dollars” because it is .999 fine silver.

In celebration of the Tenth Anniversary of the Liberty Dollar, I am very pleased to announce the new 2008 one ounce $20 Silver Liberty Dollar will feature a special 10th Anniversary Hallmark!* In fact, all the 2008 Silver Liberty Dollars will be “localized” with a custom Hallmark*.

That’s right, the reverse of the 2008 Silver Liberty Dollar will be hand stamped with a punch and sledgehammer by the Regional Currency Officer. Each Liberty Dollar will carry the name of the city, business, region, church or group to maximize local acceptance and defy the US Mint warning that “use” of the Liberty Dollar is illegal. The Liberty Dollar does not violate Title 18, Section 486.

The new 2008 Liberty Dollar is in production and we are open for business.

Please visit their web and now you can even order with PayPal.

This unique “local hallmark” concept is a direct result of the conference calls I had with the Regional Currency Officers (RCOs), who told me to either mint more Liberty Dollars to meet their merchants’ and clients’; demands or they would make their own.

Well, faced with more walk-in customers at the Evansville office, mounting demand from the public at large, raging eBay prices and a RCO rebellion, I quickly designed a new “generic” Liberty Dollar that allows the Regional Currency Officers to actually “coin”, i.e. to “stamp”, their own local custom Hallmark on the reverse of the new $20 Silver Liberty Dollar. This new gorilla tactic explodes the Liberty Dollar model while decentralizing it for more grassroots activism.

Now, anybody can issue a Liberty Dollar with his or her own custom Hallmark and capitalize on the silver market that is blasting off. Now, as inflation explodes, is the time to get on board with the new currency.

Hey, you must be crazy not to protect your money and make more money… with the Liberty Dollar!

It only costs $1000, renewable annually, to become a RCO and another $200 for your own custom Hallmark. Now you can hallmark your name, company, family, church, organization, region, city, state or almost anything, on the new $20 one-ounce 2008 Liberty Dollar. A special Numbered Edition of all the Hallmarked Libertys is planned so every RCO can offer these numbered Libertys at a higher collector price and recover the costs of their Hallmark stamp. Liberty Dollar has launched its own eBay auction to liquidate the Liberty Dollars that have been donated. Please visit us on eBay at: [http://stores.ebay.com/Official-LIberty-Dollar-Store]

The FBI is moving aggressively to forfeit “their” seizures for auction. Please make a donation to “Bernard” as we still have not opened a bank account and mail it to: BERNARD, 225 N. Stockwell Road. Evansville. IN. 47715. Phone: 812.473.5250.

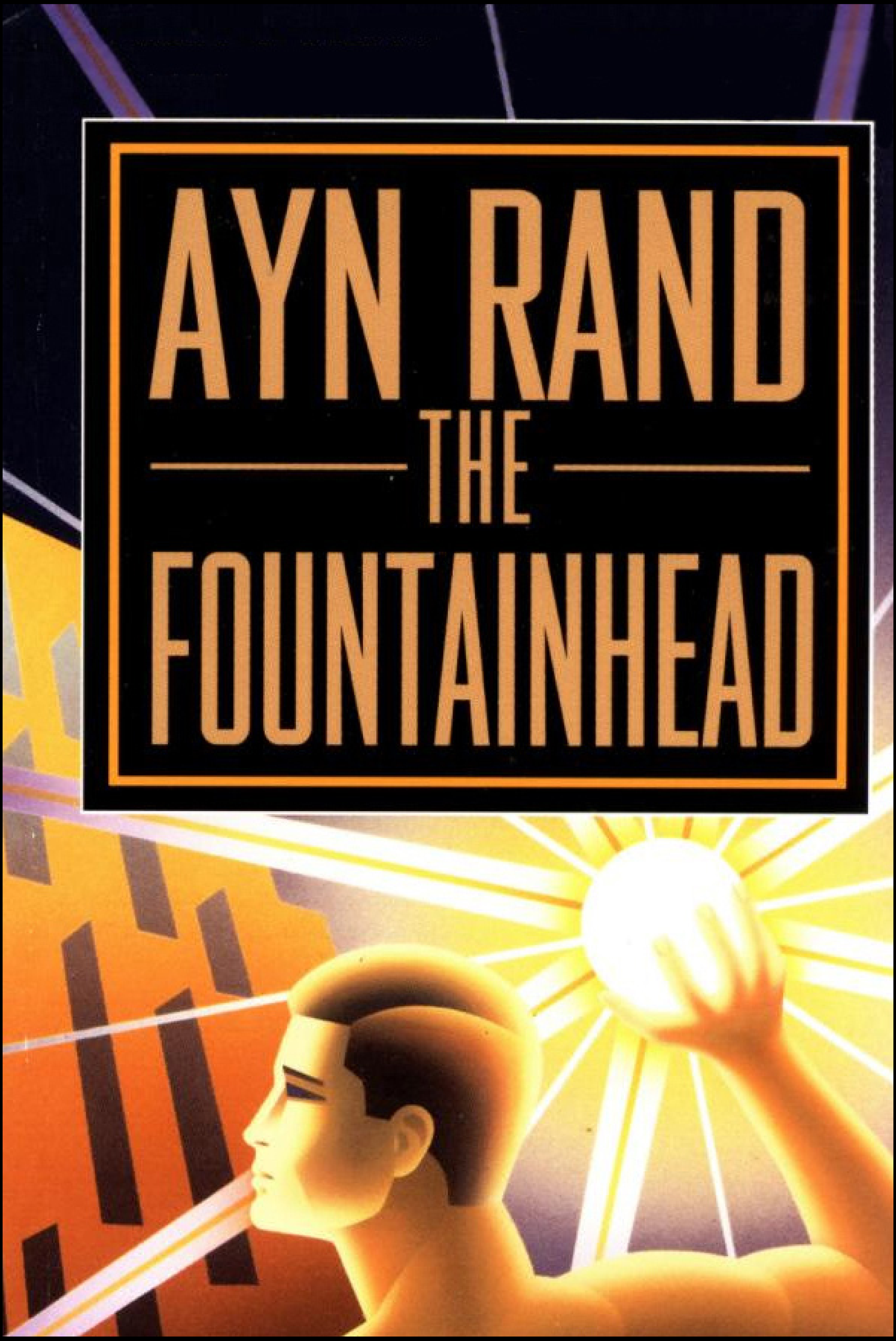
ATTENTION: Our country’s currency is at risk. Just look at what’s happening. Some people imagine that they can convert their US dollars into another fiat currency such as Euros to protect their purchasing power. But that is a false hope. The European Central Bank just pumped HALF A TRILLION DOLLARS (E349 billion) into the global monetary system. Where did they get such a staggering amount of money overnight?! Out of thin air! I am seriously concerned about the value of the US dollar and my own purchasing power. Lets head off this train wreck by providing a choice of money in the marketplace. Currently e-Gold, GoldMoney and the Liberty Dollar is available. Of course, I prefer the Liberty Dollar because of its ease of use, physical attraction, and profitability for users and political message for a sound monetary system.

It is time to take a stand. Do we the people have the right to choose our money, or not? Do we live in a free market economy or not? Are we free, or are we not? Thank you, thank you, thank you for your support and donations. I just wish I had time to contact every one of you. You are the reason why the Liberty Dollar is here! Again thank you for your support!

Bernard von NotHaus
Monetary Architect/Editor

**A hallmark, is a mark struck on precious metal items to identify its distinguishing characteristic. Historically, hallmarks were applied by a trusted party such as the assay office to guarantee a certain weight or fineness of the metal. From ancient Byzantine hallmarks to the Vienna Hallmark Convention in 1973, hallmarks have been used to mark the fineness and unique characteristics on precious metal items. Such is the case with the hallmarked 2008 Liberty Dollar and the “Arrest Dollar” with the “Handcuffs” hallmark.*

Arrest Dollar Hallmark and Handcuff Details



Nick Gaetano created the 35th Anniversary Edition cover art for the works of Ayn Rand: Atlas Shrugged, The Fountainhead, Anthem, We the Living, Philosophy: Who Needs It, Capitalism: the Unknown Ideal, For the New Intellectual, The Early Ayn Rand, The Romantic Manifesto, and The Virtue of Selfishness.

Recommended Reading

Ayn Rand Russian-born American novelist and philosopher who died in 1982.

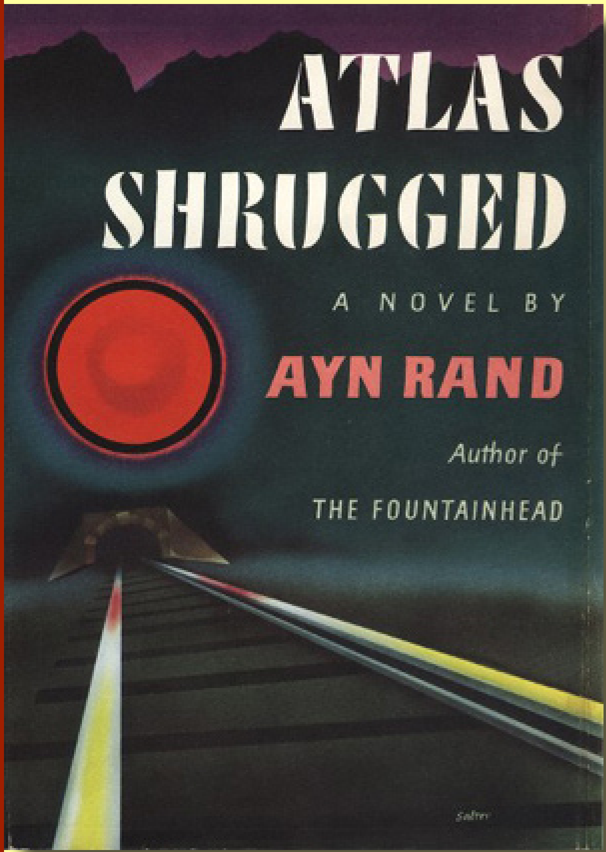
She is widely known for two best selling novels Atlas Shrugged and The Fountainhead. She is also recognized as developing a philosophical system known as Objectivism.

Ann was an proponent of laissez-faire capitalism and a defender of individual rights.

Ayn Rand Postage Stamp
Nick Gaetano

The Fountainhead (1943)

Written over a period of seven years and originally rejected by twelve publishers, is the story of an innovator—architect Howard Roark—and his battle against the tradition-worshipping establishment. The book was a worldwide success and brought after being published it brought fame and financial security to Ayn. Its theme: “individualism versus collectivism, not in politics, but in man’s soul; the psychological motivations and the basic premises that produce the character of an individualist or a collectivist.” The books title comes from Ayn’s quote that “man’s ego is the fountainhead of human progress” This book offers her projection of the ideal man. Roark’s independence, self-esteem, and integrity have inspired millions of readers for more than half a century.



Atlas Shrugged (1957)

Ayn Rand’s masterpiece which integrates the elements of her philosophy into a highly complex compelling book—set in a near-future U.S.A. whose economy is collapsing as a result of the mysterious disappearance of leading innovators and industrialists. The theme is: “the role of the mind in man’s existence—and, as corollary, the demonstration of a new moral philosophy: the morality of rational self-interest.” In its appendix, she offered this summary:

“My philosophy, in essence, is the concept of man as a heroic being, with his own happiness as the moral purpose of his life, with productive achievement as his noblest activity, and reason as his only absolute.”

The Atlas Society offers a fine selection of Ayn Rand’s work. http://www.objectivismstore.com
For more information, also see the Ayn Rand Institue (ARI) www.aynrand.org

A Southern Nevada businessman trumped the IRS in Federal Court by challenging America's dual monetary system. Las Vegas attorney Joel Hansen details the case.

Story By Mike Zigler and photos by Cody Boor

On a 106-degree May afternoon in 2003, government agents raided several establishments belonging to Southern Nevada businessman Robert "Bobby" Kahre. With guns drawn, officials held more than 20 handcuffed workers in the sun without water as agents collected records and other materials.

Kahre hadn't committed a crime. He had upset the Internal Revenue Service by paying his workers based on the face value of gold and silver coins, versus the market value in the Federal Reserve system (the value of the coins in U.S. paper dollars). Even though the coins were in circulation, displayed a face value, and were regulated by Congress, the IRS's confusing and endless tax code did not determine how to handle these gold and silver coins if used for payroll. The tax code only references dollars. It does not distinguish between coined money and paper money.

Kahre didn't opt for the precious metal bullion system without first doing his homework. He consulted monetary experts, engaged in extensive research, and even met with congressmen. Kahre's conclusion was simple: While the currency in the precious-metal system was greater in value than the currency in the other system, as money and a medium of exchange, the law knows no difference between the face value of both currencies.

The IRS expected Kahre to report his workers' earnings based on the coins' market value in the Federal Reserve system. Instead, he didn't report or pay anything at all because the face value of the coins fell below the reporting threshold. The IRS alleged that Kahre and the other defendants paid at least $114 million (based on the Federal Reserve system) to workers. The use of these coins in trade is a direct challenge to the fiat money system now in place.

"Bobby Kahre is the only person in the world I know of with the courage to do that," said Joel Hansen, a Las Vegas attorney who represented one of the nine defendants in the case.

While the purpose of the case was to identify the intent of the defendants, the trial that followed tested America's dual monetary system and further validated that the U.S. greenback is quickly becoming more and more a worthless piece of paper.

In 1985, Ron Paul and other congressmen challenged our country's currency system, which was monopolized by Federal Reserve Notes (FRNs) — the familiar greenbacks in American wallets. The congressmen successfully pursued the Gold Bullion Coin Act, which required the U.S. government to mint and place gold coins in denominations of $50, $25, $10 and $5 into circulation based on demand. The coins are made of 91.67 percent pure gold.

The ultimate purpose of the act was to allow Americans to invest in gold. However, it also brought sanity back to this country's monetary system by establishing a dual system. Instead of the Federal Reserve solely providing the money supply by endlessly printing FRNs, the U.S. government now minted and circulated precious metal coins.

In the mid-'90s, Kahre began exercising this alternate system. He compensated workers for their labor in the form of these gold and silver coins versus FRNs. The workers calculated their

income and tax liability based on the face value of the coins.

One gold coin with a face value of $50 currently equals $806 in FRNs. If a worker earns a $50 gold coin each week, that person takes home an annual income of $2,600 based on the precious metal system, which is below the income-tax reporting threshold for an employee. However, the value of the coins in FRNs — $41,912 — is not. That's the basic idea.

The IRS did not fancy Kahre's gold-and-silver payroll system, and after seven years of operating his family businesses in this fashion, he and eight others found themselves as defendants in a Las Vegas federal courtroom. Kahre was charged with 109 counts of tax-related crimes, varying from tax evasion to willful failure to file and conspiracy to evade taxes. Fifty-two other counts were divided among the other defendants.

While the case was about the intent of the defendants, it raised several issues. There was the issue of whether or not Kahre's workers were considered independent contractors, who are responsible for paying their own taxes, or employees, who have their taxes withheld by their employer each pay period. Then there's the issue of America's dual monetary system. If there are two monetary systems, and the value of one system's currency is greater than the other beyond its face value, what is the standard for determining the value of taxable income?

No Federal Court of Appeals has ever ruled that the gold coins in question must be reported to the IRS based on FRN market value.

"The defense showed that the defendants believed in good faith that a Federal Reserve Note is not the standard because Congress created the dual monetary system," Hansen said. "The defendants believed that gold and silver coins are just as legitimate and legal as our other tender, the FRN."

Kahre certainly caught the attention of the IRS. In addition to operating his businesses via the gold-and-silver payroll system, according to testimony at the trial, he helped 35 other contracting companies do the same.

But even though Kahre and his colleagues followed the dual monetary system mandated by Congress, the IRS didn't care. To America's most feared agency, the bottom line was Kahre's workers weren't taxed enough for their labor.

Based partially on cases that pre-dated the 1985 Gold Bullion Coin Act, the judge in the case did not allow defense attorneys to argue that Kahre was justified to pay workers based on the face value of the coins. Based on case law, the court concluded that income had to be calculated based on the FRN fair market value, rather than upon the face value.

A flaw with some of those cases was that each referred to double-eagle gold coins, which Franklin D. Roosevelt outlawed in 1934. Those coins are no longer in circulation like the coins minted by the U.S. government following the 1985 Act. The double-eagle coins were deemed to be property for tax purposes in those old cases.

Of course, the judge's rule was binding upon the parties and was followed by the defense attorneys at the trial. Hansen, under the good faith belief defense, was able to present evidence that his specific client, Alex Loglia, who performed research work for Kahre, did not have intent to commit tax crimes. This interesting twist allowed jurors to still hear the argument that Kahre was justified to pay workers based on the face value of the coins. The U.S. Supreme Court had long before ruled, in the Cheek case, that a good defense in a tax-evasion case is a person had good faith in not following certain tax laws.

“The Supreme Court said, if they don’t have criminal intent, then they are not guilty of tax evasion,” Hansen explained. “That doesn’t mean you don’t have to pay the tax, but it means you didn’t commit a crime and won’t go to jail for a felony.”

In 2005, Loglia penned a paper that earned him an ‘A’ from his law school professor Jay Bybee (who just happens to also be a 9th Circuit judge) on the gold-coin issue and the separation of powers. His paper took the position that, under Article 1, Section 8, Clause 5 of the Constitution, Congress alone had the power to coin money and set its value.

Loglia’s position was that the judicial branch does not have this power.

“The judge applied those old court cases, but we were still able to make the argument that Alex was not criminally liable because he believed in good faith in the use of the face value of the gold and silver coins for tax purposes,” Hansen said. “Loglia’s 100-page legal paper was great evidence for the jury of his good faith belief.”
Beyond the courtroom, there is another significant issue with the Kahre case — it gives attention to the ever-decreasing value of the Federal Reserve Note.

One Euro is now worth $1.45 in FRNs. A Chinese Yuan buys the same as $1.34 in FRNs. Even the Canadian dollar is now more valuable than our paper currency. Compared to the American buck, it’ll buy seven cents more in goods and services.

“Because of how much stronger the Euro is compared to an American FRN, the Federal Reserve just pumped up to $50 billion of FRNs into Federal Reserve banks to prop up the banks,” Hansen said. “But when they do that, every dollar that you have in your pocket is now worth less.”

However, America’s other monetary system — gold and silver coins — does not decrease in value. It becomes more valuable in terms of FRNs. Americans, though, rely on the FRN, and its rapid decline will sooner than later decimate the middle class, Hansen said.

Take socialist Karl Marx’s theory, for example. He believed the most effective way to obliterate the middle class involved a system of progressive taxation coupled with inflation. In the Federal Reserve’s case, if the bank continues to inflate the currency so that everybody moves into higher and higher tax brackets, eventually everybody will pay 30 to 40 percent of their income to taxes in Federal Reserve Notes, all while the FRN decreases in value due to inflation.

“By using the gold coins, Kahre was beating Karl Marx, the socialists and the liberals who want people to pay more and more so they can have bigger and bigger government,” Hansen said. “Kahre challenged the whole system and that’s why the IRS came down so hard on him and his associates.

"The IRS doesn't want this going on; they want you to use their fiat money and be forced into higher tax brackets through progressive taxation coupled with inflation. That way there's no limit on the money they can issue and inflate."

On Sept. 17, after four months of trial and days of deliberation, the Las Vegas federal jury returned with its verdicts. The courtroom was crowded as the IRS and Department of Justice filled the entire area on their side of the chambers with its officials.

Hansen was uncertain of what to expect. He just hoped that the jurors listened closely to the evidence presented.

"I could tell in the closing arguments, as I was watching the jury, that they were sympathetic to what I was saying. But what they were going to do, I did not know," he recalled. "I think the government, because it had packed the courtroom, was confident they were going to get numerous guilty verdicts."

Rather, jurors delivered zero guilty verdicts. Three defendants, all workers, were acquitted as well as Kahre's mother, who worked as a runner for her son's businesses. Two other defendants were partly acquitted — the jury hung on one count each. The jury also hung on all counts faced by Kahre, Loglia and Kahre's sister, resulting in mistrials.

"I'm telling you that I have never seen such a dejected group of people leave a courtroom in my life," Hansen said of DOJ and IRS officials. "They were shocked. Of course, we were pleased.

"The thing is, they had 161 counts and they did not get a guilty verdict on a single one. They got a big goose egg. We didn't get not-guilty verdicts for everyone, but the government didn't get anything."

The IRS was supposed to notify the judge in late October if the agency intended to retry the five defendants on the charges that resulted in a hung jury. The government waffled, indicating they would pursue another grand jury and issue superceding indictments. More information will be known by mid-November.

Looking back, Hansen recalls what may have been a key turning point in the trial. The government called three accountants to testify. The defense asked each one, "What is the proper way to calculate income for purposes of the Internal Revenue Code if you are paid in a gold coin that has a $50 face value on it?" All three of them responded, "I do not know; I'll have to research that."

"One of them had a masters degree in taxation!" Hansen observed, saying their answers made it difficult to prove the defendants willfully committed tax crimes. "If accountants and masters of taxation don't know the answer to this question, how in the world can they expect anything different from an ordinary person who is confronted with a dual monetary system created by Congress?"

Hansen believes it was uncalled for to prosecute Kahre and the other eight defendants criminally. The case revolved around a complicating and confusing legal issue. It should have been handled civilly, Hansen said, but the IRS wanted to make an example of these defendants because the federal government simply doesn't want anyone paying a lower tax than what the feds determine should be paid.

"If a coin says it is a $50 gold piece, and it says 'In God We Trust,' and the law says that it is legal tender, and it is in circulation, isn't it reasonable for people to think that they can calculate their tax liability based on that?" Hansen asks. "If a tax accountant can't answer that question, how can a common worker be guilty of a crime? The outcome of this case is a magnificent victory for those of us who believe that the United States of America should have an honest monetary system."

http://www.liberty-watch.com/volume03/issue08/coverstory.php

DGC Blogosphere

Currency
rootsilver.com - Root Silver Blog.
by Jeffrey Knight

"When you look at a currency crisis, and there have been dozens and dozens of currency crisis since the end of the second world war, where currencies have disappeared or been completely destroyed, the people that react last are the people in the country where the currency is destroyed.

And it's a very natural thing to have happen, because you're constantly dealing in the currency, you're getting paid in the currency, you're spending that currency, and you think all is going to be well. It's outside the country that people recognize first, if that currency has particular problems."
-James Turk
[http://www.rootsilver.com/2007/12/currency.html]

Who's Afraid Of The Gold Standard?
andrewsullivan.theatlantic.com - TheAtlantic.com
Andrew Sullivan, The Daily Dish

....criticisms of Paul, you quoted the following:
"[Ron Paul] also has a number of beliefs that are, not to put too fine a point on it, utterly insane. The gold standard is one..."

... this statement, unfortunately, perpetuates one of the most common myths floating around about Ron Paul in the blogosphere, namely that he supports the immediate restoration of a strict gold standard for U. S. currency. While Paul would ultimately like to see the dollar pegged to gold again, he does not advocate doing this precipitously. What he does support doing right now is legalizing private currencies backed by gold and silver.

Legalizing private commodity-backed currencies would give individuals the right to guard themselves against the inflationary tendencies of the greenback, without the various legal obstacles imposed by the current system. Paul's hope is that over time enough people will voluntarily to switch to gold-backed currencies as to make the final transition back to a real gold standard for the dollar relatively painless. His views on this subject are succinctly outlined in his essay "The Political and Economic Agenda for a Real Gold Standard" in the 1985 book "The Gold Standard: An Austrian Perspective," edited by Lew Rockwell. Lurthermore, as Peter Boettke explains in recent posts on his blog, these views are not merely the eccentric ramblings of a deluded old man, but similar to the opinions on monetary policy held by a number of distinguished economists, such as the Nobel Laureate Friedrich von Hayek. [http://andrewsullivan.theatlantic.com/the_daily_dish/2007/12/a-reader-writ-3.html]

Why Not The Gold Standard?
eternityroad.info - Eternity Road
By The Curmudgeon Emeritus, Francis W. Porretto

Your Curmudgeon, an amateur of economics, has been an ardent promoter of a modern commodity-money standard -- specifically, a modern gold standard -- for many years. As one with a penchant for venting unpopular opinions in public, he's grown accustomed to the snorts of derision from persons who deride the idea as "too 19th century" or "unsuited to the modern world." But over the years, he's noted that such snorts are almost always substitutes for an actual argument. No logic nor evidence stands behind them, only the assumption that an antiquated idea such as a specie standard is wrong by virtue of its age alone.

Needless to say, this is not a sound principle by which to reason. But few persons challenged for reasoning on this subject are willing to provide any.

Probably the best of all treatises on the subject of commodity money, and why it's superior to all other arrangements, is Ludwig von Mises's The Theory of Money and Credit. Not one statement in that definitive tome has ever been refuted. To Eternity Road readers who seek a truly exhaustive treatment, your Curmudgeon commends that work. For those who'd prefer a Readers' Digest synopsis, perhaps this somewhat briefer one will suffice. Money and currency are not the same thing. Money is a medium of exchange and a store of value. Currency is a proxy for money, a promise to pay in money, that we use in day-to-day transactions because routinely carrying real money involves certain risks and disadvantages. The dollar is a unit of currency; it is not a money. In fact, there are no governmentally-approved monies in the world today.

Despite what the great majority of persons believe, money was not the invention of governments. Indeed, money was not any individual's invention. It was an evolution from raw barter economics, in which Smith trades what he has for what others have that he needs, to a state of affairs in which Smith need not first locate a trading partner who both has what Smith needs and needs what Smith has. In other words, money permits Smith, and all the world's Smiths, to preserve the purchasing power of their productivity in a widely convertible form that won't erode over time.

The properties of an emergent money -- that is, a money adopted by persons freely trading in free market -- are well known:

- It must be widely valued;
- It must be easily recognized as what it is;
- It must be arbitrarily divisible without loss of the properties for which it's valued;
- It must be sturdy; that is, it must not degrade rapidly with time and handling;
- It must be stable of supply and very difficult to counterfeit.

Read the full post....

[http://www.eternityroad.info/index.php/weblog/why_not_the_gold_standard/]

Interview with Robert, Commerce Gold (C-Gold)

DigitalMoneyWorld.com - DMW
by Benson Koh

B: Hi Robert, thank you for taking your time for this interview with us at DigitalMoneyWorld.

R: My pleasure.

B: First of all, tell us more about c-Gold. Are there any objectives in the first place for establishing this Digital Gold Currency?

R: Well, I could use up the entire blog for weeks explaining why Commerce Gold will change the world, but let me just say that I have been managing ventures of the CyberFrontier Group for over a decade, and when we entered this industry, it was because foreign Internet merchants had difficulties to pay for our services (application development initially, then we added hosting, domains, website design, and ultimately our own e-commerce platform, etc.), and worse, had difficulties to accept payments for things they offered over the Internet themselves.

At the time, with the dot-com boom heading for its peak, e-gold.com made an awful lot of sense for many newcomers abroad. Then came the bust, and the industry saw it through and continued to grow, which led me to realign our ventures to focus on digital gold customers.

This was in 2001. I then waited for years for the industry to develop new dynamics and take steps towards fulfilling its immense potential. But it simply didn't.

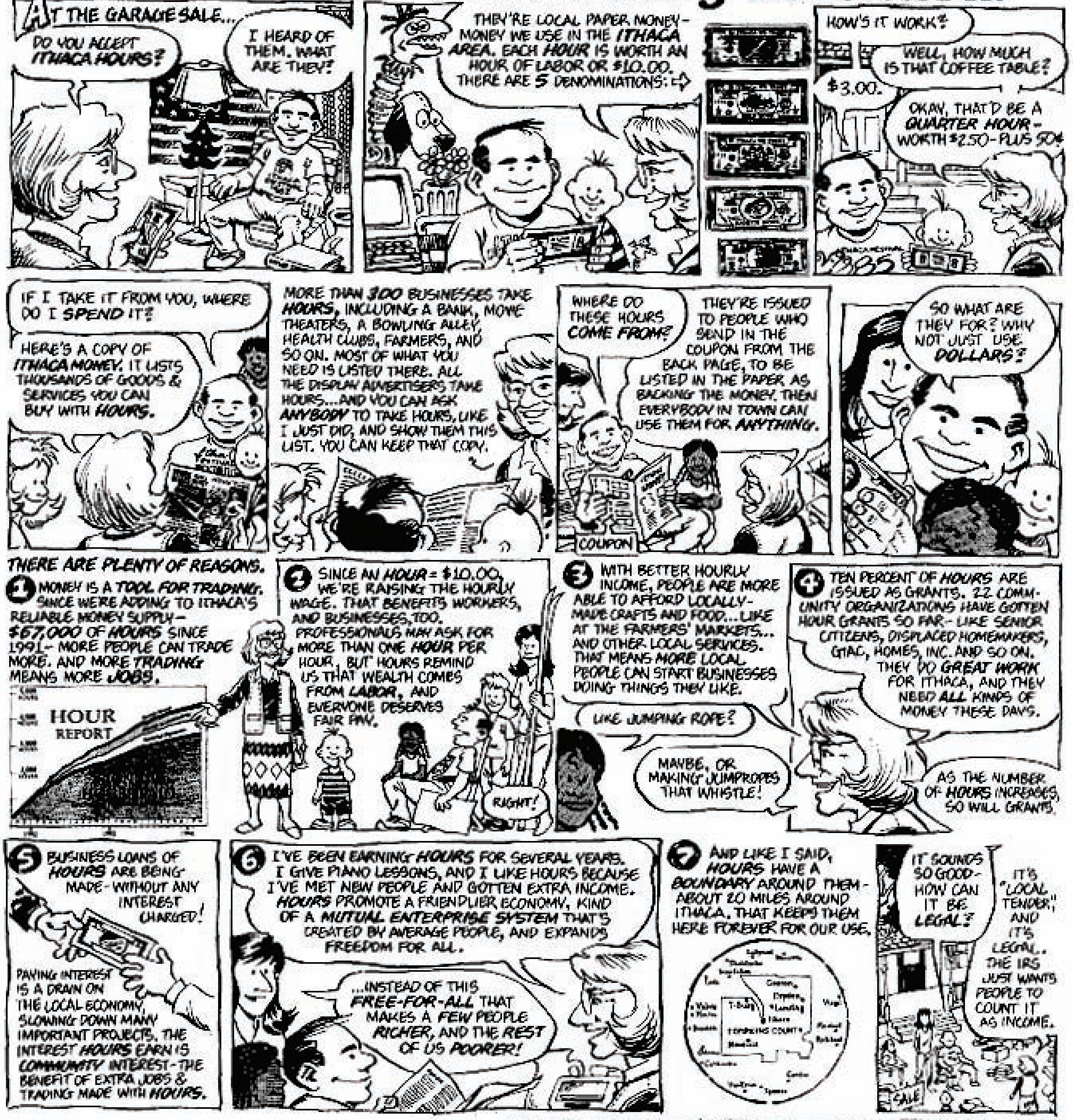
Two years ago, after CyberFrontier was well enough established in the industry, I tried to contribute towards that goal by launching the CyberGoldBank project, which was meant to add value to the industry as a whole. Things went well during the pilot phase, but with 1mdc's accounts being confiscated, the PVCSE closing its doors and e-gold essentially falling out of favor in South-east Asia, I realized that we had to go back to basics. That is when CyberFrontier, which was always a loose-knit group of companies, partners and associates, teamed up with industry professionals and put together Commerce Gold.

In other words, Commerce Gold, and thus the online platform at c-gold.com, is the attempt to rebuild the industry on a more solid foundation, with having mainstream acceptance as its clear aim and goal.

Read the full interview...

[http://www.digitalmoneyworld.com/interview-with-robert-commerce-gold-c-gold/]

We Print Our Own Money in Ithaca!



You're an important part of

Ithaca HOURS:

Even if you're not on the Ithaca HOUR list, you can help circulate our local cash, to help it do its good work.

Just purchase them at GreenStar Co-op or at Alternatives Federal Credit Union.

What Are Ithaca Hours?

Not legal tender its local tender. Here is a local currency that works.

Ithaca Hours is a local currency system in and around Ithaca, New York. The system was originally founded by Paul Glover and has been in operation since 1991. Using this kind of 'money' promotes local economic strength and community self-reliance. Keeping the profit and income in the local community supports economic growth, community participation and human aspirations in and around Ithaca, New York.

Local currencies are helpful for citizens to collectively control their economic futures. "In each other we trust" is a common theme. Buying local and using local currency local businesses a chance to compete against big retailers, like Wal-Mart. Wal-Mart profits flow out of the community and even the country. If you shop local you should use local currency.

Ithaca Hours help keeps money local, building the Ithaca economy. It also creates a strong community pride and connections. Hours are considered a complimentary currency, they are used along side government issued National currency. They are bought with U.S. dollars and can be traded with local shops for products or services.

Its estimated there are just under 1000 local participants that publicly accept Ithaca Hours and some local employers and employees either pay or receive partial wages in this local money. It is the oldest and largest local currency system in the U.S. Individuals or businesses who are members of Ithaca HOURS are also eligible to apply for business loans.

These loans are made in HOURS and carry a rate of 0% interest. New hour notes are issued as disbursements to those members paying for services such as a directory listing.

New hours are also issued to create loans or small community grants. In the United States there are over 200 local currencies in more than 30 States. Read all about the most popular local currencies in our March DGC Magazine Special Issue, "Complimentary Currencies USA" due out on February 5th 2008.

Why Should You Join?

If you have a business or provide a service there are three main reasons to join the HOURS network.

It's good for your business - being listed in the print version of the HOURS Directory and on the HOURS website provides additional customers who have HOURS to spend and are looking for businesses that take them.

It supports the local economy – unlike dollars HOURS keeps money in the community to build our local economy.

It pays for itself immediately – you pay $10 for a single listing in the Directory and we immediately give you 2 HOURS, worth $20 (4 HOURS if you join or renew at our Annual Meeting).

[http://www.ithacahours.org/]