

January 2010

DGC Magazine

GOLDMONEY
FOUNDER
JAMES TURK



2009 DGC PERSON OF THE YEAR

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GoldGrams®

GoldMoney measures gold in terms of grams, called goldgrams®. One goldgram in weight is equal to one gram of gold, but goldgrams are unique because they are grams of gold that circulate for use as currency within GoldMoney. There are 31.1034 grams per troy ounce.

GoldGrams® are unique because they are the only commodity currency in circulation today. As they are a commodity currency, they have the added value of their use as a tangible commodity; this is in addition to their usefulness as money. As an example, GoldGrams could be made into jewellery if they were no longer needed as currency. This unique attribute is not available in any national currency, as all national currencies today are fiat currency, meaning that if they are not accepted as money they have no other use. GoldGrams also have other attributes not available in fiat currencies, further distinguishing GoldMoney from other payment systems such as credit cards or bank wires. These attributes, which are shown in the table below, make GoldGrams uniquely useful in global ecommerce.

Attribute	GoldGrams	Fiat Currencies
Does it have value from a tangible use?	yes	no
Is 24/7 clearing of payments possible?	yes	sometimes, not usually
Do payments settle instantly?	yes	no
Is it a globally accepted form of money?	yes	some, yes
Does it have an established history as money?	yes	some, yes
Does it eliminate any payment risk?	yes	no
Is the transaction fee small?	yes	no
Are payments non-repudiable?	yes	no
Can it be debased?	no	yes

editor@dgcmagazine.com

Skype IM 'digitalcurrency'

<http://twitter.com/dgcmagazine>

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James Turk

DGC Person of the Year

DGC Magazine is proud to select Mr. James Turk, founder of GoldMoney, as our 2009 person of the year. Mr. Turk's continued innovation is apparent with every new feature GoldMoney has added over the past year.

According to users, the single largest deciding factor for participating in the digital gold marketplace is trust. GoldMoney's transparency, quarterly audits and video vault have instilled a new level of trust to the world of digital gold which was often lacking throughout the last decade.

Mr. Turk's ever present voice is heard across CNBC, YouTube, CNN, Bloomberg, Vidoemo, Metacafe, Dailymotion, Veoh, KingWorldNews, Mefeedia.com and dozens of other popular media outlets. His commentary and writings are published in Barron's, the Wall Street Journal, FMGR.com, CBSMarketWatch.com, GATA.org, KITCO, GoldSeek, Financial Sense Online and in other publications.

His tireless efforts to provide detailed financial and precious metals information, alerting readers to the perils of paper money, are well known around the world.

For his herculean commitment to digital gold currency we name James Turk our "Person of the Year" for 2009. Here is the list of GoldMoney new features from just the past year –

- 1.referral program,
- 2.registered gold bars,
- 3.German language website and customer support,
- 4.redemption into 100gram and kilobars through London refiner and LBMA member Baird & Co.
- 5.addition of platinum
- 6.bi-monthly audits (a SAS-70 audit twice a year by Deloitte and a quarterly bar audit by Inspectorate),
- 7.Via Mat vault video (available to customers when logged in to their Holding),
- 8.iPhone application to check balances and make payments.

Why Gold?

Why Not U.S. Dollars?

According to Jeff Clark editor of Casey's Gold & Resource Report, in 1935, when an ounce of gold was worth \$35, you could buy:

- a top-quality tailored suit for \$19.75 – or 0.56 ounces of gold
- a family car for \$500 – or 14.3 ounces of gold
- a house for \$7,150 – or 204.2 ounces of gold

Today, with an ounce of gold worth more than \$1000 an ounce:

- that same top-quality, tailored suit costs \$600 – or 0.56 ounces of gold
- the family car now costs \$15,000 – or 14.2 ounces of gold
- the house averages \$181,100* – or 204.6 ounces of gold*

(*average house price from 2008 / gold at 2008 price of \$880/ounce)

<http://www.caseyresearch.com/>



INTERVIEW WITH OUR 2009 DGC PERSON OF THE YEAR GOLDMONEY FOUNDER MR. JAMES TURK

DGC: Regarding the “Gold Bull Market” there was a significant event which occurred when the price of gold recently went over \$1000 USD. Can you help us understand what happened and why that event is so important for the long term bull market in gold?

Turk: It was a wake-up call. Until then, gold had been largely ignored by investors and the media. But once gold broke above \$1000, everything changed. Gold is garnering more and more attention and rightly so.

First of all, gold has been one of the best performing asset classes this decade. This table shows gold’s appreciation against nine of the world’s major currencies.

Also, a rising gold price provides an important message. I like to say it is the “canary in a monetary coal mine”. A rising gold price is warning us about monetary problems, or more to the point, that the purchasing power of national currencies is being eroded. So the fact that gold has climbed above \$1000 is significant. The ‘canary’ is singing loudly.

DGC: What is the most popular weight of GoldMoney bullion bars which gets delivered to customers through Baird & Co. 100 grams or kilo?

Turk: The 100 gram bar is more popular. It weighs approximately three ounces, so it is a lot easier to handle. Also, they are great gifts to give to children and grandchildren.

	USD	AUD	CAD	CNY	EUR	INR	JPY	CHF	GBP
	-----	-----	-----	-----	-----	-----	-----	-----	-----
2001	2.5%	11.3%	8.8%	2.5%	8.1%	5.8%	17.4%	5.0%	5.4%
2002	24.7%	13.5%	23.7%	24.8%	5.9%	24.0%	13.0%	3.9%	12.7%
2003	19.6%	-10.5%	-2.2%	19.5%	-0.5%	13.5%	7.9%	7.0%	7.9%
2004	5.2%	1.4%	-2.0%	5.2%	-2.1%	0.0%	0.9%	-3.0%	-2.0%
2005	18.2%	25.6%	14.5%	15.2%	35.1%	22.8%	35.7%	36.2%	31.8%
2006	22.8%	14.4%	22.8%	18.8%	10.2%	20.5%	24.0%	13.9%	7.8%
2007	31.4%	18.6%	10.4%	23.0%	17.9%	17.5%	24.7%	21.5%	29.2%
2008	5.8%	32.5%	32.4%	-1.1%	11.9%	30.4%	-14.9%	0.2%	44.3%
Average	16.3%	13.3%	13.6%	13.5%	10.8%	16.8%	13.6%	10.6%	17.1%
30Nov09	32.3%	0.8%	14.1%	32.4%	22.6%	26.5%	25.9%	24.5%	17.5%

DGC: Have you seen an increase or a decrease in the P2P, P2B or B2B digital payments side of the GoldMoney business?

Turk: Yes, some increase is inevitable simply as a result of the growth of new customers. But it is still a relatively minor part of our business. Most people use their Holding as a savings account, not a current account, which is understandable. We are seeing Gresham's Law at work, namely, bad money drives out good money. National currencies are used for spending but people save the good money, gold and silver.

DGC: You were quoted as saying that the price of gold in U.S. dollars will rise to \$8000 and the DJIA will fall to match that 8000 figure. I can see the Dow at 8000 again, but that figure of \$8000 for gold is going to require some extraordinary events or movement in the dollar. Do you have any specific reasons that would push the POG up so high?

Turk: You are referring to an interview I gave to Barron's back in October 2003, when gold was trading about \$350 an ounce, and I forecast that gold would rise to \$8000 an ounce by 2013-2015. I based this forecast on key historical events – specifically, the relationship between the price of gold and the Dow Jones Industrials Average and what happened in the 1970s.

We have a clear boom-bust cycle in our economy, and it arises because of the way banks operate. They lend too much, and borrowers borrow too much, which cause the boom. A bust inevitably follows. So for example, the boom of the 1920s led to the bust in the 1930s. The boom of the 1950s and 1960s led to the bust in the 1970s. The boom of the 1980s and 1990s led to the bust of the 2000s, which we are now experiencing, but here's the important point. The end of the bust comes when the Dow Jones average and gold are the same price. In the 1930s, gold was \$35, and the Dow was 35. In 1980, gold was \$800, and the Dow was 800. So in October 2003 I recognized that we were already in a bust and concluded that before this present bust is finished, history would repeat and the Dow and gold would be the same price. But I know what you are thinking – how did I forecast they would be 8000?

Well, again I used history. In October 2003 it took about \$10 to purchase what \$1 purchased in 1971 because of all the inflation during those 32 years. So my thought was that if gold could rise from \$35 to \$800 during the bust of the 1970s, history could repeat in the present bust, with gold rising from \$350 to \$8000. In other words, the rise of gold's purchasing power would be identical to what happened in the 1970s, but in dollar terms, we need to add a factor of 10 because a 2003-dollar only had 1/10th the purchasing power of a 1971-dollar. In today's world of fiat currencies – which are currencies backed by nothing – the name of the currency remains unchanged, but the dollar is purchasing less and less over time.

DGC: Can you share with us, what countries around the world contain the most GoldMoney account holders? Where are the GoldMoney products most popular?

Turk: We have customers in over 100 different countries, but North America is the most popular area. The biggest growth in percentage terms though has come from the UK. People there understand that gold can protect them from currency fluctuations as well as inflation. The pound has lost nearly one-half of its value against the euro over the past couple of years. Brits who held gold during this collapse protected their purchasing power.

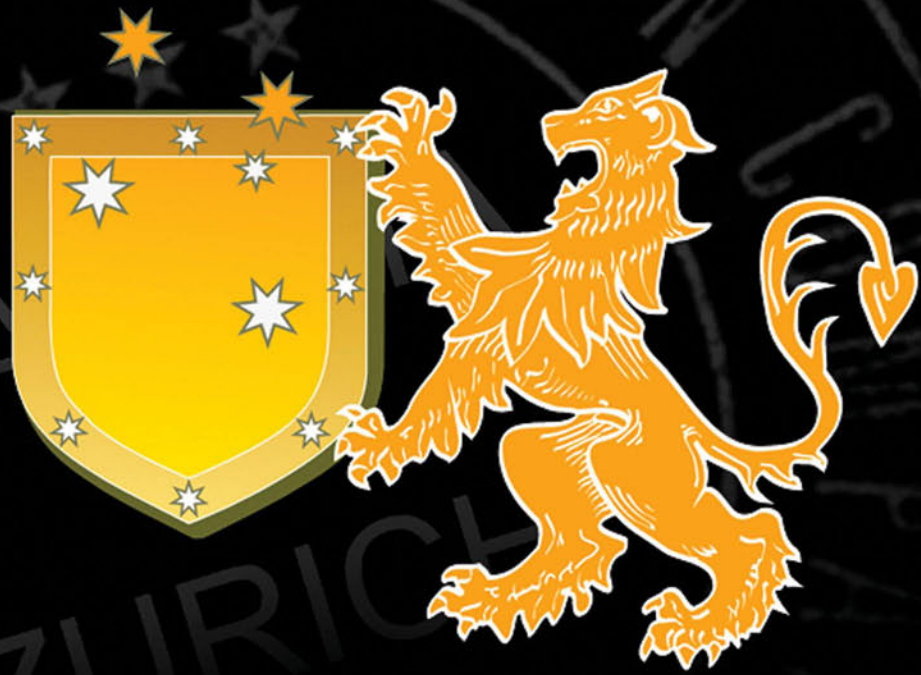
DGC: How many online merchants does GoldMoney have at this time? (Merchants are companies selling products or services and accepting GoldMoney as an online method of payment)

Turk: I don't know the number, but if you are referring to accepting GoldMoney through an online interface, it is small. Most merchants who accept gold as payment do so directly, without an online interface.

DGC: Just for the record, GoldMoney now offers digital precious metal accounts and vaulting for Gold, Silver and Platinum. With a GoldMoney holdings account, can I make a digital metals payment to another user in all of these metals?

Turk: Yes, each one can be used as currency, though 'digital gold currency' is the most popular.

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Contact:

+1 206 905 9961 USA
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+ 44 208 819 3911 UK
+ 852 8124 1265 Hong Kong

Email: astanczyk@anglofareast.com



DGC: Ben Bernanke was just named Time Magazine’s Man of the Year. If Bernanke keeps U.S. interest rates low or at zero for much longer isn’t there a chance his policies will seriously damage the U.S. dollar...the type of damage which cannot be repaired?

Turk: Absolutely. He thinks he can jumpstart the moribund US economy with easy money. He thinks he can avoid the inevitable ‘bust’ that followed the ‘boom’ that ended in 2000. But he is mistaken. What’s needed to end the bust is more capital to bring overextended balance sheets back down to prudent levels of debt. Capital cannot be conjured up ‘out of thin air’ like all the new money the Federal Reserve is creating. Capital comes from savings and hard work, not from debt and consumption. So not only is Mr. Bernanke not going to save the economy, but he will probably end up destroying the dollar.

Think about it. All one has to do is compare what Mr. Bernanke is doing during this current bust to what Paul Volcker did at the end of the last bust. In the early 1980s he kept raising interest rates to convince the market that he would save the dollar, which he did. The economy went into a bad recession, but the dollar reversed the downtrend of the 1970s and particularly during the Carter years, and began a new period of strength coinciding with the Reagan administration. But Bernanke is keeping interest rates near zero, and when adjusting for inflation, real interest rates are negative. Why hold dollars when negative interest rates are in effect ‘paying’ you to hold gold instead?

So Mr. Bernanke’s honor of gracing the cover of Time probably signals the peak of his acclaim, just like when Alan Greenspan was hailed as the “maestro” at the top of the boom he helped foster. It will be all downhill from here for Mr. Bernanke, and the dollar too I am sorry to say.

DGC: Regarding the Indian central bank purchase of 200 tonnes of gold from the IMF, do other countries around the world see this “buying gold and selling dollars” as thumbing their nose at the U.S. and the dollar?

Turk: Yes, I think so. Ever since the 1960s, the US

has tried to reduce gold’s role in the international monetary system. It has done this by disparaging gold, passing laws to make it difficult to circulate, imposed taxes, and changed the rules of the International Monetary Fund. So it is significant that India, China, Russia and Sri Lanka have been building their gold reserves. They want to reduce their holdings of dollars and are willing to accept the ire of the US government when doing so.

DGC: What does it mean when Central Banks around the globe begin buying gold as they have lately?

Turk: At its most basic level, it is a clear sign that even central banks are losing faith in the US dollar in particular and more generally, that the international monetary system as it is presently structured is no longer workable. It is also their recognition that Washington’s policymakers are willingly allowing the purchasing power of the dollar to be inflated away.

DGC: What is ‘deposit currency hyperinflation’ and how might this effect the United States?

Turk: I’ve written a lot about this recently. These articles are posted on my www.fgmr.com website and free to everyone. The dollar is on the road to hyperinflation, but it won’t be like the hyperinflation that devastated Weimar Germany in the 1920s or more recently, Zimbabwe. Those were ‘paper currency’ hyperinflations. Instead, it will be like the ‘deposit currency’ hyperinflations that happened in Latin America in the 1980s and early 1990s.

The point is that hyperinflation manifests itself in two different ways, depending upon the nature of the banking system. In Weimar Germany and Zimbabwe, very few people had bank accounts. Most goods and services were purchased with paper currency. But in the United States today most commerce is conducted with checks, wire transfers, plastic cards and the like. So the dollar will suffer a deposit currency hyperinflation, just like those that devastated Latin America a couple of decades ago.

Though hyperinflation manifests itself in two different ways, it always has the same cause – too much government spending. The government is then

forced to borrow more than the market is willing to lend to it. Consequently, the central bank steps in and creates currency out of thin air, which it then gives to the government for spending. Today the Federal Reserve calls this process “quantitative easing”, as if giving it a nice sounding name will change its pernicious nature. Of course, it won’t. So unless the reckless spending and over-borrowing by the US government are soon stopped, dollar hyperinflation will be the result. Importantly, I don’t think that point is too far away. I am talking months, not years, and I fully expect that hyperinflation will become increasingly evident in 2010.

DGC: What are the more obvious symptoms of hyperinflation and what should we be looking out for?

Turk: The most obvious one is a rising gold price. Also, the rising stock market in the face of deteriorating economic conditions is another. All the new money creation has to end up somewhere, so the stock market is an obvious alternative. Rising long-term interest rates is another sign. It is noteworthy that rates on 10-year US government bonds are again rising.

DGC: How does converting dollar assets into gold protect us from this inflationary environment?

Turk: Well, as the table I referred to earlier clearly illustrates, gold appreciates when the purchasing power of currencies is eroded. Gold does this regardless how rapid is the rate of inflation. So if inflation is just single digits, gold goes up in single digits. But if inflation increases to triple digit annual rate of increases or more, the gold price will rise accordingly.

DGC: In 1963 President Kennedy implemented the Interest Equalization Tax, which, “..was meant to make it less profitable for U.S. investors to invest abroad by taxing[15%] the interest on foreign securities.” Wasn’t that just a form of capital control, trying to restrict the flow of money in or out of the country and could the U.S. be looking ahead at similar controls in order to keep all those foreign held U.S. dollars from returning to America?

Turk: Yes, that is exactly how I see it. I even men-

tioned in my October 2003 Barron’s interview the likelihood of capital controls being imposed before this bust is over. We cannot predict what form those controls will take, but we can read from monetary history, that rather than reverse course and pursue sound money policies, governments impose capital controls to try to buy more time. The controls you mention from President Kennedy bought time, but only until the Johnson administration, when years of money mismanagement by the Federal Reserve along with new bad policies being imposed caused the dollar to unravel.

DGC: Isn’t this a very good reason for average American’s to diversify their financial holding outside the U.S. and by holding the gold metal in London or Zurich does GoldMoney effectively do that for its users?

Turk: I believe the precious metals to be the bedrock asset of everyone’s portfolio. Consequently, you do not want to take risks with it, and geographically diversifying your metal holdings is one of the ways to mitigate risk. Gold was confiscated by the US government in 1933 and made illegal until 1974. It happened once, and it can therefore happen again.

DGC: I know you probably don’t give any tax advice, but since the UBS scandal I’m asked this questions a lot. Can you tell us if a GoldMoney account held by an American is considered an offshore bank account or asset account, the type which is reportable on the additional filing for a U.S. annual tax return?

Turk: You are right; I can’t give tax advice. But let me give you my observations, which of course are not to be relied upon. Everyone should get advice and guidance from their tax adviser. As I understand the regulation, it applies to “accounts”. In GoldMoney, our customers have a “Holding”. This difference is meaningful because accounts are liabilities of a financial institution, like a bank, but a Holding simply records your ownership of an asset. In other words, we are talking about the fundamental difference between assets and liabilities.

For example, when you take \$1000 to your local bank and deposit it, the ownership of those dollars transfers

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Commerce Gold
Real Gold in Secure, Private Storage

<http://c-gold.com>



from you to the bank. You leave the bank with its evidence of their debt – their liability – to you. It could be a Certificate of Deposit, a savings book, or your checking account statement, which depend upon what kind of deposit you made. This is fundamentally different from GoldMoney. Your Holding records the asset you own. The ownership of your gold and silver do not transfer from you to GoldMoney, which is simply storing previous metal you own. More to the point, the bank can take the dollars in your account and lend them to whomever they want. But GoldMoney cannot do that because it does not own the precious metals stored with it.

DGC: What is the importance of having my gold or any U.S. resident storing gold with GoldMoney outside of U.S. borders?

Turk: When gold was confiscated by President Roosevelt in 1933, only gold in the US was affected. Gold held by US citizens outside the US was not affected. That gold could continue to be legally held by US citizens.

DGC: A lot of people are buying ETFs lately. Concerning counterparty risk, can you explain for readers the difference between a gold ETF like GLD and owning the actual allocated bullion through a GoldMoney digital account?

Turk: There is a difference between paper-gold and real, physical metal. When you own an ETF, you do not own gold. You own shares in a fund that is supposedly backed by gold, and I say “supposedly” purposefully because I still have uncertainties about whether the gold backing some ETFs really exists. In any case, when you own an ETF, you only own exposure to the gold price. An ETF is a financial asset. It is not a tangible asset. And financial assets come with counterparty risk. In other words, the exposure to the gold price you own through the ETF is only as good as the promise of the backers of the ETF. In a world where paper-gold claims are many, many times the amount of available physical metal, there is a real risk that much paper-gold is not worth the paper it is printed on.

DGC: What is this new item I see on the GoldMoney web site called the Video Vault?

Turk: It is a video of the inside of the Via Mat vault where GoldMoney stored the precious metal owned by its customers. We agreed with Via Mat that for security reasons, the vault would only be made available to our customers. So the video is only available after you have logged into your Holding. It is really a pretty neat video. It is rare to see a video like this, but it gives an indication of the tight security that vaults protect the precious metals stored with them.

DGC: Congratulations! I see that that GoldMoney has a new German language web site which is obviously targeting a healthy segment of the the EU marketplace.

Turk: Yes, thank you. It is another indication of how GoldMoney continues to develop and broaden its products and services. This new website is complemented by our German-speaking support staff.

DGC: Can you share with us if German customers prefer delivery of their products or digital goldgrams?

Turk: At this stage, digital goldgrams are more popular, and I would expect this result to continue. Digital gold is far more convenient and economical.

DGC: It's my opinion that while DGC is the best way to do business around the globe, there is a speed bump right now which all DGCs must get over before moving ahead. That obstacle is --how to account for transactions and what profits or loss transactions are considered taxable. Has anyone ever sought or received a private letter ruling from the IRS (or a State revenue dept) about the permissible characterization of DGC income?

Turk: Not that I am aware.

DGC: Is there any legal reference material online which would help those businesses to understand the accounting or tax structure of digital gold currency for their daily operations?

Turk: I have never googled for anything like that, but I imagine that something has been written on this sub-

ject somewhere.

DGC: When will gold, not paper, have a larger roll in the international monetary system and global economy? When will precious metal be the tool for settling international trade and not dollars?

Turk: Good question. The answer is that financial innovation comes slowly and takes time. For example, look at something as simple as the ATM. It took 15-20 years before they became widely adopted and used. DGC has been around for a lot less than that, and it is more complex a development than the ATM. So the widespread acceptance of DGC will take more time, but it is coming for two reasons. First, this 40-year experiment we have been conducting with fiat currency is failing, so it seems inevitable that gold will eventually resume its rightful role as currency at the center of global commerce, which leads to the second point. Gold won't return to this role in an 18th or 19th century way. Gold won't be moved around in coins simply because there is a more efficient, convenient and economical way to use gold as currency, namely the DGC made available through GoldMoney.

DGC: I was going to ask you if silver is now

popular with your customers, then I visited the monthly report page

<http://goldmoney.com/report-monthly.html>

Out of \$911 million in GoldMoney accounts, more than a third of that value is in silver! (\$318 million) That is amazing. Has silver taken off more than you had expected when since GM started vaulting silver?

Turk: It has, but I really shouldn't be surprised. "When will you offer silver" was the most frequently asked question by our customers. So I really should have anticipated its popularity.

DGC: It seems to me, that there is NO business in the world that can compete with the services and products GoldMoney has to offer. Who do you consider is your competition in the digital gold market?

Turk: We consider everyone who sells physical gold and silver to be a competitor. There are a couple of other players out there, but we are the leaders both in terms of size and governance procedures. We are also

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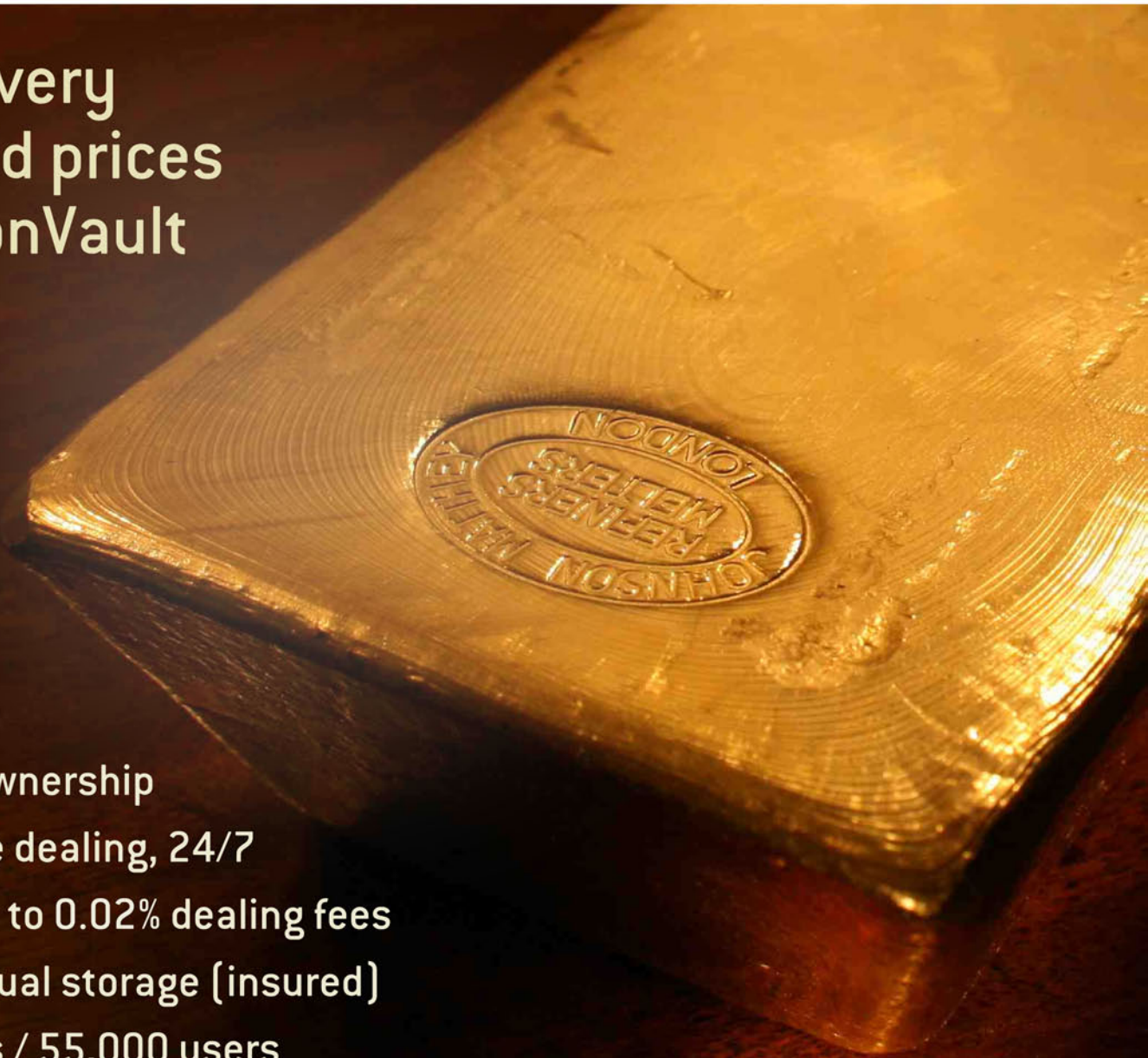
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the oldest, having launched in 2001.

DGC: I see on the web site you now offer detailed information on customer holdings as often as each quarter. Is that your usual well know accounting firm in performing an audit each quarter or something new?

Turk: We have made a couple of enhancements. First, the SAS-70 audit is now being completed every six months on a rolling 12-month basis. Second, we now also use a specialist metal firm to complete bar audits four times a year. We have scheduled their work so that there are now auditors in the vault every other month. We do everything we can to provide our customers with assurances of integrity that their precious metal is safe and secure.

DGC: I would like to participate and help in the creation of a very detailed guide & manual for merchants on how to set up and use digital gold in everyday business. I believe the first step in this direction is to outline in legal and tax terms the day-to-day procedures for a business to accept digital gold as money. (such things as accounting for transactions, profit or loss on gold price moves, currency conversion etc.) I also believe that with the GoldMoney iphone app and the function which it offers consumers there is nothing standing in the way of the “everyday use” of digital gold currency for shopping or paying bills.

The next move appears to be clearly defining the conditions for ALL digital gold currency transactions, incomes and sales. Has GoldMoney made any progress in this direction which aid online companies or help brick and mortar local businesses understand, integrate and account for transactions in digital gold?

Turk: No, we have been focused on building the main part of our business, which is providing our customers with a convenient, economical and safe way to buy and sell precious metals.

DGC: On my recent trip to the Webmoney Transfer office in Moscow, I discovered they provide, free of charge, a thick booklet on

the legal accounting methods for Webmoney Transfer’s online payments. I have a copy but it’s in Russian and specifically made for the Russian accounting system.

Would you support such an effort researching tax and accounting items that would advance the use of GoldMoney transactions for local businesses in the United States or the UK?

Turk: A booklet like this would have to be prepared by an accounting firm or by specialized consultants familiar with the rules and regulations as well as the nuances. There is a hurdle here that needs overcoming, based on our own experience. Being goldgram based and generating goldgram income from our services, we wanted to keep the accounting records of GoldMoney denominated in goldgrams. Our auditing firm, however, objected because the accounting rules they were operating under required financial accounts to be stated in terms of a national currency. So we have to keep our own books and records in terms of British pounds, and just report them in goldgrams for reference purposes for our own internal use and that of our shareholders. The bottom line is that rules and regulations usually lag the adoption of new technologies, and this principle is apparent with regard to DGC.

DGC: This would mean identifying and outlining standard procedures on accounting and taxes when dealing with a DGC. Or are you of the opinion that your company maintains the GoldMoney system and a local company’s daily business transactions are not within your responsibility? In other words, will integration into daily life require an outside third party effort or will GoldMoney participate and perhaps lead the way? (I believe we are ready to go)

Turk: Our primary responsibility is to follow all the laws and regulations of the country where we operate, Jersey, Channel Islands. We do this rigorously, and are regulated there by the Financial Services Commission. We do not have the knowledge or resources to follow the rules and regulations in countries where our customers are located. We put in our User Agreement that responsibility with our customers themselves. It is the only practical alternative for a global

business like ours where we have customers scattered throughout the globe. So I believe the practical solution is for integration into daily life to come from outside GoldMoney, but we will continue to provide the tools to achieve this objective, like the iPhone application we recently introduced.

DGC: More than 5 years ago (Oct. 2004), Representative Henry W. McElroy filed a revised version of the original Gold Money Bill for the 2004/2005 session of the New Hampshire General Court (NH's version of the House and Senate). Did you help any with the creation of that document?

Turk: No, it was written by Edwin Vieira, who is the US's leading constitutional scholar on money in general and the dollar in particular.

DGC: What happened to that New Hampshire bill, and do you know where this important issue stands today?

Turk: I believe that the bill is still stuck in committee. I and several others testified before that committee, but we were obviously unsuccessful in that effort. Nevertheless, the bill received widespread attention and has spawned similar efforts in other states. And perhaps New Hampshire will eventually move forward with this important legislation to enable its residents to transact with the state in Constitutional money.

DGC: Yes, there are now several of these Sound Money Bills in all stages of creation and some are being voted on soon. Is this a good thing for the American people and do any have a chance of becoming State Law?

1. **Indiana Honest Money Bill, SB 453 / IHMA, (submitted October 2008)**
2. **HB639 Montana Sound Money Bill, 2009**
3. **Georgia Constitutional Tender Act - Assigned to the House of Representatives Banks & Banking committee, HB 430, or the Constitutional Tender Act, would require the use of gold and silver coin for the repayment of debts to the state, notably all state taxes. It would also mandate that any bank conducting**

business with the state accept gold and silver coins as deposits. In effect, the bill seeks to revive the gold and silver standards for certain forms of state business

4. **Colorado House Bill 09-1206, Concerning an electronic currency backed by reserves of precious metals. First Regular Session, Sixty-seventh General Assembly**
5. **Missouri House Bill 561, -- Electronic Gold Currency, this bill establishes procedures for the use of electronic gold currency by the State of Missouri. 95th General Assembly, 1st Regular Session, Last Updated November 17, 2009**
6. **Washington State Joint Memorial 4010**
7. **Ohio Sound Money Bill**

Turk: I don't know if they have a chance of becoming law, but they are definitely a good thing. Today's monetary and financial problems exist because we have abandoned the wisdom of the framers of the Constitution by creating a monetary system that they intended for us to avoid, namely, a fiat currency backed by government promises instead of gold or silver. One of the reasons they aimed to create "a more perfect Union" was to establish a single currency for the new country on a sound monetary framework, which they did in Article I, Sections 8 and 10. They wanted to avoid a repetition of the problems they experienced with the continental, the country's first currency, which collapsed. But since 1971 when Nixon broke the formal link between the dollar and gold, the dollar is no different from the continental or the dozens of other fiat currencies that have collapsed. So if we continue down this same road – instead of making a u-turn and returning to a money system in conformity with the requirements of the Constitution – it seems clear that the dollar will collapse too, and that is what the rising price of gold is telling us.

DGC: Any comment regarding the conspiracy theories about "Tungsten Bars" that have been receiving a lot of press?

Turk: This controversy relates to bars made back in the 1990s, so it has no impact on GoldMoney. The metal we sell to our customers comes from bars made in recent years, most of which are purchased directly



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from refiners. Further, all the bars within GoldMoney are within the London Bullion Market Association “chain of integrity”, meaning that the refiner whose name is stamped on the bar will stand behind the bar’s integrity and make good on it if it contains less gold than it is said to contain. Also, it is worth noting that these bars are made every day and melted down by jewelers and other fabricators, and there have been no instances of tungsten. Nevertheless, we have been investigating whether testing equipment exists to check the integrity of each bar in the vault without needing to remove it to another location, and so far we have not been successful. We are still following up though. We are not concerned about the integrity of the bars GoldMoney has in storage, but we want to put our customers’ mind to rest. If at some future date we are able to say that in addition to all the existing procedures we take to ensure the integrity of each bar that we are also testing each bar, it would help us achieve our main objective, which is to provide our customers with the highest possible assurances of integrity that their metal is safe.

DGC: Due to the tiny size of the silver market, is the manipulation by large banking houses really holding the price of silver at an unusually low price?

Turk: Yes, I believe so, and evidence like the large short positions concentrated in one or two banks basically confirms it. These shorts are trapped, and there will be a massive short covering when the scheme finally falls apart. That date cannot be predicted, but it is reason why silver – like gold – should always be owned in physical form, not as paper. Own a tangible asset, not a financial asset.

DGC: Is the silver market a different kind of animal today than it was in the 1980’s?

Turk: Yes, because the short position today is concentrated in one or two big bullion banks, which I believe, are unable to deliver metal under their contracts because they are short. Back in the late 1970s and early 1980s, the short position was dispersed among a variety of bullion houses, which were largely backed by physical metal. As a consequence, the potential upside price target for silver today is much greater than it was back then. In other words, as bullish as I am about gold, I am even more bullish on silver, but because of the volatility, it is not for everyone.

I’d like to thank Mr. Turk for taking time to answer my questions and participate in our magazine.



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American Hangover

The Day the Dollar Died

Part II

<http://johngaltfla.com/>

The following represents the fictional perspective I see possible during a week long currency crisis created by the United States government and how it might well be viewed from the eyes of a blogger, a truck driver and a warehouse section manager. The premise might seem like a crisis that could not happen here, but does it really take much of a reach to come to these conclusions? Each individual might react differently, each aspect of the story questionable to some degree but the question has been asked of yours truly as to why and how the series of events could occur in such rapidity and without warning. For those that have been reading my pages and works since late 2005 when some friends in the real estate and financial industry made me aware and gave me the red pill so I could understand the depths of the financial fraud being perpetrated on our nation and much of the Western world married to our foolishness.

The party is about to end. Let's take another look to see what the hangover from the party might just look like.....

"Ah, Lincoln Avenue exit, Thank You Lord for getting me home!" an exhausted driver named Mike exhaled as he saw the ramp approach. Had had just over a half tank of fuel and could keep the rig running during the icy nights in Minnesota but was more aggravated after today's events that no one in his office would answer the phone or the Qualcomm communications he had sent. Mike spent seven hours to get fuel in Fargo as the tanks were empty and the last tanker truck the Petro would send did not arrive until three hours ago. As a result, Mike sent a nasty message to his dispatcher about ice, cold and where it needed to be located up his dispatcher's torso in Atlanta. Here it was six o'clock in the morning on I-94 and the roads were packed with truckers as usual but the CB radio screeching with chattering rumors about bank failures and economic collapse. "Good thing I have The Highway channel on my Sirius" he thought to himself as he cruised home to some classic Johnny Cash.

As he started down shifting on to the ramp he noticed that at just after 6 a.m. one of his neighbors, Deputy Monckton was at the bottom of the ramp with his lights flashing and flares across the bottom of the ramp. Mike rolled to a stop and cranked the window down and asked "Hi Jack! What the heck has you out here freezing your tail off this early in the morning?" The Deputy unsnapped the cover from his parka over his face, took a sip of coffee and then spit out some chew to reply, "Mike, you are not going to believe this, I've been ordered to close this exit. Locals are the only ones allowed in for the next ten days per the Sheriff and Mayor Hildegest. We're supposed to turn everyone away here and off the old Highway 52 and 210 exits. I hope you're going home, there's some wild stories circulating out there!" Mike grabbed a huge gulp of coffee and wiped the over flow off his now frozen beard in the negative 21 degree temps to tell the Deputy "I'm going home and locking and loading. I've got a about a third of a load of pork from IBP to deliver tomorrow in Duluth, but now, we might just need it here. Call me if you need my help on the patrols, I'm locking this sucker up." The deputy said "thanks" gave a half-hearted salute and moved his car to let Mike through. Little did Mike know that the little town of Fergus Falls would get very, very busy before the week was over.

Meanwhile, back in Hampton, Georgia....

FEBRUARY 22, 2010 0315 A.M. ET

Tom finally had the joy of handing a clerk \$72.00 to pay for 30 bucks worth of toilet paper and a bunch of canned goods. Amazingly when Tom arrived home a half hour later his wife greeted him at the door. "Well, was it worth it getting all that toilet paper?" Sandy asked. As Tom looked uncomfortably at his lovely wife of twenty years, he started to speak when she interrupted and said "uh, I don't see any of this magic toilet paper? Where is it sparky?" Tom looked down as he set the first load of bags of canned food down and a full two cases of Saltine crackers and started the story, "Well, uh, honey, you see there was this guy in the parking lot and uh, well, you see, he uh, well, gave me \$10 a package for toilet paper I paid \$5.99 per package for! He's such an idiot!!!!" Sandy was not impressed. She said in a stern and disgusted voice "And if we run out because the stores are closed, will you let me use all that money you just earned to wipe my butt?"

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“Uh” was all Tom said as he looked down and meandered back to the car for another bag full of canned veggies and Ravioli in the middle of the night.

FEBRUARY 23, 2010 1:41 A.M.

Crap, I forgot to turn off the computer. Look at all the emails and nasty messages. Maybe it is just a bad dream or the bourbon but I swear that even at this time of night the “Day After” as the media was calling it seemed like it was prime time as thousands of people were on my favorite message boards, many pleading for help about their investments or what to do to survive. After finishing up my business in the bathroom, I figured I might as well turn on the idiot box and see if the mainstream had figured out just how severe this historical event was or if our morons who helped make this mess had the nerve to utter any statements from Geneva yet.

As I flipped through I wondered if slugs like Cramer and Kudlow would ever show their face on television again. I had managed to convince the wife that I needed at least three televisions but that didn’t fly so two would have to do along with a split screen on my monitor as I used when I formerly day traded. She was wonderfully tolerant but knew that I had a clue this might be happening so understood and enjoyed a bottle of wine with me as we talked on the patio before retiring for the evening. Unfortunately my office beckoned and when I saw the insanity on my screen my head almost exploded.

There it was, live at eight minutes until 2 a.m. a repeat of a special “Fast Money” segment on Bubblevision proclaiming and pushing the “Best Stocks to Buy” when the market re-opened next week. The best stocks to buy? These morons are acting as if this was just eating some bad undercooked chicken from a local Chinese choke and puke and once you purge it, you can chow down some more, just add more soy sauce! At 2 a.m. the mood returned to my more somber dark outlook as the Bloomberg network began live coverage from Switzerland and their attitude was 180 degrees from the propagandists on other channels.

The interview they had with the Swiss Finance Minister Merz was pretty much to the point. He looked into the camera and sternly proclaimed “We will not sacrifice Europe nor our economy to save America and

their illogical banking structure. We will issue a statement tonight after President Obama speaks at 6 o’clock Geneva time.” I figured that might give me time to squeeze in eighteen holes and enhance my hangover if I could get back to sleep but that would mean convincing my boss to tee off at 7:30 a.m. instead of 9:30.

05:09 A.M. ET

The snooze button felt good but sleep was not an option. I left my wife’s warmth and comfort to sleep on the guest bed and kept the television volume on low just in case the EAS decided to activate because the ChiComs got sick and tired of the excuses from Obama and Bernanke in Geneva. Of course my paranoid self got the best of me and made me get up, shave, shower and listen intently to the local station which broadcasts the Bloomberg Radio Network exclusively in the early morning. What was unusual about this mornings program, as I smelled the coffee cranking up from my automatic Mr. Coffee (Dunkin Donuts, fresh ground if you’re curious) was the appearance of the morning team of Tom and Ken a full two hours plus before they normally come on the air. Bloomberg “Surveillance” was on at 5 a.m. and that meant either big news was breaking or there was some serious concern on the behalf of the big money crowd. The first interview they had was with a New York City Councilman who worriedly professed that the longer the markets were closed and the more dangerous the projected actions, the worse the city would be hit. I found that interesting because locally, nothing much of anything beyond the international fiasco was really going on. The bank closings and gas stations running out of gas was just taken in stride by the masses and that’s why I was hurriedly shaving and then putting toilet paper on the fresh cut when Tom Keene said that the projected Dow opening if it were to open today was down thirty percent if it were allowed to trade according to some experts.

06:00 A.M. ET

As I finished my shower the sounds of Bloomberg Radio faded as I turned it down to turn up Bloomberg television and hear the big announcement from the new President of the EU Van Rumpoy state the following:

“The United States Dollar in its current form is no longer an acceptable medium for a reserve currency or international trade with members of the European

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Union. We have expressed our policy on this matter to the other world leaders and President Obama at the morning meeting. The resolution of the matter will be completed soon and the announcement of our final policy decision will be enunciated at 6 o'clock European Central Time."

Stunned, I reached for the half full glass of now somewhat warm wine and chugged it. While the sheeple as I affectionately nicknamed them might have slept through this announcement, it was Armageddon for our country. Screw it. I'm going to play golf one more time before it hits the fan. This is absurd.

06:25 A.M. ET

The 'DING' on my toaster oven went off faithfully with my last 'Everything' bagel and the cream cheese tasted extra rich this morning. It was almost if enjoying life without work was better but instead of retirement it was more of a resigned "now what" attitude. As I walked back into my home office with my bagel on my plate, the beautiful wife was awake and asking what my plan was. I reminded her that there was no work today so go back to bed but she insisted on going into her office, I guessed to answer phones that were not going to ring and hoping someone would help her figure out what was next for her state contracts. I told her that I'm playing golf with my boss so I have my excuse for playing hookie from reality. Just as she was going to reply in a rather rude outburst I asked her to be quiet as Prime Minister Brown from the UK began to speak:

"Fellow citizens of the world, America and the United Kingdom have long enjoyed a special relationship. The matters being discussed within the halls of this meeting in Geneva will not benefit the citizens of the crown nor the free world. The United Kingdom has elected to depart this meeting and recognize the United States Dollar as the primary reserve currency for trading purposes and we fully expect and accept that the Americans will make good on all debts past and present that are owed to our nation as we too shall be strong and persevere in the face of this unwarranted attack on our sovereignty. The crown and eagle shall stand together, alone if we must. We will not abandon the ally which helped us survive World War Two and the Cold War. Thus the meetings here in Geneva, from the perspective of the United Kingdom and our

financial agencies, are now concluded. Effective at midnight tonight, the United Kingdom shall withdraw from our participation in and investments of the World Bank and International Monetary Fund. Good day and God Save the Queen."

06:37 A.M. ET

I walked into my bathroom and got quite ill to my stomach.

07:00 A.M. ET

As I tossed my golf bag into the back of my pick up truck the cell phone rang and of course it was my boss. He said that he had lined us up at the country club but only for 9 holes because he wanted to see what President Obama and the rest of the G20 said at noon today. After signing in and the usual pleasantries, we headed out to the practice green to attempt to warm up a bit. Thankfully, it was a nice Florida morning where global warming had cooled the tee off temp to a robust 49 degrees and as I tried to find my stroke I muttered under my breath an obscenity (or four) about Al Gore's family tree and dumped a little Irish Whiskey into my coffee to warm it up.

We walked to the first tee from our golf cart and the Marshal said cheerfully "Have a good time gentlemen, it may not matter tomorrow!" With that I figured it was time to fire up a Diamond Crown #7 and enjoy the scent of a Pyramid Maduro as my golf game was not going to be so hot today. My boss said jokingly "I'll take one on the second hole if you have one, I'll be out of business soon anyways" and as he chuckled proceeded to hit a nice drive about two hundred and seventy yards down the right side of the fairway. I reached into my bag and handed him my last cigar and told him to enjoy today because tomorrow was going to really suck. He replied, "Yup. As soon as the courts open, I'm filing Chapter Seven."

That made for a nice shank about seventy yards behind his ball and in the tall grass leaving me a mountain to climb. But the best part was getting away from the Marshal who was acting as a starter today to work off tips (of course we gave him \$10) as now we could talk and drink like Kamikazes on their final mission. The truth about our local situation was about to come out.



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Panama

09:17 A.M. ET

The Par 5 sixth hole was a monster today with the tees set back in the dew laden grass some 547 yards from the pin. The inhalation of my cigar helped but adding a cocktail to the mix did not hurt. My boss, a normally reserved sixty three year old self-made millionaire was chugging drinks like a mad man and telling all. He told me how the local banks were all insolvent criminal enterprises, as if I did not know that already. He told me that fifty percent of the commercial real estate was already delinquent or ready to be foreclosed upon. He even told me that half of the private jets at our Sarasota airport would be repossessed if any damned fool would buy them for 30 cents on the dollar! As he hit his second shot off the fairway, I took a swig straight up. The hangover I had this morning was nothing compared to what was coming for America.

11:00 A.M. ET

The approach to the 9th hole was one of both a glazed over look of relief and horror as we knew that once we were settled down to watch President Obama's speech at noon, our lives and our nation would change forever. My boss laughed as I birdied the hole, giving me a scorching score of 49 on the front nine and he finished up to whip me by ten strokes yet again. Knowing full well that our relationship as employer and employee was practically over, I looked at him half serious and said "You know if you actually gave me a fair schedule for time off, I would hit the ball as well as you do." He let out a huge belly laugh and said that he was buying the first round and not to worry, he was giving every employee one month's salary on Thursday with the cash he had on hand and more when the banks opened to insure everyone survived before he filed for bankruptcy.

"Dear God" I thought to myself. He's either fleeing the nation or ending it all. The local news was choked full of reported and rumored suicides around our community as of yet the names were unconfirmed this morning. The blaring of sirens out to Longboat Key and helicopters flying to our local hospital disturbed the normally quiet winter evening, yet it seemed surreal to everyone who lived in our community. The bartender at the country club looked us in the eye and

asked "Are you staying for the big one?" My boss, being the the guy with the attitude now of "whatever" replied, "You mean they are showing a repeat of the Bucs game today again?" The bartender laughed and replied, "No, you know, President Obama and the bankers are going to screw all of us retirees in forty-five minutes! We don't matter any more, so we figure we're toast."

My boss, saddened, looked at him and handed him a \$100 bill to my astonishment and said "Old man, this may not be worth anything today, tomorrow or ever again, but take it for what it is worth now. A thank you for helping our nation make it this far."

I started to get a little misty eyed at that point.

11:55 A.M. ET

CNBC interrupted with news that a WalMart Super Center was in the midst of a riot as it was closed due to running out of stock on the north side of Lexington, KY. As footage rolled in, the scroll said "6 dead, 15 injured" and just as the reporter was getting ready to speak....

11:59 A.M. ET

Attention all broadcast, cable and satellite outlets, this special emergency broadcast from Geneva, Switzerland and the President of the United States begins in 10, 9, 8, 7, 6, 5.....

<http://johngaltfla.com/blog3/2009/11/19/american-hang-over-the-day-the-dollar-died-part-ii/>

Part 3 will be included in next month's issue are read it online at <http://johngaltfla.com>

(full credit for this work goes to the author who writes under the name of "John Galt")

A special thanks to "John Galt" from all of us at DGC-magazine for permission to reprint his material.

Anybody Seen Our Gold?



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

Who are we?

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

GOLD ANTI-TRUST ACTION COMMITTEE INC.

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

CPowell@GATA.org

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GATA

GATA SUES THE FEDERAL RESERVE

Requesting the Fed Disclose Gold Market Intervention Records

CIVIL CASE No. 09-2436 ESH

Wednesday, December 30, 2009

Dear Friend of GATA and Gold:

GATA today brought suit against the U.S. Federal Reserve Board, seeking a court order for disclosure of the central bank's records of its surreptitious market intervention to suppress the monetary metal's price.

The suit was filed in U.S. District Court for the District of Columbia and targets Fed records involving gold swaps, exchanges of gold with foreign financial institutions. In a letter dated September 17 this year to GATA's law firm, William J. Olson P.C. of Vienna, Virginia, (<http://www.lawandfreedom.com>) Fed Board of Governors member Kevin M. Warsh acknowledged that the Fed has gold swap agreements with foreign banks but insisted that such documents remain secret: <http://www.gata.org/files/GATAFedResponse-09-17-2009.pdf>

The lawsuit follows two years of GATA's efforts to obtain from the Federal Reserve and the U.S. Treasury Department a candid accounting of the U.S. government's involvement in the gold market. These efforts parallel those of U.S. Rep. Ron Paul, R-Texas, who long has been proposing legislation to audit the Fed. The Fed has wrapped in secrecy much of its massive intervention in the markets over the last year, and Paul's legislation recently was approved by the U.S. House of Representatives.

The Fed claims that its gold swap records involve "trade secrets" exempt from disclosure under the U.S. Freedom of Information Act.

While GATA has produced many U.S. government records showing both open and surreptitious intervention in the gold market in recent decades

(see <http://www.gata.org/node/8052>), Fed Governor Warsh's letter is confirmation that the government is surreptitiously operating in the gold market in the present as well. That intervention constitutes a huge deception of financial markets as well as expropriation of precious metals miners and investors particularly. This deception and expropriation are what GATA was established in 1999 to expose and oppose.

Of course GATA's lawsuit against the Fed will take months if not years to resolve. We think we have a good chance of winning it in court. But we can win it outside court, and much sooner, if the suit can gain enough publicity from the financial news media and market analysts and prompt enough inquiry from them and from the public, the mining industry, and members of Congress.

So GATA urges its friends to publicize the suit and to urge journalists, market analysts, mining companies, and members of Congress to join us in seeking disclosure of the Fed's gold market intervention records. If enough clamor is directed at the Fed about these records, the gold price suppression scheme will lose its surreptitiousness and fail.

Unfortunately the World Gold Council, which each year collects tens of millions of dollars in membership fees from mining companies in the name of representing them and gold investors, refuses to question governments about their surreptitious interventions in the gold market. These interventions powerfully influence not only gold's price but the prices of government bonds and currencies, as well as interest rates generally and the value of all capital and



labor in the world. There is no more important issue in the world economy than gold price suppression.

So what should have been the World Gold Council's work has fallen to GATA, a non-profit educational and civil rights organization that operates from month to month on donations from people who share its objective -- free and transparent markets in the precious metals and fair dealing among nations generally. As we prosecute our lawsuit against the Fed, we'll be grateful for your support. We promise to do something with it.

For information about supporting GATA, please visit:

<http://www.gata.org/node/16>

GATA's lawsuit against the Fed is listed in federal court records as civil case No. 09-2436 ESH, the letters being the initials of the district court judge assigned to it, Ellen S. Huvelle.

You can find the lawsuit here:

<http://www.gata.org/files/GATALawsuitVs.Fed-12-30-2009.pdf>

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

* * *

Support GATA by purchasing a colorful GATA T-shirt:

<http://gata.org/tshirts>

Or a colorful poster of GATA's full-page ad in The Wall Street Journal on January 31, 2009:

<http://www.cartserver.com/sc/cart.cgi>

Or a video disc of GATA's 2005 Gold Rush 21 conference in the Yukon:

<http://www.goldrush21.com/>

* * *

Help keep GATA going

GATA is a civil rights and educational organization based in the United States and tax-exempt under the U.S. Internal Revenue Code. Its e-mail dispatches are free, and you can subscribe at: <http://www.gata.org>

To contribute to GATA, please visit:

<http://www.gata.org/node/16>

LOOM SOURCE CODE NOW ON GITHUB

The talented Mr. Chkoreff has graciously invited the rest of the universe to enjoy his software by posting the Loom source code on Github. Now everyone may easily participate in the Loom phenomenon quietly sweeping the globe. Words alone cannot express our thanks but "thanks Patrick". Here is the link to that amazing code. <http://github.com/chkoreff/Loom>

Also, for added security, Loom now requires cookies.

If you try to log in or sign up with cookies disabled in your browser, you will see this message:

This site requires cookies! This site requires cookies in order to function properly, but it appears that you have disabled them in your browser. Please change your browser preferences to allow cookies for this site.

Why does the Loom now require cookies? ...because logging in without this new function could be a major security hazard.

Should some nosy person be looking over your shoulder and record the secret session ID at the top of your browser, previously, this could have spelled T-R-O-U-B-L-E. If the intruder entered that same session ID in their own browser, they would be logged in as you and could steal all your assets.

A cookie prevents this peril and blocks any evil doers from accessing your goods.. A "shoulder surfer" might still see the session ID, but without the cookie value which is stored invisibly inside your browser, the session ID is useless.

Learn More: <https://loom.cc/news>

The Loom server is now running Version 90.

<http://github.com/chkoreff/Loom/tree/v90>



Happy
New
Year!
2010

DGC 2009

YEAR IN REVIEW

2009 - was the best of times for some of us and the worst of times for others;

The clear front runners in 2009 were GoldMoney and Webmoney Transfer.

GoldMoney added some very convenient features to their digital gold business and attracted a more mainstream audience. Webmoney Transfer became the clear digital currency leader and gained market share through exceptional growth at a time when other digital currency systems were in decline. Congratulations to both companies.

JANUARY

Price of gold in mid January was around \$830 oz.

GoldMoney Added Swiss Francs & Japanese Yen
GoldMoney introduced two new currencies to its Customer Segregated Funds accounts. Customers can now deal in Swiss francs and Japanese yen when they buy or sell gold and silver.

Trubanc anonymous, digitally-signed vault and trading system became available online in beta.
<http://trubanc.com/>

State of Indiana SENATE BILL No. 453 was read for the first time and referred to Committee on Tax and Fiscal Policy. January 14, 2009

01/14/2009 Authored by Senator Walker
01/14/2009 First reading: referred to Committee on Tax and Fiscal Policy
01/27/2009 Senator Kruse added as coauthor

Indiana Honest Money Act
<http://indianahonestmoney.com/>

Synopsis:
Use of gold by the state and local government. Requires the treasurer of state to designate one or

more electronic gold currency payment providers to be a payment provider for the state and political subdivisions. Requires the treasurer of state and fiscal officers of political subdivisions to: (1) maintain one or more electronic gold currency accounts with a designated electronic gold currency payment provider; and (2) conduct all monetary transactions of the state or political subdivisions through electronic gold currency accounts. Provides that an electronic gold currency payment provider must use an electronic gold currency unit that constitutes a monetary unit of account and represents a claim of title to and ownership of a specifically defined, fixed weight of gold held by an independent specie vault. Specifies that a specie exchange with which an electronic gold currency payment provider associates must conduct the business of exchanging gold and silver coin, legal tender of the United States, and the electronic gold currency of the electronic gold currency payment provider....

Webmoney Upgraded to Keeper 3.7.0.0 Software and Added a New Fingerprint Option

Customer authentication through verification of fingerprints. E-NUM is a easy-to-use and extremely reliable system of customer authentication and authorization which works with the Webmoney Transfer system and the customer's cell phone.

1. Create account at E-num;
2. Store your keys at E-num Storage;
3. Register fingerprints;

Choose E-num storage as a login method and fingerprints as authorization method.

<http://wmtransfer.com>

FEBRUARY

Price of gold in mid February was around \$940 oz.

Webmoney passed 7 million accounts.

SPDR Gold Trust Holdings Hit a Record 832.57 Tonnes

Jan 26, 2009, Reuters- The world's largest gold-backed exchange-traded fund, the SPDR Gold Trust GLD, said it held a record 832.57 tonnes of gold as of Jan. 23, 2009.

---As of today, December 2009, the trust now holds

1,133.62 Tonnes



WebMoney.EU Offered A New European e-Money Solution

February saw the successful launch of a new European electronic money system from Webmoney Transfer. This new digital product, offered through www.webmoney.eu, operates in accordance with strict European legislation. WebMoney.EU is an electronic version of money known as 'e-money' which is stored in digital WM Notes. E-money is an electronic surrogate of cash. WM Notes can be used to shop online plus instantly transfer money to associates, friends & family. WM Notes are very simple to use, cost-effective, and extremely reliable.

David Reed, OSGold / OSOpps ponzi operator (alleged) was finally arrested in the US and shipped off to New York to await his trial.

"Clients worldwide opened about 66,000 accounts with Reed, transferring at least \$12.8 million to three bank accounts that he and his associates controlled, according to the indictment."

Remember ALFII and MyICIS?

Wayne A. Hicks Sr., 52, pleaded guilty in October to conspiracy to defraud the federal government of income taxes. Hicks promoted the alternative banking system at seminars and membership grew from about 800 in January 2005 to 3,000 members by April 2007, according to prosecutors He returned to prison owing investors somewhere between \$7 and \$20 million in restitution. Wayne Hicks will stay in prison for the statutory maximum of five years to be followed by three years supervised release. He was also fined \$25,000.

The 64 year old Monetary Architect of the Liberty Dollar, **Bernard von NotHaus**, came public with the news that he had embarked on a new career path as the "high priest" for the Free Marijuana Church of Honolulu. Bernard's Liberty Dollar Federal Trail begins in January 2010, in Asheville, NC.

Recommended Exchanger



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fast • secure • global

- » official exchanger of all major e-currencies
- » trusted by thousands since 2006
- » best rate to buy/sell/convert e-currencies
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<https://www.SwapGold.com>

Are you afraid that your hard-earned money will get...



- ✓ cheated by exchangers who are scammers?
- ✓ mishandled by small & inexperienced exchangers who cannot handle large amounts?
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Here are 3 top reasons why thousands of customers trust us since January 2006:

1 We are legal & reputable

- We are a legally registered company in Singapore.
- We have been extensively verified by reputable authorities.

2 We are experienced & efficient

- You are served by an experienced team operating daily & serving thousands of customers since January 2006.
- Our team earned 100% praises & zero complaints on public forums & blogs since January 2006.

3 We value your privacy & security

- Your orders are insured with a US\$1 million warranty by Comodo.
- We use SSL-encryption on our entire site to protect your privacy & security.

Therefore, you can have an absolute peace of mind when you use our services.

<https://www.swapgold.com>

GoldMoney Passed the 1/2 Billion \$\$ Mark

The total value of assets held for GoldMoney customers passed half a billion US dollars of gold, silver and currencies.

E-num for iPhone Became Available at the Apple iTunes Store

E-num application for iPhones now available through Apple Applications Store. E-num permits secure access to Webmoney accounts.

MARCH

Price of gold in mid March was around \$920 oz.

This Month, testimony was given at the Georgia House combined Financial Institutions & Services Subcommittee / Regulations & Oversight Subcommittee hearing on HB 430, the "Constitutional Tender Act". Not passing in 09, it will be presented again in 2010.

published in the April issue of DGC Magazine.

March 31st & April 1st saw the annual Digital Money Forum in the U.K. Just as the previous year the event was co-sponsored by the good people at Webmoney Transfer. For more info on that event:

<http://www.digitalmoneyforum.com>

GoldMoney Launched iPhone Application

This month GoldMoney launched the world's first iPhone application designed specifically for mobile bullion exchange transactions. Software developer Concentric Sky and GoldMoney have teamed up to develop an application for the iPhone that allows GoldMoney customers quickly and easily to exchange gold and silver bullion online, regardless of their location. The GoldMoney iPhone exchange application is available for purchase and download through Apple's iTunes app store for US\$9.99

Montana Sound Money Bill (Montana H.B. 639) failed in the House.

Webmoney Introduced Keeper Mini Software

March 2nd, WebMoney Transfer introduced a new Keeper Mini - login and password only! By year's end, the new Keeper Mini had also been voted the most popular method of access for new users in 2009. It doesn't require any downloads and works as an application in any browser. Keeper Mini is designed especially for mobile devices with small or low resolution screens and can be used with any operation system (requires SSL-supporting browser only). For customers, requiring enhanced security protection, Mini works with E-num Authorization service.

<https://mini.wmtransfer.com/>

GoldMoney Passed \$600 Million In Holdings (10,769 Holding)

Liberty Reserve was hacked by Eastern European Hackers

This item because public in March. It was widely reported that over \$1 Million USD went missing but the company is not talking and there is no way to confirm the amount. The theft took place gradually over a three month period through a hole in the system's software. Liberty Reserve has failed to return any of the lost funds to its customers.

iGolder, a new DGC co-created by Daniel Morin, officially opened for business. <http://igolder.com>
Daniel gave a very detailed interview which was

<http://www.goldandsilvernow.com>



GoldandSilverNow™
FREE MARKET EXCHANGE



“Tarek Saab has begun something that many of my friends and associates have talked about for years!”

David Morgan

“Thank you for showing others how to do it right!”

Jason Hommel

“GoldandSilverNow is helping to solve the shortage in the precious metals market!”

Fort Worth Business Press

WELCOME TO THE FREE MARKET!

Sellers get the best value for their bullion.

Buyers receive their metal immediately.

Simple as that!

www.GoldandSilverNow.com

APRIL

Price of gold in mid April was about \$890 oz.

GoldMoney Launched Registered 400oz Gold Bar Facility

This new feature enables GoldMoney customers to record their direct ownership of one or more gold bars within GoldMoney. (put your name on and identify by number bar ownership) The fee for registering a 400oz gold bar is only 1 goldgram. There is no fee when you de-register a bar, and no additional storage fees are charged during the time you hold a registered bar.

A Declaration of Separation was published across the Internet. Free, unashamed men cannot be ruled.

<http://www.dgcmagazine.com/blog/index.php/2009/04/08/a-declaration-of-separation/>

The U.S. Mint reported March the highest monthly silver bullion sales since the program began in December 1986.

MAY

Price of gold in mid May was \$925 oz.

DMCC's new vault became operational - Dubai Multi Commodities Center

The new vaults of DMCC will be a home to the gold allocated to the Dubai Gold Securities (DGS) Exchange Traded Funds (ETFs). The vault may also become a natural choice for storage of gold reserves by central banks in the regional market. Gold reserves of regional central banks' could also be shifted from London to Dubai.

FBI Target Letter was released announcing the pending arrest of Sarah Bledsoe in the Liberty Dollar case. She was eventually charged not long after that letter.

Free thinking Anne Cleveland allowed DGCmagazine to reprint one of her articles regarding the U.S. financial system. <http://www.dgcmagazine.com/blog/index.php/2009/05/08/anne-cleveland-writes-about-freedom-and-gold/> Anne is a National Treasure! She writes just about each day on her blog injecting her

80 years of experience into each piece. We love Anne and encourage you to check out her blog, it's some of the best information on the Internet:

<http://www.octogenariansblog.com/>

JUNE

Price of gold in mid June was \$935 oz.

The State of California Announced IOUs

The State of California, the worlds 6th largest economy plans to begin issuing IOUs – formally known as registered warrants – to the tune of \$3 billion from July 2, to fund its commitments to various suppliers and contractors to government; university students; and welfare and pension recipients.

[Bullionvault.com](http://www.bullionvault.com) was presented with the Queen's Award for Enterprise Innovation.

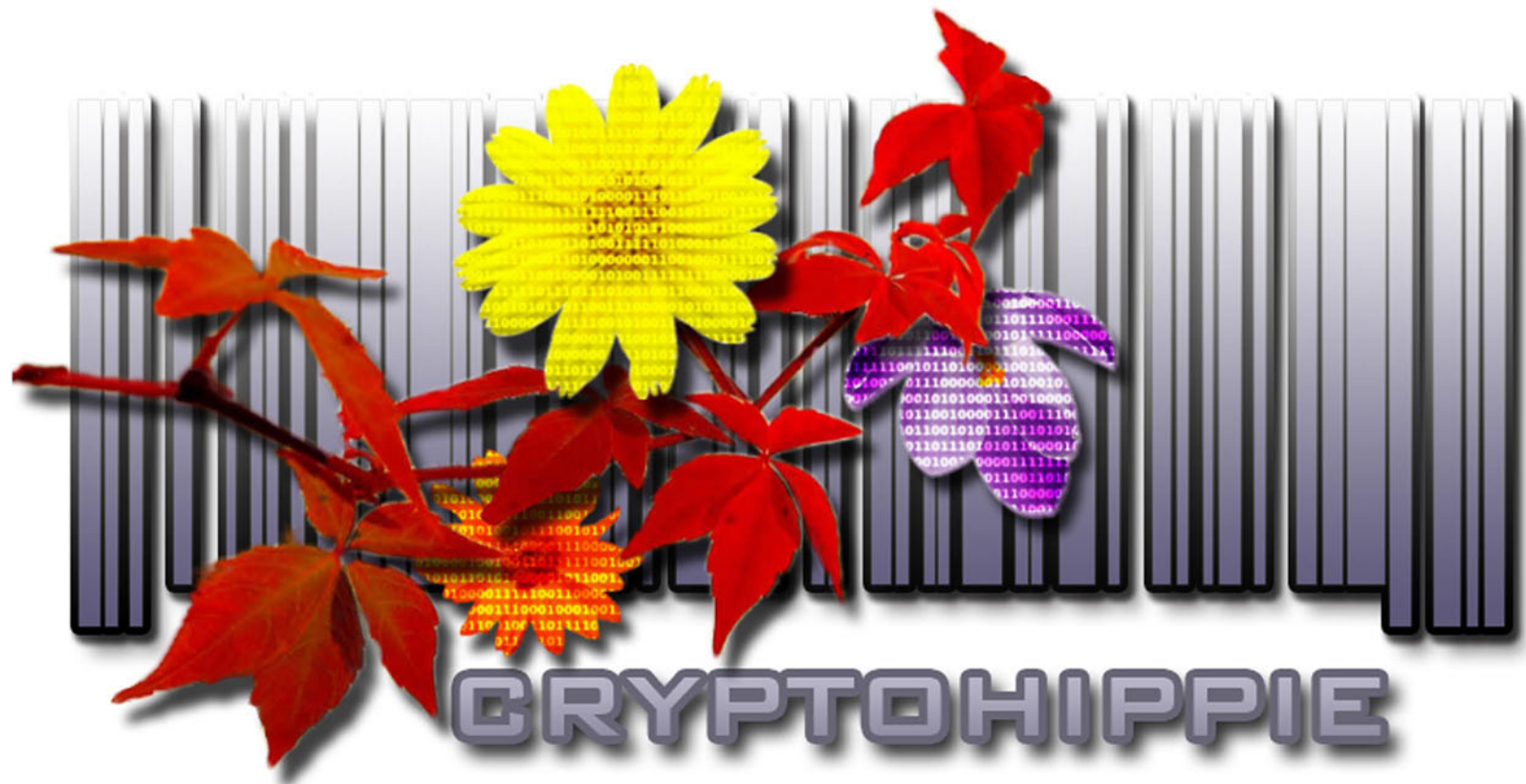


GoldMoney Introduced Gold Bars (physical delivery)

Now customers can redeem and take physical delivery of their gold in convenient units of 100 gram or one kilo (1,000 gram) gold bars. Through partnership with Baird & Co, one of the leading bullion merchants and refiners in the UK, conversion of goldgrams into physical gold bars for insured mailing or collection may be completed at any time.

The German company, TG-Gold-Super-Markt company, introduced the world's first gold bullion vending machine.

Northwestern Mutual Insurance Bought Gold For The First Time in The Company's History



- VPN anonymous surfing
- Anonymous email
- CryptoRouters
- Closed-Group Networks
- Encrypted and distributed data storage
- Multi-hop routing
- Multi-jurisdictional structure
- New products in development

<http://www.cryptohippie.com>

Peace of Mind – Second to Nothing

The Liberty Dollar indictment is finally unsealed. Arrested and charged are: (1) Bernard von Nothaus (2) William Kevin Innes (3) Sarah Jane Bledsoe (4) Rachelle L. Moseley

<http://www.dgcmagazine.com/blog/index.php/2009/06/05/actual-unsealed-indictment-in-liberty-dollar-case/>

JULY

Price of gold in mid July was still about \$935 oz.

GoldMoney Began Offering Platinum Holdings

In July, GoldMoney expanded its precious metals offering permitting customers to now hold platinum. Investors looking to diversify their precious metal portfolio can from today buy up quantities of platinum in their digital accounts.

A new “Faux” financial product was promoted as the “Liberty Gold Card”. This was touted as a digital gold debit card/MasterCard based on a digital gold balance. *(A ripped off picture of a gold Liberty Dollar appeared on the card graphic)* Of course later in the year, the web site operators announced they had only been taking a survey if consumers wanted such a product. No card ever actually existed.

<http://www.libertygold.co.nz/content/>

AUGUST

Price of gold in mid August was about \$945 oz.

The Ludwig von Mises Institute released their own official silver trade medallion. This fine silver piece is part of the AOCS line up.

<http://www.opencurrency.com>

Encryption expert Jon Matonis, started a new blog called The Monetary Future.

<http://themonetaryfuture.blogspot.com/>

“a new blog discussing the intersection of monetary economics and non-political digital currency made possible through the use of strong encryption.”

e-gold Updated Owner CIP, CDD, and Agio Fee Schedule

e-gold updated its customer...everything and raised

their fees. A lot of complaining was heard from current frozen e-gold customers but no real surprises here that it is now so very difficult to operate an e-gold account. Everyone knew these type of changes were on the way. The Agio fee rate for those e-gold accounts in compliance with all e-gold CIP, CDD and EDD data collection requirements in effect at the time of Agio fee collection will be reduced from 1% per annum to 0.5% per annum. The Agio fee rate for those e-gold accounts *NOT* in compliance with all e-gold CIP, CDD and EDD data collection requirements in effect at the time of Agio fee collection will be increased from 1% per annum to 10% per annum. We all hope to see e-gold come back to life as a legitimate U.S. financial tool.

SEPTEMBER

Price of gold in mid September was \$1000 oz.

Jean-François Noubel published “A Vow of Wealth” on his blog.

<http://www.dgcmagazine.com/blog/index.php/2009/09/28/the-vow-of-wealth/>

Federal Reserve Admitted Hiding Gold Swap Arrangements

The Federal Reserve System has disclosed to the Gold Anti-Trust Action Committee Inc. that it has gold swap arrangements with foreign banks that it does not want the public to know about. The disclosure, GATA says, contradicts denials provided by the Fed to GATA in 2001 and suggests that the Fed is indeed very much involved in the surreptitious international central bank manipulation of the gold price particularly and the currency markets generally.

The Internet Country Wirtland introduced a new plastic ID card. This highly secure plastic card features serial number of ID, personal data, photograph, signature of owner. Wirtland also offers passport plus gold and silver country coins. See their web site for more details.

<http://witizens.ning.com/>

OCTOBER

Price of gold in mid October was \$1055 oz.

Cool New Version of WM Keeper Classic 3.8.0.0 was released

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it's good to know there's still a safe and
reliable place to store your wealth."*

For more than 5 years we have been a
leading provider of gold storage services

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WebMoney Transfer Joined Electronic Money Association (EMA)

October 8, 2009 the largest players on the Russian e-money market and representatives of professional industry associations held a round table on the legislative regulation “Electronic money: Legislative Initiatives” and announced the creation of the Electronic Money Association (EMA). At the moment the following members have already joined the association: WebMoney Transfer, i-Free, Yandex.Dengi, QIWI, the National Association of Microfinance Market Participants (NAUMIR) and National Association of E-commerce Market Participants (NAUET).

The major aim of the Electronic Money Association is to encourage the development of the e-money market to make it a popular financial facility in the interests of consumers, state and industry. The basic ways to achieve this aim is to work on legal aspects of the e-money market regulations, to widen cooperation between market participants and interactions with other business entities and government bodies, to increase market transparency, to work out best practice standards, to popularize e-money-based services and protect the rights of their consumers. The immediate priority of the EMA is to participate in elaboration of normative documents and laws on regulation of e-money in Russia, including analysis of best national and international practice and creation of analytical reporting standards for all participants.

GoldMoney Introduced Quarterly Vault Audits

GM announced that it has recently appointed Inspectorate International Limited to perform independent audits of gold, silver and platinum held on behalf of GoldMoney customers. Inspectorate performed the first such audits as at 31st August 2009 in respect of both the London and Zurich vaults, their audit certificates can be viewed online.

A very special Webmoney issue of DGCmagazine went online. I visited Moscow in September to research this issue. I was very impressed with the Russian people and their business practices.

NOVEMBER

Price of gold in mid November was now \$1120 oz.

WebMoney Transfer Wins An Runet Award (Russian Internet)

WebMoney Transfer has become a Runet-2009 Award winner in the “Business and Finance” category!
<http://www.premiaruneta.ru/>

GoldMoney launched a German website and relationship management team

GM successfully launched a new German website and hired a German speaking relationship management team. GoldMoney had received significant demand for its service from the German speaking market, which is one of the biggest physical bullion markets in the world.

Webmoney Banned P2P Exchange Between with Yandex.Money and several other digital currencies as a proactive move.

December

Gold in mid December was about \$1120 oz.

GATA Sues the Federal Reserve!

Wednesday, December 30, 2009. GATA today brought suit against the U.S. Federal Reserve Board, seeking a court order for disclosure of the central bank’s records of its surreptitious market intervention to suppress the monetary metal’s price. The suit was filed in U.S. District Court for the District of Columbia and targets Fed records involving gold swaps, exchanges of gold with foreign financial institutions.

<http://www.gata.org>

Webmoney now offering services for issuance and maintenance of a MasterCard/ATM card (Payspark)

There is some good news for WebMoney users worldwide: we are now offering MasterCard PaySpark debit cards. MasterCard PaySpark cards (opened in Euro) can be used to get cash from WebMoney purses of the E-type (equivalent of Euro) quickly and easily anywhere from any ATM displaying the MasterCard logo. MasterCard PaySpark cards may be loaded using WME purses within 5-15 minutes. MasterCard PaySpark cards can be used at over 25 million points of sale and over 1 million ATM’s worldwide. In order to have a MasterCard PaySpark card, please go to the website: cards.wmtransfer.com. To apply for



gold-pay

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- ◎ Buy and Sell Gold Online
- ◎ Maximum Privacy and Security
- ◎ Simple and Private as Cash
- ◎ Low Fees
- ◎ Secure, user-friendly account access

www.gold-pay.com

a card, your WMID must have a Formal WebMoney Passport (or higher).



Issuance of debit cards to WebMoney Transfer customers is carried out together with banks members of IPS (Visa, Eurocard/

Mastercard and others). The main point is that all issued debit cards are linked to certain WM-identifiers of system users, and that allows transferring funds from a WM-purse of the card holder to a bank card faster and without additional expenses.



Feds Say e-bullion Funds Still Frozen, No Word on Release or Audits

Pretty Patrick has a story on a ponzi now under receivership, Quest International (GQI), with Larry Cook as the investigator/receiver. Cook said that some GQI funds were with e-bullion when it was closed and inquired with the U.S. Attorney's office on how or when those funds might be available.

Cook said. "The Receiver and the Commission have made numerous inquiries regarding future access to the E-Bullion business records and funds, and we have been advised the U.S. Attorney's office has not made a decision on when or how these records and funds will be administered."

Loom Source Code Now Published On Github

<http://github.com/chkoreff/Loom>

GoldMoney launched vault video with VIA MAT

GM has published a video that offers its customers a look into VIA MAT's state-of-the-art high security precious metals vault. VIA MAT INTERNATIONAL AG of Switzerland is one of Europe's largest and oldest armored transport and storage companies and provides secure storage at its vaults in London

and Zurich. All of the gold and silver bars shown in this video are part of the precious metals owned by GoldMoney customers.

GM has also implemented an improved service to allow customers to easily access all reports that the auditors have produced to date. To ensure that all governance procedures and operating systems are working properly and all precious metals are safe and accounted for, GoldMoney makes the reports available to its customers. All CAP-Verified customers can now access these services when logging into their Holding.

GoldMoney Simplified Account Opening

GoldMoney has simplified account opening for new customers by making it an entirely online process that they can complete easily and quickly including wiring funds to GoldMoney within minutes of opening their new Holding. Identity verification documents can be scanned and uploaded directly into our website, so there is no need to send anything by post or fill out any paperwork. This simplified sign-up is available to individuals resident in 28 "fast-tracked" countries, including the USA, UK, Canada, Germany and Australia.

Webmoney Soon To Be Passing 10 Million Registered Accounts

Just as the year was coming to a close, Webmoney Transfer seems to have passed that 10 Million account threshold. Their web reflects around 9.9 million. Congratulations.



###



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Tunneler Pro

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

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

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

Injustice Comes to Asheville

①

Dear friend of Freedom,

I never would have guessed that I would be writing to you with a two inch long pencil from a tiny cell in a maximum security jail in Charlotte, N.C.! On June 2, 2009, with no warning, I was arrested and then my hands, feet and waist were chained-up and I was whisked away, 130 miles from my family, friends and the community that I love. My alleged crime: trying to help small businesses by promoting the use of a local-acting, precious metals currency as the United States Constitution says the whole country should be using. The experience continues to be heart-rending. Something has gone terribly wrong!

From the beginning, in 2003, I have continuously received assurances from law enforcement, including Sheriff Van Duncan, that no law was being broken. Former Asheville Police chief, John D'Ankle, confirmed this in 2003 with the Secret Service who enforces these laws. To date, they have not received a single complaint. A Federal Reserve spokeswoman has stated that people "could use them in their own community" and a Treasury Department official told the media in 2006 that "merchants were free to accept them if they wished". How is the FBI serving and protecting the country by arresting me?

This gloomy, indoor jail has been my unsavory home for five months already and I could be here two years more awaiting trial. I am being punished as though guilty before I have had any opportunity to prove my innocence. The lack of sunshine, bad food, hostile guards and the overcrowding makes this dungeon more severe than most prisons. But, with the help of community, I could be released on bond until the trial.

My co-defendants are out on bond, but I am a Canadian who has yet to file for citizenship. The immigration issue would not by itself keep me here either, but with the two issues together they consider me a "flight risk". There is a good chance I can be released once my citizenship application has been accepted and an immigration bond has been paid. Here are a few ways you can help to rescue me from here:

- 1) Please write an affidavit as outlined on the sheet from Jordan Forsythe, my immigration lawyer (704) 522-6363. It is like a formal Letter of Recommendation. Keep one original.
- 2) Copy this letter and Jordan's outline and ask others who know me if they would like to do the same. The greater the number and persuasiveness of the letters, the greater the chance the application is accepted and that the bond is lower.

③

3) If you would like to help out or contribute to the bond fund-raising effort, please contact my wife: Julia Gaunt (828) 582-9115 for details. Jordan says the judge may set the cash bond between \$5,000 and \$20,000. Only when Jordan has received enough good letters will she schedule a hearing with the judge and the bond amount will be determined at that time.

This whole situation is "history in the making"! Positive change is finally sprouting within people and through cracks formed because certain structures have become too rigid and have begun to wither and decay. Out of the old, new life is springing up and also a desire for a kinder way to share this beautiful planet. I have jumped into this struggle for positive change with both feet. You can say I'm now in over my head! This is my call for you to throw me a lifesaver.

Thank you for taking the time to read this letter. I hope I can see you by the Holidays - in wonderful, warm sunshine!

Jail info:

Sincerely,

<http://www.charmeck.org/deptments/mc50/DETENTION/home.htm>

Kevin Innes

P.S. I love getting letters. Please

contact Janice for the "rules". ^{if don't understand website} 828-275-5360 ^{MUST HAND write} only envelope

must have return address

William K. Innes

PIB 377054

PO BOX 34429

CHARLOTTE, NC 28234.4429

"PANICS AND BOOMS"

Ever since the establishment of the human race on this planet there has been a gradual increase of population and a more rapid consumption of wealth.

Wealth is the result of labor, and without labor there can be no wealth.

Men live and pass away, but as they cannot take their wealth with them a large percentage accumulates for the benefit of their successors. Hence the wealth of the world today, per capita, is much greater than ever before, and it is continually on the increase.

The transfer of wealth, or property, from one person to another creates business. Under favorable conditions, transfers are numerous and business is brisk. Under unfavorable conditions transfers are few and business is dull.

During periods of business activity there is work for all, and this of itself makes greater business activity. During periods of business depression there is not work for all, and this of itself makes business dull and unprofitable.

The existence of either one of these conditions leads necessarily to the other. It is an impossibility for either prosperous times or depressed times to continue permanently.

During prosperous times, there being work for all, all

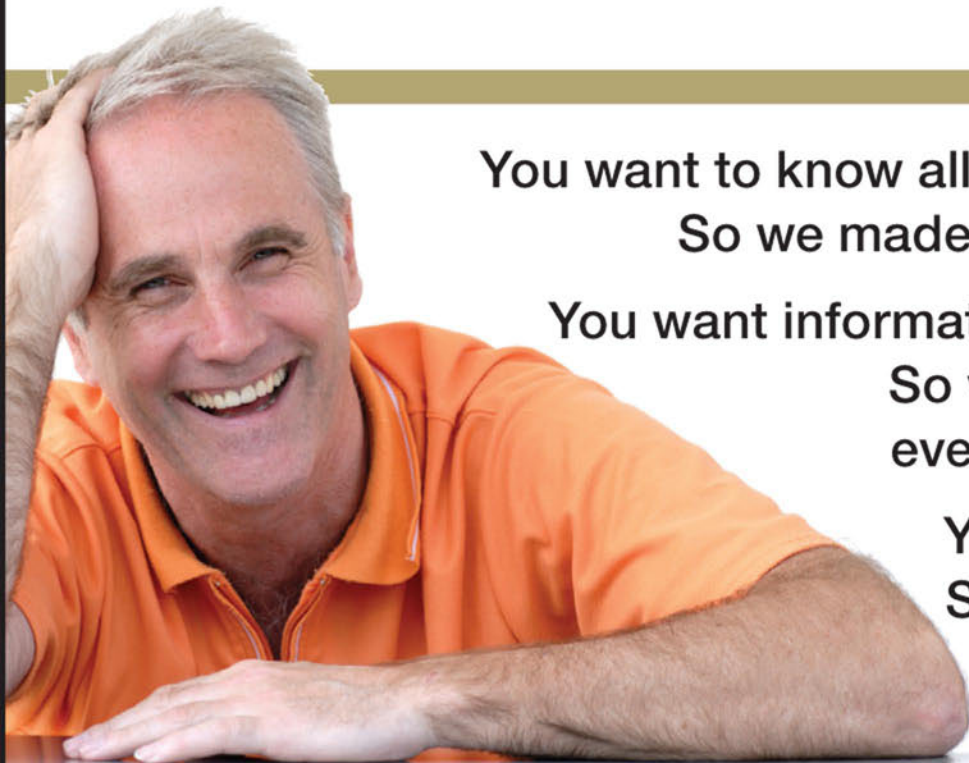
are supplied with the means of accumulating wealth, and thus all are enabled to provide themselves, and families with all the necessaries, and many of the luxuries, of life; and hence, during the prosperous times the demand for goods and property increases and soon the demand exceeds supply, and then prices advance.

This rule, which is applied to the laborer, is also applied to the business man. Prosperous times induce business men to branch out in their several lines of trade... The volume of trade being large, each gets a corresponding proportion of it. Many business men find that they can do more business than is allowed by their limited capital. They then buy on credit.

Prices are continually advancing, therefore they are able to make margins of profit not only on the capital furnished by themselves, but on the capital furnished through their credit.

This rule also applies to people dealing in real estate. The country is growing; money is easy; the times are good; business is prosperous and therefore speculation is favored. A man worth \$5000 can buy four times that amount of property using his credit, and sometimes he buys ten times that amount or more. While prices are advancing he not only gets the benefits of the advance in the price of the property represented by the capital furnished by himself, but also on the capital furnished by his credit.

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\$9.95 per month
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every coin in the database.

You want to save money.
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When prices of property and goods during a period of business depression are falling, the loss does not come on the entire property, but only on that portion of it represented by the cash capital the man has invested in it. The debt never shrinks until the real investment is all gone.

All people in a given section of country use their credit at the same time because they are all governed by the same local conditions. Hence, there is a fictitious stimulation of prices which must come to an end. This end brings a financial depression which must necessarily follow a period of business activity.

When the people arrive at a point where their credit limit is reached there is necessarily a decrease in the demand for goods and property, and soon the supply becomes greater than the demand and prices begin to decline. This stops speculation. Thousands of people engaged in manufacturing or producing articles of general use are thus thrown out of employment, and this causes a still further decrease in the demand for goods and hence a further decline in prices. Those who have purchased on credit find themselves subjected to heavy losses because they are compelled to sustain the depreciation on goods they do not own—that is, goods bought on credit. Because of this decrease in valuations all are compelled to economize in order to adjust their expenses to the new order of things, they being compelled to pay off the accumulated indebtedness with the decreased income. This economy of the masses still further decreases the demand for goods and property and this still further increases the supply over the demand, and decreases the prices, throwing more people out of employment and increasing the depressed condition of business.

The business man feels the change in conditions as well as the laborer. Doing business largely on borrowed capital he loses all the capital employed in the business, not alone on the money furnished by himself. The value of the business shrinks, but the debt remains the same or increases. Bankruptcy stares the business world in the face. The weaker go under while the stronger pull through, and sometimes make fortunes at a little later date out of the misfortunes of others.

Here is a condition of hard times. A large percentage of laboring people of the world are thrown out of employment. Every time a man stops work—stops producing—his purchasing ability is impaired, the demand for goods becomes less and prices are lowered.

During the period of depression—the debt-paying period—the people at large are forced to economize. The earning capacity of all classes has been decreased. A large percentage of people are thrown out of steady employment and wages are reduced for those who do secure labor. Some earn enough to pay expenses of living economically, while others do not and are compelled to live in part on the limited accumulation of former more prosperous years.

Many business men continue in business: some are able to meet running expenses, while others prefer to lose a little each month, awaiting a return of better times rather than to lose more heavily by retiring entirely from business. Many cannot stand the pressure and quite business, forced to lose the accumulation for years.

During the years of depression, values of all kinds of property shrink. In the case of incumbered property this shrinkage falls entirely on the margin and not on the debt. Sometimes it wipes out the margin and a portion of the debt also. Sometimes the margin is so nearly wiped out that the alleged owner of the property transfers his interest in the property to the one who holds the claim against it, and another debt is paid. Sometimes the holder of the debt declines to thus take the property and releases the owner.

A person who does business on a partial credit basis, on borrowed capital, makes larger profits during periods of prosperity when the prices are advancing than he who is on a cash basis, but he sustains larger losses during periods of depression when prices are dropping.

If a man could change quickly from a credit system to a cash basis as soon as the period of prosperity closes he would be all right, but he is in debt, and the debt must be paid, and hence it is not usually practical to make the change. If it were he would not be in debt.

Gradually the surplus debts of the country are paid and the people breathe easier again. People live within their incomes and temporarily learn economical habits. Men smoke fewer and cheaper cigars and ladies purchase fewer ribbons and occasionally fix over a bonnet and dress instead of getting new ones.

A time is finally reached when people begin to get out of debt and they begin to live a little better, buy more of the necessities of life and some of the luxuries. As the number of people in such improved condition increases, trade begins to pick up, larger orders are sent to the factories, more wheels are set in motion, more

operatives are employed and more people are placed in position to buy more goods, which in turn starts more mills and gives employment to still more men.

Thus the business of the country is forced into an active condition, and thus business activity increases in geometrical progression until wages reach their maximum point, factories are running to their utmost capacity, prices of all kinds of goods and all kinds of property advance, and people begin to purchase again more than they have the money to pay for—some because they want profits on increasing valuations and others simply because of extravagant ideas of living.

Money is plenty, credits are good, and the masses are good pay because all kinds of property are convertible into legal tender. Improvements, public and private, are pushed to their utmost extent, fancy prices are paid for real estate because it can be sold readily again at still more fancy prices. Individuals of limited capital hold thousands and hundreds of thousands of dollars worth of property on which only a small payment has been made. An advance of five per cent on the price of the property is an advance of 50 or 100 per cent or more on the cash investment. Another transfer is made and another soul is made happy. In short a speculative boom has struck the country again gradually but surely. This speculative boom is not the result of any movement on the part of the people or any portion of them to create a boom, but it is the result of natural laws of business and is just as certain to materialize as a good crop is sure to be the result of favorable climatic conditions.

It is not, perhaps, in order here to discuss the millionaire question or inquire into the trust combinations which threaten to disturb so seriously the business interests of the country. It is, however, safe to say that those who think during a period of business activity that such activity will always continue are just as much mistaken as are those who believe during a period of business depression that such business depression will never come to an end.

Good times will follow bad times and bad times will follow good times just as surely as darkness follows day and day follows darkness. Those periods always have followed each other and they always will.

The seeds of prosperity are sown during the periods of financial depression and the seeds of hard times are just as surely sown during the period of business activity and speculative boom. There is no question as to the soundness of this conclusion. There is no question

that these changes will come. The only question is—when?

At the close of a speculative boom the change comes like a thief in the night. In fact a thief in the night would be a welcome visitor to many instead of the change which puts in an appearance, but the change from a financial depression to better times comes gradually—so gradually that for months there is a difference of opinion as to whether a change for the better has actually commenced or not.

Glance for a moment over the financial history of the century just closing, and see what has been the condition of the country. During 1837 the country was in the midst of a financial panic. Again during the year 1857—twenty years later—there was another panic. In 1837 a financial crisis struck the eastern states and the great banking house of Jay Cook & Co. was found among the financial wrecks scattered throughout that section of the country. In 1875 that same panic reached the Pacific Coast, closing the doors of the Bank of California of San Francisco, together with many other banking institutions, including the then popular banking house of Temple and Workman in our own Los Angeles—a bank that failed for over a million dollars and never paid a cent on the dollar to the many unfortunate depositors.

In 1893 the next panic struck the United States after having wrecked so many banking institutions in South America, Australia, and other parts of the world.

During the year 1886, when the late speculative boom was getting under good headway in Southern California, Hon. D.C. Reed, now mayor of the City of San Diego, gave a banquet at the Horton House in that city, to which he invited business men from all points in Southern California. In response to the sentiment, “The Prosperity of Southern California,” the writer, among others, briefly reviewed many of the principles herein laid down and following the line of thought that waves of prosperity and depression follow each other with more or less regularity, predicted that somewhere between the years of 1892 and 1895 this country would again enter upon a period of business depression that would be very severe on the business activity of the country. The local speculative boom of 1886-7 broke long before this predicted period, but the universal panic which swept over the civilized world did not appear until the time predicted—1893. It appears to require, under present business conditions, from eighteen to twenty years for the country to pass through a complete cycle from one business depression to another.

After the panic of 1875 it took the people of Southern California five years to get ready for business again in 1880. A similar period after the panic of 1893 ought to place this country again in line for business activity. The panic of 1893 was more widespread in its operations than that of 1875; but locally, it was not so severe, as comparatively little money was lost by depositors by falling banks in Southern California four years ago, whereas in 1875 the loss was heavy.

Again so far as Southern California is concerned the past five years has dealt very kindly with our people. Southern California increased its population from 200,000 in 1890 to over 300,000 in 1896. Los Angeles city has increased in population from 50,000 in 1890 to 103,000 in 1897, more than doubled.

In actual wealth, Southern California has kept pace with the increase of population, although on account of the business depression of the country and the decrease in valuation all over the world, this increase in wealth is not so apparent. With the extraordinary increase in population and wealth in Los Angeles city during the past seven years, nothing short of a financial depression all over the country could have prevented that city from experiencing a speculative boom of great magnitude.

If Southern California in general and Los Angeles city in particular can make such a showing during a period of financial depression, what will be the result when the clouds roll by and prosperous times are enjoyed again throughout the country at large?

It is a difficult matter to make the people believe that our country is now entering upon another period of prosperity. Each one has a remedy for hard times. And each one sticks firmly to the proposition that better times cannot come again until his remedy has been applied. These remedies are mostly of a political nature. One man believes that a high protective tariff is all that is necessary to restore prosperity to the country, and another thinks the free coinage of silver and gold on a basis of 16 to 1 without making any suggestion to any other nation about the matter would bring good times. There is no question but the legislation on both these questions or either of them would affect the main proposition. Wise legislation will always assist in bringing prosperity, and unwise legislation will always retard the coming of better times, but no legislation, no matter what it be, can prevent the incoming tide any more than the little child on the sandy beach with its little shovel can, by piling up a ridge of sand, stay the incoming surf.

“The statement that, except for the temporary depression in prices the volume of business transacted is now larger than it was in 1892—the year of the greatest prosperity—has been questioned by some. But a comparison of prices this week in the leading branches of manufacture, not only confirms that view, but shows a remarkable similarity to the course of prices in the early months of 1879, when the most wonderful advance in production and prices ever known in this or any other country was close at hand. The key of the situation is the excessive production of some goods in advance of an expected increase in demand. So, in 1879, consumption gradually gained, month by month, until suddenly it was found that the demand was greater than the possible supply. All know how prices then advanced and the most marvelous progress in the history of any country resulted within two years. Reports from all parts of the country now show that retail distribution of products is unusually large and increasing.”

This is a remarkably clear statement of the facts of the case, and is evidence from unquestionable authority that the position taken herein is correct.

Local conditions in Southern California will affect the issue here, and they appear in our favor. The building of the breakwater at San Pedro by the government will insure another transcontinental railroad from the east to Los Angeles via Utah. Then a 1 cent a pound tariff on citrus fruits, the building of more beet-sugar factories and the improvement of the vast water power of the mountain streams, and the setting of that power to work building up and enriching the country—all these and more will help along the good work.

Capitalists are now active, laying the foundations solidly for future operations in this, God's corner of the universe; and while we would not advise people to stand still and see the salvation of the Lord, still it is pretty certain that those who stand will see it, although they will not be benefited thereby so much as they would be if they didn't stand still.

The coming boom is not here today and it will not be here tomorrow, but he who has no faith that a period of very busy business activity, accompanied by a speculative boom is close at hand, would do well to place himself under the fostering care of a good, reliable guardian.

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This was written by L.M. Holt in the year 1897. Not much has changed in the world over the past 100 years...has it?