A close-up, high-resolution photograph of a US dollar bill, focusing on the intricate security patterns and the eye of the portrait. The image is the background for the entire page.

DGC

JULY 2011 #44

**MOVING FORWARD TO A NEW
DIGITAL GOLD STANDARD**

DGC

Digital Gold Currency
Magazine

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DGC Magazine is committed to expanding the legal use of digital gold currency around the world. Slowly, legally and ethically we are trying to move digital gold currency and sound money forward into everyday business.

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WebMoney Keeper Mobile - Stay Paid. Be Mobile.

<http://www.wmtransfer.com>
<http://www.webmoney.ru>

Independence Day for Whom?

<http://www.batr.org/reactionary/070311.html>

SARTRE - July 1, 2001

The tenth anniversary of this editorial about July 4th Independence Day rings even louder today. SARTRE Commentary maintains a consistent and vocal message that is timeless. When you read the essay - Independence Day for Whom? - You celebrate the uniqueness of the American Revolution. Written before the September 11, 2001 transmutation of the country into a despotic police state, the excuse of a fake homeland security threat is used to destroy the foundation of individual civil liberties. The indisputable fact of the last decade is that America is no longer a nation of free citizens and a Republic government of public servants, accountable to the people. The injustice of the British Crown has only been substituted for the iniquities of the Amerika Empire. Reflect upon this editorial and pass it on.

The celebration of the Nation's birthday sometimes gets people confused. This day is much more than another holiday from work. It is a recognition of who we are as a People. What it is not is a saint's day for a Government. When the Nation and the Government are spoken in the same breath, most believe they are interchangeable. How mistaken and easily misled, the public can become.

Yes, a revolution was fought to establish a Free Republic, but that was well over two centuries ago. Articles of Confederation were formed to establish a working relationship among sovereign States. Later a Constitution was ratified that placed specific, distinct and enumerated limitations on the authority to rule of a central government. Functions not named, were left to the individual States. And finally, Bill of Rights Amendments were added and approved that codified guarantees for the protection of the citizen

from abuses of that newly created central government.

Up to this point, who would not want to attend the party?

Well, the theory is fine; but the acting out of the play, has caused the show to be canceled. Why was the American Revolution fought? The reason was not originally accepted by the public that a new country was the purpose for the conflict. Many sought to negotiate a settlement with the Crown and remain loyal Englishmen. Only a small band raised the banner for self determination. Tories and neutrals were in the majority. Uncertainty prevailed with the gallows the reward for failure. The motivation to dare all was for an idea, not a lust for power. Most of the rebellious vanguard were established leaders and held authority within their circles. But they risked their sacred honor, more precious than their lives for the sake of LIBERTY.

Out of this caldron of fire, the world witnessed the first attempt to create a society that could be governed by principles of constitutional law, as opposed to EQUITY at the discretion of the magistrate. That was the 'shot heard round the world'. Those first slugs at Concord Bridge were the aftermath. This is the singular significance of the American Revolution. It was born out of the eruption and the explosion that caused the demise of the old order.

So what went wrong? For those who doubt that it has gone amiss, go off to your picnic or watch the tube. But for those who know in their heart that the tyrant that was King George III, was a mild despot, compared to the federal apparatus in foggy bottom; let us celebrate another anniversary. Our festivity will not recognize the central government as its legitimate steward, nor will we invite agents within their employ. Hon-

ored guests will be restricted to those who understand the nature of the American Experience and are willing to pledge their allegiance to that cause. Their Nation will profess the principles of universal sovereignty of the individual and will require strict limitations and comprehensive accountability upon those who administrate the public trust. Our gathering will bear the resemblance of our Founding Fathers home, for we are their posterity.

So when your neighbor invites you over to have a cup of English Gray, remember your ability to smell its aroma and sip its flavor, is built upon the debris of tea casks from that Boston Harbor soiree. America is unequalled because its king is the individual citizen. The sheriff serves the former serf, who is now a freeman. And the crown is worn on the head of every man.

This ideal deserves a true celebration, even if the reality has fallen so short. Our task is to restore the goal, and institute the means to make it genuine. If our Nation was created by men of honor, it can be reinstated with brothers and sisters of similar courage and integrity. Are you one of this new breed that seeks LIBERTY? Or are you content on bowing to a dictator of a depraved empire? We all must choose!

Who's birthday will you celebrate . . . Your own as a 'son of liberty', or a master who you continue to pay homage.

SARTRE - July 1, 2001

What Is "Open Transactions"?

Open-Transactions is a software library, as well as a server application and a client API (built on top of that library.) New: A Java client app has also been added.

WHAT DOES IT DO?

Open-Transactions allows users to issue and manipulate digital assets.

Users may create many pseudonyms (public keys), each of which may own asset accounts of various types. Users can transfer digital assets securely between accounts (even a server cannot change balances or forge transactions.) Users can also operate "cash-only" (without accounts) for maximum anonymity.

Open-Transactions supports a range of financial instruments, such as cheques, vouchers, and untraceable digital cash. These are all analogous to the same financial instruments that we all use at normal banks today. Everyone already has an intuitive understanding of these financial instruments, because we use them regularly in our normal daily lives.

Open-Transactions also implements higher-level, contract-based transactions such as payment plans and markets with trades.

The markets on Open-Transactions support market orders, limit orders, fill-or-kill orders, day orders, stop orders, and stop limits, just like trading on a real market. OT also supports basket currencies.

All of this is accomplished in such a way that all parties are able to prove, at all times, which transactions have cleared and which instruments are authorized, without having to store their entire transaction history, but instead by merely keeping the last signed receipt.

The real beauty of Open-Transactions is the as-yet-unwritten future of new ideas that you can build with it, and the future liberty and security of your children that you can help to protect by doing so—in a very real and tangible way.



SENATORS DEMINT, LEE, PAUL OFFER BILL TO BEGIN RESTORING SOUND MONEY

Jun 28 2011, WASHINGTON, D.C. – Today, U.S. Senators Jim DeMint (R-South Carolina), Mike Lee (R-Utah) and Rand Paul (R-Kentucky) introduced the Sound Money Promotion Act, legislation that would remove the tax burden on gold and silver coins that have been declared legal tender by the federal government or state governments. On May 9, the State of Utah became the first state to recognize such gold and silver coins as legal tender for use within the state, and similar legislation has been introduced in 12 other states, including South Carolina.

“Thanks to the government’s reckless over-spending, continued bailouts, and the Federal Reserve’s easy money policy, this year the purchasing power of the dollar hit an all-time low in the several decades since we went off the gold standard,” said Senator DeMint. “In order to rebuild strength and confidence in our economy, we need both the fiscal discipline to cut wasteful spending and the monetary discipline to restrain further destructive monetizing of our debt. This legislation would encourage wider adoption of sound money measures, and that’s a step in the right direction.”

“Good monetary policy is an important part of a healthy and prosperous economy,” said Senator Lee. “Since the Federal Reserve Act of 1913, the dollar has lost approximately 98 percent of its value. This bill is an important step towards a stable and sound currency whose value is protected from the Fed’s printing press.”

Senator Paul added, “As the government runs massive deficits, uncontrolled spending, and an increasingly unsustainable debt, governments and the bureaucrats in charge are often forced to take an easier approach: to monetize the debt, inflating the currency. These implications can be devastating, leading to higher interest rates, which lead to higher borrowing costs and slower economic growth, but most importantly, destroying the savings and standard-of-living of all Americans. This bill will hold politicians and the Federal Reserve accountable; acknowledging that states are serious about an alternative to a weakening dollar.”

The warning signs for our economic problems can no longer be ignored:

- **While the value of a dollar is at historic lows, the value of gold is at historic highs**
- **Recently Standard & Poor’s downgraded the U.S. outlook from “stable” to “negative,” meaning there is a 1 in 3 chance of an actual credit downgrade in the next two years**
- **The world’s largest bond fund has dumped its U.S. debt-related holdings, over concerns that we will not get our fiscal house in order**
- **The Federal Reserve is now buying 70 percent of U.S. Treasuries, set to surpass the holdings of both China and Japan combined**



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JP Morgue and HSBS INCREASED Their Silver Short Position By 10 MILLION Ounces In May

If a rational trader found himself massively on the wrong side of a major bull market, one would expect that trader to take extreme steps to COVER his short position during a sell-off of 36% of said commodity. This is only rational.

In perhaps the best evidence of silver manipulation to date, the CFTC's Bank Participation Report for June shows that from May 4th to June 7th, the silver short position held by 4 large US banks increased from 20,613 to 22,628 short contracts. This means that the 4 largest US banks increased their short silver position from 103,065,000 ounces when silver was trading near \$50 in early May, to 113,140,000 on June 7th. Basically, The Morgue and HSBS ADDED 10 MILLION OUNCES OF SILVER TO THEIR SHORT POSITIONS WHILE SILVER DECLINED 36% IN PRICE!

Lets look at this another way. COMEX silver inventories are down to 28.7 million ounces. This means that in 1 months time, The Morgue and HSBS have added NEW short positions equal to 1/3 of the remaining physical silver supply on the COMEX. This means that these 4 US banks are currently short roughly 4x the amount of silver remaining on the COMEX.

Even more interesting is that these new silver shorts the large banks have piled on come after a steady decline in their silver short positions during silver's recent run-up. Notice that on 4/5, short positions stood at 25,412 contracts, and this number was reduced to 20,613 contracts by May 4th. Essentially the 4 large US banks covered 4,799 silver con-

tracts (24 million ounces of silver) during silver's "speculative" vault from the mid \$30's to near \$50 during April. This indicates that silver's parabolic move was more as a result of a panic short squeeze covering by the massive silver shorts. Bleeding profusely, the panicked shorts begged the CME to ride to the rescue, and lo-and-behold, 5 successive silver margin hikes in the first 2 weeks of May.

These banks were on the rocks folks. Once they found some breathing room, they RESUMED ADDING TO NAKED SHORT SILVER POSITIONS TO CONTINUE THE MANIPULATION!

This proves silver manipulation, as a trader with HIS OWN best interest in mind would have continued covering his shorts when silver sold off, and would have rapidly attempted to extricate himself from those remaining 20,613 short contracts. The fact that these 4 US banks DID THE EXACT OPPOSITE, and again ADDED TO THEIR SHORT SILVER POSITIONS is likely the clearest evidence to date of silver manipulation.

Good luck getting the CFTC to do anything about this, its up to us. That's why SilverDoctors will soon be releasing the Silver Viral project to take silver mainstream before the banksters are ready!

See More: <http://silverdoctors.blogspot.com>

DATE	BANK	LONG	SHORT	OPEN INTEREST
06/07/11 COMEX SILVER	U.S.	2,302 1.9	22,628 18.7	121,191
	NON U.S.	2,946 2.4	2,880 2.4	
05/03/11 COMEX SILVER	U.S.	4 1,783 1.4	20,613 15.6	131,907
	NON U.S.	12 2,873 2.2	6,481 4.9	
04/05/11 COMEX SILVER	U.S.	825 0.6	25,412 17.8	143,013
	NON U.S.	2,882 2.0	7,647 5.3	

SILVER VIRAL PROJECT

Silver Viral Project Awareness (SVPA) is dedicated to waging peaceful, non-compliant resistance to financial insanity through random acts of organized, lawful propaganda. Specializing in guerrilla tactics, mass-psychology influence and creative tricks to outwit the ominous PTB, SVPA is teams within teams of the underground Elite. All with one goal in mind: end the corruption. As we spread, we cannot be stopped. Like a quantum blip, we are everywhere and nowhere. We organize through untold avenues.

We are cunning. We are bold. We are power in numbers. We Are.

- SilverDoctors.

<http://silverdoctors.blogspot.com/p/silver-viral-project.html>

--Blog

<http://silver-viral-project.1054564.n5.nabble.com/>

-Forums

WELCOME TO THE REVOLUTION.

Silver Virality: Project Awareness Vol. 1

(download) **The Guidebook**

<http://silver-viral-project.1054564.n5.nabble.com/file/n4501653/SilverViralProject.pdf>

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If George III Had Internet Surveillance:

Thomas Jefferson

Died July 3, 1776

After-action report:

The Office of Colonial Security had monitored suspicious transmissions between one Thomas Jefferson, who is described as studious and secretive, and at least a dozen other radical extremists, over a period of months. Finally, on July the second, they agreed together to execute their plan. Acting selflessly to preserve our way of life, agents of the Colonial Security Administration risked their lives storming the homes of the traitors and arrested them. However, the author of their extremist manifesto, Jefferson, after apparently setting his home afire with oil lamps, died in the resulting conflagration. All known copies of the manifesto were destroyed in the above-mentioned actions.

*Privacy is a
tragic thing
to lose.*



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Guest Post:

The virtual currency debate, exchange and hysteria



by Dwolla founder and CEO Ben Milne

Des Moines, June 21, 2011

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<http://www.siliconprairienews.com/2011/06/guest-post-the-virtual-currency-debate-exchange-and-hysteria>

Editor's Note: This is the first of two posts that address the recent attention Dwolla has received about its popularity amongst Bitcoin users, primarily as a platform to add and withdraw funds from Bitcoin exchange sites, such as Mt. Gox and Tradehill.

In the following guest post submitted Monday, Dwolla founder and CEO Ben Milne directly responds to questions that have arisen and expresses both Dwolla's take and his personal opinion on Bitcoin. (Photo courtesy of Milne, by Anna Jones | Art of Photography.) In order to best maintain the tone of the post Milne submitted to us, we have not altered any of the grammar, style or punctuation of this piece.

To learn more about Bitcoin and read our interview with Milne about the use of Dwolla within the Bitcoin marketplace, see our second post: "Bitcoin: What is it and how is Dwolla involved in its marketplace?"

- Danny Schreiber, Managing Editor

The virtual currency debate, exchange, and hysteria: The meteoric rise of misinformation, misguided assumptions, and rumors.

Our PR guy asked me if the second sentence is necessary. I personally believe it is. Why? Because if you think about it... It's more likely your going to buy a banana than a bitcoin and yet... Even reading this you're probably spending time trying to wrap your head around what the heck cryptocurrency is and the extension of what it means to our economy, banking system, and trade... Is that is kind of... Mind blowing... And when minds are blown... You get hype...

"OMG what is happening. Is virtual money going to replace real money?
#OMGBBQSHOULDISTOCKUPONGOLDORBANANAS !?"

I can't go a day without talking about it or being asked about it. Whether it's the CEO of a billion dollar company, a friend in passing, a reporter, or someone in the financial institution space... Apparently, I'm the guy to ask.

A few years ago I started this company called Dwolla. For a long time no one cared what it was. Then it started growing, fast, about 4 months ago we started to disrupt web payments, interchange fees (25 cents per transaction), social payments, the FI space, and even retail payments... We've even received recognition for these developments and achievements.

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>

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Alas. Enter an unforeseen innovation, one we didn't build.

It's called Bitcoin. Bitcoins are bought and traded on exchanges (like MtGox or Tradehill) or earned through a software process, called mining. The people behind it are obviously very intelligent and it's not an anomaly created by kids in their basement just because they wanted to buy more purple turtles in a Facebook game. Very few people actually get how this whole thing ties together. I've talked to a lot of very intelligent financial minds, engineers, economists, and people whom otherwise still have a lot of questions, but no real answers. Which means it's evolving and anyone's opinion is probably as invalid as the next guy's assumption. Why do I care? Two of the leading trading platforms (MtGox and Tradehill) allow legitimate US users to buy Bitcoins using Dwolla to make the payment.

30 days ago I didn't care. After people started mentioning Dwolla in regards to something I hadn't seen before, I started to.

I've been working very hard to keep my mouth shut in the meantime. Why? Because that meteoric rise of misinformation coincides with an unbelievable amount of misunderstanding and, in some cases, a total lack of knowledge in how financial transactions work.

Now that our name popped up in a Fortune article referencing BitCoins, the time to be silent is probably over.

Why is taking a stance frustrating?

Because if we correct erroneous claims we see posted online we're violating privacy. At the same time, not answering any statements, no matter how outlandish, can be misconstrued as being wrong or dishonest. Well, that's silly. Why? Because doing something "wrong," "illegal," or "dishonest" in the financial system isn't a slap on the wrist. People go to jail. Aside from that fact, it's the wrong way to create a business built on trust.

Keep in mind we have over 100 years of financial and regulatory experience powering Dwolla's backend through our investors. Dealing with abuse (or potential abuse) is a part of scaling any financial service. While I'm no expert on the virtual currency, I can however speak intelligently on the subject at hand as it pertains to Dwolla and how our relationships simultaneously affects people, businesses, regulators, financial institutions, and good judgment.

Our take on bitcoin

It's not a company or a person. It's more of a concept. It's a name tied to a piece of data people buy or earn. If consumers buy it they purchase it through sites like MtGox. If they want to mine it, they can download software.

Anytime you buy something, you're investing in the concept that it will provide you with value. I can only assume that this goes for trading a currency, buying a stock, or otherwise. Bitcoins can be purchased or earned and the value of them shifts with market pricing.

Here is where it gets finicky/sticky/concerning

Someone obviously figured out how to game it.

That poses a lot of questions I don't have answers for. If someone steals the bananas you buy at the store. What do you do?

Especially with fraud, exchanges have problems. Virtual or not.

1. In our highly regulated economy, moving money legally and operating anonymously don't go hand in hand. Converting anything to real cash means at some point you have to prove who you are. It's part of modern regulation and is there for good reasons. Naturally, it also becomes a point for potential fraud. Eventually, the numbers hit someone's balance sheet and they will be reported, taxed, or penalized.

2. Any platform will be abused to the fullest extent possible, if not well controlled.

- This is prevalent in Paypal's history and a chapter in any payment network's history.
- Everyone at one point has had a fraud problem and has been targeted by the mafia, drug runners, and an assortment of people who traditionally no one wants to do business with.

3. If allowed, fraud will run free and someone will be held responsible for it...

Our role (or the confused one)

Well, it's not that much different than Paypal, honestly. We offer

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<https://www.SwapGold.com>

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



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- ✓ mishandled by small & inexperienced exchangers who cannot handle large amounts?
- ✓ delayed by exchangers with lousy service & support that takes days to reply you?

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.

<http://www.swapgold.com>

<https://www.swapgold.com>

software that gives people the ability to buy what they want. If they want to buy something from MtGox or one of thousands other merchants that take Dwolla, it's their choice.

What everyone probably doesn't want me to say.

Have we found suspicious and fraudulent activity? Yes.

Do we deal with it accordingly? Yes.

There will always be endless amounts of attempted fraud. If it goes unchecked and ignored, the hellishly brutal onslaught of soul (and time) devouring problems that will stem from it will forever alienate any platform and its users.

The way Dwolla looks at it

If you are:

- A legitimate US user
- Accessing your own money
- Engaging in a legal transaction

Then you should probably be able to use Dwolla how you'd like. If your intention is to buy a truckload of bananas and let them rot in the sun for a week so you can make a killing on banana bread, we won't interfere. Doesn't seem like a sound idea, but we won't stop you.

We care about people legally accessing their own money and engaging in a legal transaction.

If they are doing that then it's not really our right to wag our finger and say, "that's not ok."

My personal opinion

I'm not buying Bitcoins and I didn't install the application. I also don't buy stocks, and the only investments that I've ever seen return on, are my own companies.

This is not an argument for, or against the platform at all. One way or the other the virtual currency doesn't change our core values, goals, or future and is a small story in what we hope to accomplish as a new type of payment network. What it does do is give us insight into something we hadn't initially thought about.

Abusers of virtual currency do not do the owners (the community) of it any good and while there might be some hilarity to the uncontrolled nature of it (for some) all, the argument could be had that it will make it stronger, weaker, or more/less likely to implode because of it.

Once you start dealing in some virtual money, which by its very nature is existing in the internet alone, you're in the new virtual equivalent of the Wild West.

If you use any platform to move real money, that platform abides by the laws and regulations in the territories it operates.

At least Dwolla does.

Some questions I keep getting asked.

Will Dwolla allow virtual currencies to be bought? Yes. Just like Mastercard or Visa. We will.

Will Dwolla suspend accounts, which are fraudulent? Absolutely.

Will Dwolla assist law enforcement in the event someone is engaging in illegal activities? Yes.

Does Dwolla see this is an opportunity? Bitcoin is an aspect of something great we too are also doing. We are building something that never existed before, on top of a payment network that never existed before, utilizing systems that never existed before.

The opportunities to learn, adapt, and grow... have never been so great. Is there opportunity in that? Yes. Does any of this change the mission Dwolla has had since day 1? No.

My advice?

Spend your money wisely. Money doesn't grow on trees and earning it takes time, effort, and hard work. Just like building a company.

###

There is a second part to this article available online. (click below)

Bitcoin: What is it and how is Dwolla involved in its marketplace?

<http://www.siliconprairienews.com/2011/06/bitcoin-what-is-it-and-how-is-dwolla-involved-in-its-marketplace>

SEX, DRUGS, ROCK N ROLL AND LOTS OF GOLD!

Alan Smithee Interviews Mark Herpel, Creator of DGCMagazine

Q Is there anything in the above title that actually relates to you?

A Nope, not a thing. Well, I did create the magazine but other than that...I'm pretty much the most boring man in America!

Q Are you a digital gold "industry expert"?

A NO, not by a long shot. I simply enjoy the honesty of the digital gold business and the opportunities it offers all users around the world. I watch for trends and write about them.

Q In your opinion, who are the digital gold currency industry experts?

A In the digital gold currency world, where physical gold is held securely in vaults and digital units are issued against the gold's value... I would say that list of experts includes but is not limited to:

- Mr. James Turk creator of GoldMoney
- Dr. Douglas Jackson of e-gold Ltd.
- Mr. Simon Davis co-creator of Pecunix & Voucher-Safe
- Dr. Zeno Dahinden of e-dinar
- J.P. May 1MDC/e-gold (software developer)
- Sean Trainor from the old Crowne Gold

Additionally, there is an entire team of experts, inventors and creative minds at WebMoney Transfer which I have not listed here. I would include these people as some of the top industry experts in the online payment and digital currency industry, however I don't know all of their names. Peter Darakhvelidze is certainly one of them. WebMoney has been the global leader

in non-bank online payments for many years and I expect that will continue. Their company has invented, created and pioneered a dozen or more the top digital currency products and systems in use today. Because of WebMoney's innovative business style and given the dreadful state of the global banking business, I believe WebMoney has an excellent chance at knocking PayPal out of the lead sometime in the next 5 years. The WebMoney Transfer operation reminds me a lot of Google Inc. Both companies are so creative, it is almost thrilling to see what new product they will develop next! So please include the WebMoney team in the list of experts.

Q What company leads the way right now in the Digital Gold Currency business?

A GoldMoney just passed the \$2 billion dollar level, so I would have to say they are leading in asset category!

Q What does that mean, exactly?

A GoldMoney(GM) now holds more than \$2 billion dollars worth of precious metal and cash under their management. This is value GM is holding, on behalf of customers who have trust in how they operate the company and the business. According to Wikipedia and the world official gold holdings for December 2010, GoldMoney now has more precious metal than many countries. I'd say that puts them in the lead.

Here is what really stands out with GoldMoney, the company opened to the public in February 2001 and their holdings passed \$1 Billion USD in June of 2010. It took 9 years to gain that first billion in assets. Here we are in June 2011 and GM has already accumulated another billion dollars of value in less than one year. I

can't imagine how quickly the GoldMoney asset base will rise to \$10 Billion or \$100 Billion. That's a lot of zeros. A big congratulations to Mr. Turk for his patented development of such a convenient way to buy, hold and sell precious metal. By the way, Mr. Turk filed his first patent application for "digital gold currency" way back in February of 1993. It was granted in September 1997. I would consider him to be THE industry expert.

Q I also see that GoldMoney is a big advertiser in your magazine? You must be rolling in cash advertising for companies like that...?

A We have been running a full page ad each month featuring GoldMoney for many years now. This is a free service I provide to all industry participants, large or small. When the GoldMoney ad first appeared, Mr. Turk offered to send GoldMoney funds or a wire to support our work but I declined to accept it. All industry ads including the full page or smaller ads are free of charge.

Q Free industry advertisements? Has that always been your policy?

A Yes. If your company is in this business, you are welcome to include an ad in our monthly magazine at no cost. If you have news or a industry related article you are free to submit it for inclusion in our next issue. We want to expand the industry and offer a convenient place for new users to find quality products

Q How is digital gold currency different from online banking payments?

There are a lot of differences. One of the most powerful features of digital gold currency is the instant "transaction and clearing". Global payments are instant and the funds are available to be withdrawn or used moments after the transaction. There is no lengthy bank settlement process. Digital gold transactions have no foreign currency exchange risk or fees. There are no "banking" delays, the digital gold currency business is always open 24/7...no weekend delays and no holidays. A person in Japan sending funds to Moscow has no currency exchange. The transaction is simply digital units moving from one another account to another and each balance is denominated in gold by weight.

What you need to understand is that digital gold

currency is actual physical gold held in a secure vault on your behalf. The gold is not loaned out, or borrowed against and the company handling your business does not sell options or futures against the physical bullion. There is very little counter party risk. IMHO, this is a SAFE place to keep your money.

Q What about FDIC insured banks?

Banks loan money, borrow money, make bad investments, trade derivatives and even create new dollars out of thin air when originating a loan. While your dollars sit in a bank, the Federal Government is printing more each day and your purchasing power shrinks with each new dollar. Remember when you used to be able to buy a Coke and a Snickers for a dollar? Right now and probably for the entire next decade, gold and silver ARE the safest place to be and digital gold currency is one of the most secure, convenient and inexpensive options for owning them. Digital gold currency is a tangible asset and not some bank's promise to pay you.

Q What is your favorite digital gold currency and why?

A My favorite digital currency has changed over the years as the business has changed. Functionality is what I look for in online payments, how easy and useful is the currency in my daily life. E-gold was king and the most useful currency for many years. Now they are gone. WebMoney has always been the top industry work horse and especially lately more and more global companies are accepting WebMoney as a method of payment. We love WebMoney Transfer and would have to say that today, WebMoney is my favorite.

Many people really like Pecunix and that remains popular with a certain group of fans.

It's hard to choose one currency over another as they all can serve different needs and markets. It's kind of like saying, "My favorite vehicle is the Ferrari." but if you are in the desert or off road in the woods, you couldn't drive the Ferrari, you'd need the Range Rover. Quite often, one currency is very good for a few purposes but not optimal for everything. I love GoldMoney but you can't pay for hosting each month with Goldgrams! Another important part of choosing is how you are funding the account or withdrawing your value. You may want to receive a Western Union transfer when selling and

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not all agents will coordinate that for you, unless you are using a specific currency. WebMoney is especially popular all around the globe. In Panama I can even pay for my prepaid cell phone service using WebMoney.

Each digital currency presents different solutions for online payment problems. Often we need to utilize all of them, not just one, to get through our daily payments.

Another great example is e-dinar. If you are doing business in Dubai, it may be more convenient to purchase digital gold from them with a local wire. E-dinar also delivers gold dinar and silver dirham. You can easily buy those right from their web site. Gold dinars are small and very reasonably priced, if you can't afford to buy the 100 gram bars from GoldMoney, the gold dinars are an affordable pure gold product. We like e-dinar very much.

Q How do you feel about PayPal?

A PayPal sucks, they are scum.

Q Well don't hold back, how do you really feel?

A Forget about PayPal, the entire business is an extension of the bank and I don't like banks. Anytime a digital payment can be reversed that is bad news for merchants and because credit cards are a big part of their process---that's a open invitation to fraud. I won't use PayPal.

After the financial crisis in 2008 PayPal's money market fund portfolio was holding \$1.63 billion dollars of illiquid assets. HA, a \$1.6 Billion. How's that for counter party risk! Who do you suppose paid for that mistake? The company or the customers? HA, no thanks, I'll stick to precious metals. An ounce of gold, is an ounce of gold no matter who is holding it for you GoldMoney, e-dinar, WebMoney Gold or Pecunix.

Q In December of last year, you wrote a paper on entitled, 2011 Observations on the Digital Currency Industry. What was the paper all about and why did you write it?

A It's more like a bunch of my notes grouped together in one document. The paper talks in general about some of the changes that have occurred in digital currency. That is....non-bank online payments. It's a new and changing

industry. The regulators are still trying to keep up with the brainy nerds creating new software. (*some of my friends*) I just had all that information rolling around in my head and one day decided to write it all down so that others may see it from my point of view. There may be a few misspelled words in there :-)) but it's good information and presents the POV of an industry participant.

Q What can digital gold do for consumers and merchants that bank products can't?

A Non bank digital currency products can reshape how we do business. Along those same lines, Peer 2 Peer payments, without a bank-in-the-middle, has the ability to change EVERYTHING, such as how taxes are collected. These digital currency products level the playing field, no more does someone have to qualify for a bank loan or have your "credit" checked in order to accept online payments. Here are a few examples: WebMoney's Credit Service permits anyone to loan money to anyone else using the WebMoney purse. If you have funds to loan another WebMoney account holder simply set your terms and conditions then make the loan directly to another user. No bank, no credit check...no bank fees.

Think about the Loom system for a minute. Today you can create your own currency which is your own financial brand, back it with metal or not, and transact online without any of the usual bullshit bank restrictions. If users like your currency, trust you and your reputation, they will accept it. If you are shady, chances are no one will accept it. By issuing your own brand currency you actually become the bank.

This is a lot like what the Internet did for the news business. No longer can one central information source direct or mis-direct the actions and opinions of the masses. Sure I often watch the NBC nightly news but I also read two dozen other news sources each day online.

With non bank digital currency products, you could rely on bank issued products, but there are three dozen non-bank alternatives now, cheaper, faster and easier. Maybe one day soon I'll stop watching Brian Williams each night, and just get my news online from alternative sources. I don't use banks anymore.

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Buy WebMoney with a Visa, MasterCard or American Express Card

For many investors and consumers, there is a certain amount of hesitation when someone suggests that they buy WebMoney with Visa, MasterCard or AMEX. In the majority of cases, this hesitancy is the result of a lack of information regarding how the digital currency works and its role in the globalization of economics.

Some may have even heard of negative publicity that has been associated with dishonest companies that suddenly appear overnight and utilize fraudulent practices. Because of this, reputable companies are sometimes overlooked. These companies such as WebMoneyTransfer have worked very hard to build their reputations and take the initiative to fight scams and fraud regarding digital currency.

Just by doing an Internet search, one can find a variety of different types of electronic currency services that are being offered. However, it is always a good idea to consider digital currency companies that have been around for a few years and have received positive reviews from its clients. With WebMoney which has been around since 1998, you can be assured of a positive transaction experience.

There are many different online digital currency systems in existence that include Liberty Reserve (LR USD, LR EUR, LR Gold), c-gold, Pecunix (gold grams), Global Digital Pay, EuroGoldCash and WebMoney.

When you choose to buy digital currency units through an online Digital Currency Exchange Provider such as Centregold, you are acquiring the ability to exchange

various digital currency types throughout the globe.

This form of currency exchange is especially advantageous to companies and individuals that need to conduct business in foreign countries as well as in their local areas. All that's required is an account with a Digital Currency Provider and a means to access funds through a credit card, bank transfer or any other method supported by that provider.

When deciding to buy WebMoney units, you can have the option of purchasing currency in the form of US Dollars (WMZ), Euros (WME), Roubles (WMR) or other available forms.

For those who wish to invest in the gold market, that option is also available (WMG). With gold purchases, the buyer can have the advantage of the convenience of digital currency exchange along with an investment that can increase in value. This is why many digital currency buyers combine market purchases with investments in this manner.

When looking for a reputable Digital Currency Exchange Provider, make sure to check the details of their website for a working email link. Also, check the owner of the site through WHOIS and determine how long the website has been in business.

Finally, review the site's reputation through comments and other online input. This way, you can get your WebMoney units from a trusted source.



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Some of the advantages of having gold "in digital form" are the ability of paying with it, the ability of seeing the balance at any time, while also seeing what that balance is currently equivalent to in terms of fiat currency value.

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PayPal thinks the wallet will soon be obsolete in US

PayPal believes that by 2015 “digital currency” will be accepted everywhere in the US - from the corner merchant to Walmart.

In a statement this month, Scott Thompson, the President of PayPal, said, “We believe that by 2015 digital currency will be accepted everywhere in the US - from your local corner store to Walmart. We will no longer need to carry a wallet...Consumers are increasingly giving up traditional payment methods, including cash, cheques and even debit cards.” Mr. Thompson made the comments in a blog post. PayPal now boasts 100 million account holders.

The company is launching an additional publicity campaign which will require 5 people to pay for all of their purchases with PayPal via mobile device. The test is taking place in San Francisco. PayPal estimates they will process \$3 billion in mobile payments for this year.

South Carolina Republicans Focus on Sound Money

The Committee for Constitutional Studies sponsored by the Spartanburg County Republican Party will host the Sound Money Group on July 19. The seminar will begin at 6:30 PM in the Hoescht-Celanese Room located in the main county library in Spartanburg on Church Street. The general public is welcome to attend the meeting on July 19th and encouraged to ask questions regarding the movement back to a constitutionally required sound monetary system.

The formal name of the group that will be speaking on July 19 is the **South Carolina Sound Money Committee**. Their web address is <http://www.scsoundmoney.com/>

South Carolina currently has both a **House H 4128 & Senate S 0862 Sound Money bill** for the 2011-2012 session.



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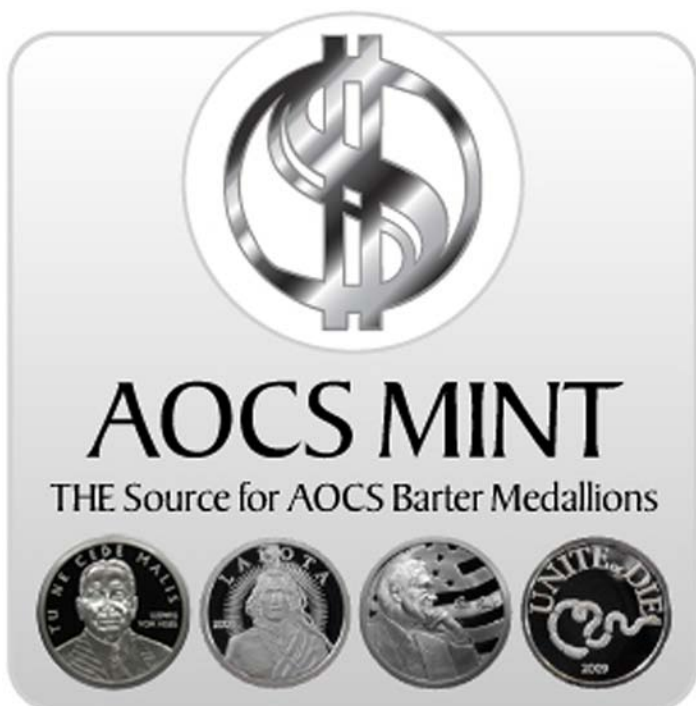
GoldMoney offers easy new deposit option in US via Bank of America

This brief announcement showed up in GM accounts. This is a really convenient way to buy gold.

We are pleased to announce that with effect from Monday 27th of June 2011, all customers with a Full Holding can wire funds domestically from their US bank account to GoldMoney's new cash collection account at Bank of America in New York. This significantly reduces the bank fees incurred and increases the efficiency of your funds transfer.

Please note that the collection account service provided by Bank of America through our bank, Lloyds TSB (UK), is available to transfer funds to your GoldMoney Holding and it may not be used to return funds back to your bank account. Therefore, any US dollar transfers back to your US bank account, will be made by international wire transfer from our bank account in Jersey.

US residents with a Basic Holding have the option to upgrade to a Full Holding to be able to use our Bank of America account.



<http://www.opencurrency.com>

UK gets its first gold vending machine

What do Las Vegas, Dubai, Frankfurt and Boca Raton have in common? All of these locations have the "Gold to Go ATM" machine.

This is a vending machine that sells gold ingots and coins.

This week there is another machine up and running in a UK shopping mall. Gold vending machines have been spreading around the world. In the years ahead, Thomas Geissler, the chief executive of Ex Oriente Lux, the company behind the Gold to Go ATM, says they plan to install another 50 machines in the UK.

NAMECOIN

A distributed naming system based on Bitcoin technology.

Namecoin uses a new blockchain, separate from the main Bitcoin chain.

Mining currently cannot be performed for multiple blockchains however changes to the Namecoin software may make it possible that a bitcoin miner can simultaneously mine the Namecoins.

The project was inspired by the bitdns discussion and recent failures of the DNS.

The open source software was announced on April 18, 2011

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Moving Forward to a New Digital Gold Standard

A world monetary system has emerged that has no historical precedent: a system in which every major currency in the world is ... on an irredeemable paper money standard. And further, "The ultimate consequences of this development are shrouded in uncertainty."

-Milton Friedman, Money Mischief: Episodes in Monetary History

In my everyday conversations people always ask me, "are we going back to the gold standard? Is that what you want?"

I have to laugh and respond by saying, "yes, back to the gold standard of the 1800's and on your way out today, please turn in your car keys and pick up your horse & buggy."

We can't go back in time. We can't wake up one day and pretend that the cell phone was not invented or the Internet doesn't exist. Once the blind man gets his sight, there is no going back to the darkness.

As both Lewis E. Lehrman and Ron Paul say, we should be "going forward to a new gold standard".

The move from legal tender paper to voluntary use of gold and silver has already been occurring on a state by state basis in the U.S.

By giving people the option to use sound money over paper currency, slowly but surely, the state legislatures are offering real protection from ongoing paper money inflation.

So what is happening today with my money? When will I be able to buy groceries and conveniently pay with gold?

Well, that day will be here sooner than you think. The

technology is already in commercial use right now.

In just the past few years over a dozen states have proposed legislation to permit the use of gold and silver in a variety of consumer and state financial transactions. The great State of Utah, has already passed laws recognizing gold and silver U.S. minted coins as legal tender within the state. On a voluntary basis, this new law allows people in Utah to use gold U.S. coins in any type of payment.

Of course a \$50 face value gold eagle today has a real world worth of about \$1600 U.S. Dollars, and no one is contemplating an exchange of these coins at their face value. While the Utah law does not offer a standard measure for the daily spot valuation for U.S. gold and silver coins, anyone possessing them generally knows the daily spot price. *Please don't send me an email saying that you would never use a \$50 face value gold coin because it is worth so much more. (that's another ignorant point often brought up!)*

Please move forward with us to a new gold standard. Welcome to the digital gold currency world of online payments. The idea of using gold and silver in everyday commerce at spot prices has already been perfected by the genius creators of digital gold currency. Over a decade ago, companies like e-gold and GoldMoney came online with robust payment systems 100% backed by real gold bullion. Anyone

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with a computer connection, could then and still can today, very easily send payments backed by gold to anyone else with a computer or mobile device. All of these payments are possible today....right now.

cash register!"

Again...let's all move forward to a new gold standard.

Using Digital Gold Currency:

1. Bob from Michigan, can instantly send Alice in Los Angeles a \$5,983.18 payment that is 100% backed by real gold bullion.
2. Ahmed in Dubai, can also send Alice in Los Angeles an instant payment backed by gold of little as .01 cent with without huge fees or costly wait times.
3. Alice can shop in Los Angeles at her local store and she could pay for her goods using an iPhone application and a digital gold currency payment.

All of these payments are now possible using digital technology and physical gold.

No more should we ever hear, "how will a shop keeper make change with gold, by chipping off a tiny piece of my gold coin?" *Yes, that comment is truly brilliant.*

These new digital gold systems that make online payments divisible down to less than a penny, are now available using any mobile device, PC or even a debit card.

Perhaps this is the concept of "moving forward to a new gold standard"?

Here are several of the old arguments regarding everyday commerce and a "gold standard" that are no longer valid using today's technology.

1. "Gold and silver are too heavy to carry around a bag of metal to pay for everyday purchases."
2. "Gold is too valuable, we'd be using pieces the size of rice to try and pay for things."
3. "It's impossible to make change using gold and silver, the coins are not physically divisible at the

Digital gold currency is gold bullion (and could also include U.S. gold coins) held securely in a vault. The digital units are not issued by the government and do not circulate through a bank. When one ounce of gold is deposited, one ounce's worth of digital units are created to circulate across the Internet. Digital Gold Currency or DGC is a privately issued closed system of debits and credits. Consequently, when one user sends a payment to another user, no physical gold changes hands or leaves the vault. One account is debited and the other is credited. Payments move instantly and effortlessly across the Internet using cell phones, mobile devices or computers.

I can already hear some readers mumbling this out loud right now, "why can't I just use my credit card to pay at the checkout, that does the exact same thing, instant payment?"

Bank debit and credit cards are backed by U.S. Dollar accounts and the world is now moving away from these inflatable paper dollars. We are moving forward to a new gold standard and honest digital gold commerce. A new gold standard will ensure the

purchasing power of our funds is not eroded by the government printing press.

Remember when you could get a Coke and a Snickers for a dollar? While gold's price has fluctuated, its purchasing power has endured.

We need to recognize several important differences between digital gold currency payments and credit card payments. Digital gold payments are pushed from sender to receiver. The sender must authorize each transaction at the time of the payment. Conversely, transactions with credit cards move by "authorizing" a future payment, sometimes the funds are removed at the

All currencies backed by gold or convertible into gold are mutually convertible with each other. This kind of international monetary standard encouraged trade and is beyond the control of any one country, region or state.

time of payment but more often a “credit card charge” means the receiver pulls funds from the card account at some future time. Credit cards, which were invented in the 1950’s were not designed for today’s high tech online payment world. Charges can be taken from a credit card account without the card holders knowledge and card fraud has become a massive problem around the world.

Digital gold solves this problem.

Digital gold currency payments, each one initiated by the account owner, are not reversible. There is no such thing as a merchant charge back or a fraudulent change.

Please, follow us forward to the new voluntary gold standard which will directly compete with paper dollars.

The good news is that U.S. States are not waiting around for the trickle down red tape of the federal government to engage in sound money commerce. Gold and silver as money are being written into the law books right

now at the State level.

In Utah, it shouldn’t be long before a local digital gold currency solution begins to go mainstream.

ARTICLE BY MARK HERPEL



A large graphic featuring a globe with the text "Take a global view" and "economy • politics • life • culture • science". Below this is a promotional banner for GLOBALIA Magazine, including the text "Subscribe to the quarterly GLOBALIA print edition now!" and the website "http://www.globaliamagazine.com". A small inset image shows a cityscape with a mountain in the background.



Cash for Codgers

by Ken Schoolland

Coming in through the same doorway were two men, a young orderly dressed in hospital white was pushing an elderly gentleman in a wheelchair. "Make way, please. Thank you," said the young man with an apologetic nod. Jonathan tried to pass, but found his way blocked by a long line of elderly folk in wheelchairs coming up the sidewalk, each being pushed by an attendant. Another wheelchair passed, then another close behind. Jonathan finally caught the attention of a woman who was pushing the next in line. "What happened?" he asked. "Are these victims of some disaster?" "Sure enough," replied

the woman, wiping her brow and stepping out of line with her wheelchair to explain. "Worst economy in memory."

"Think of the greater good! Sacrifice is necessary in these hard times, don't ya know."

Jonathan responded, "A train wreck or something like that?" "Worse," the woman replied. "Debts mounted. People stopped buying. Jobs were lost. Never seen anything like it." "What's being done?" asked Jonathan. "Gotta stimulate the

economy. Gotta spend money, hire more people, modernize...all that sort of thing," she said. "How will that help these folk?" Lowering her voice she whispered into Jonathan's ear, "It's official now—a new program, 'Cash for Codgers.' Gotta sacrifice for the island, you know. It's all for the best." "Cash for Codgers?" repeated Jonathan with plain incomprehension. "You haven't heard?" said the woman. Turning her patient to face the wall, she pulled Jonathan out of earshot of the old man in the wheelchair. "The Council of Lords has set up a fund to replace rundown old models with more economical new models."

Jonathan was still at a loss. "Does this mean that old wheelchairs are being replaced by new ones?"

"No, no, a much bolder initiative," replied the woman. Barely speaking above a whisper, she explained, "The elderly are being replaced by newborns."

Jonathan's eyes widened in shock. The woman patted his arm reassuringly. "Don't fret! It's been worked out by the best actuaries. This year the Council has offered cash payments to families for bringing in their elderly and exchanging them for brand new models."

"What!" exclaimed Jonathan, aghast.

"That's right." Calculating broadly for Jonathan, she continued, "You see, the elderly live too long after retirement, increasingly dependent on society for medical care, pensions, recreation, and, oh

their needs are endless. Whereas infants, you see, have far fewer years of decreasing dependency for medical care, training, and other needs. Soon the new issues are hearty young producers, able to pay taxes for a generation!" "What happens to the elderly?" sputtered Jonathan.

She talked on, "In addition, we create so many new jobs by hiring the unemployed for the new model production line, the old model decommission line, and so many officials to oversee each line. See for yourself," she indicated with a gesture of her hand, "the queue of applicants reaches 'round the corner and up the street. By all measures, this program is a great success!"

"But what of the elderly?" persisted Jonathan.

"Come now! Think of the greater good! Sacrifice is necessary in these hard times, don't ya know. The public good can't be served by selfish free riders."

"Doesn't anyone protest when asked to pay for all this?"

The woman laughed, "Who's gonna ask at a time like this? Can't

afford the luxury of choice in an emergency! That's the business of the Official Bureau of Money Creation! And just think," she added enthusiastically, "how pleasing it will be with fewer footprints trampling all over Mother Island!"

The old man in the wheelchair looked up and whimpered in a frail, shaky voice, "I'm feeling pretty good today." "Sure you are," said the attendant as if soothing a child. Turning the man's wheelchair to rejoin the others in line, she comforted him gently, "We'll review your case and you'll have nothing more to worry about. You're in good hands with the Bureau of Good Will."

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WEBMONEY NOW AVAILABLE IN VIETNAM

June 2011, WebMoney has officially launched a new currency – WMV- equivalent to Vietnamese Dongs.

WebMoney Transfer was planning to expand to Asian Region seeing its huge potential and growth. Number of internet users and existing WebMoney customers, who need a convenient payment tool, has influenced the decision of choosing Vietnam as a region for the new local currency. New currency is launched in partnership with leading Vietnamese companies: Vietabank and Yeah1 portal, one of the biggest in the country.

Peter Darakhvelidze, WebMoney Transfer Director of Business Development commented that *“Launching a new currency will allow our customers in Vietnam to make payments both towards local and international merchants and online shops. We strongly believe, that the project will develop successfully, while partnership between our countries will grow constantly!”*



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Bullionvault hires ex Skandia man for physical gold platform push

Bullionvault, a low-cost silver and gold exchange for private investors, has brought on board Skandia Investment Group's former open architecture head Steve Kowal to help it expand its offering to advisers and platforms.

Kowal's appointment as head of global business development comes after gold hit a fresh monthly high. There were also another round of predictions the precious metal's price could ramp up further over the course of the year and jump to \$1,600 per ounce by the end of 2011 and to \$2,000 by the close of 2012.

'There is growing awareness among financial advisers and investors of the importance of having exposure to gold as an asset class, whether used as a diversifier, an inflation hedge or as portfolio insurance against the next potential crisis,' Bullionvault's new hire Kowal explained.

Bullionvault's CEO and founder Paul Tustain said Kowal's arrival would help continue the firm's expansion and growth, part of which will see the exchange launch physical gold on to platforms for the first time.

Bullionvault, which is backed by the World Gold Council and Augmentum Capital, the tech-growth fund backed by RIT Capital Partners, is already used by 23,000 clients who between them hold £795 million worth of physical gold and silver.

The exchange is looking to expand on this by broadening its service out to advisers and distribution platforms and by making low-cost gold ownership available via banks and brokerages.

As head of open architecture at Skandia Investment Group Kowal has widespread experience of broadening out relationships. He

managed commercial relationships with third party providers, covering £30 billion in assets on behalf of Skandia's global fund distribution platforms, and also held roles at Fidelity FundsNetwork, where he served as director of strategic alliance.

Previously, Kowal served at Fidelity International as director of international business development.

'Steve's arrival marks a new phase in Bullionvault's continued growth and expansion,' Tustain said. 'I am pleased to be adding his wealth of experience to our capabilities.'

by Sarah Miloudi on Jun 08, 2011

<http://citywire.co.uk/wealth-manager/bullionvault-hires-ex-skandia-man-for-physical-gold-platform-push/a497330>





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This is a reprint of a note from the creator of Open Transactions. It appeared in June, 2011.

Open-Transactions vs. the “typical centralized system”

There’s been a lot of talk lately regarding Open-Transactions as a “centralized system” (comparable to e-gold or MtGox.)

I wanted to clear up some of these misconceptions...

The vision is not of a central server you must trust. Rather, the vision is of federated servers you don’t have to trust.

My goal with Open-Transactions is for the servers to be able to run on anonymous networks. For this to work, that means the users must be able to trust the system, even if they do not trust the servers.

We must have **LOW-TRUST SERVERS**—and that is what I have been working towards. The combination of low-trust technology with untraceable cash is what will make it possible to run OT servers on anonymous networks, at a profit.

Recent events have stimulated a lot of talk about security issues in Bitcoin, specifically due to the use of centralized servers by the Bitcoin community.

There are some big differences between Open-Transactions and the “typical centralized system”...

1) — The typical centralized system is fully-traceable. You are always under the watchful gaze of the “all-seeing eye”.

But on **OPEN-TRANSACTIONS**, blind signatures are employed, providing untraceable digital cash.

2) — The typical centralized system stores a numerical entry as your “account balance.” The server could change your balance simply by changing that number, and you must trust the server not to change your balance, or steal your money. (Ironically, this is the case on all the Bitcoin-related exchange sites today.)

But an OPEN-TRANSACTIONS server cannot forge any transaction, nor can it change your balance without your signature. Even a malicious server cannot do these things!

How is this possible? Because your “account balance” on OT is whatever appears on your last receipt. And the OT server cannot sign any receipt unless you have first signed the initial request, since a full copy of that request must appear inside the receipt. Thus the server cannot falsify any receipt because the server cannot forge your signature on the request.

Therefore the OT server can never sign any balance, or transaction, that you have not signed first.

3) — A typical centralized system has the ability to abscond with your Bitcoins or gold.

But an OPEN-TRANSACTIONS server cannot disappear with the reserves!

Why not? Because it doesn't have any.

OT follows a philosophy of “separation of powers”. Meaning, the issuer and the transaction server are separate entities. If, for example, your currency is backed in gold, then it is the gold issuer you must trust, not the OT transaction server. Even when an OT transaction server disappears into the night, you still have your account (i.e. the last receipt) and you can still redeem it at your issuer, or have it re-issued onto a new transaction server.

The same will soon be true with Bitcoin: I have been cooperating with certain Bitcoin developers on a new mechanism to allow users to bail their Bitcoins in-and-out of OT servers, without having to trust the server itself. That is, even if the server tried to disappear with your Bitcoin, it would not be able to. The next generation of Bitcoin and OT will have this capability. (The new BTC protocol hasn't been added to OT yet but is coming soon.) Woe to anyone building a Bitcoin site that doesn't have this capability! (...Because soon your OT-enabled competitors will eat your lunch.)

More on separation of powers:

— A single currency (such as “Pecunix gold grams” or “Liberty Reserve dollars”) might be issued on a dozen different transaction servers in different jurisdictions, with the same currency contract being used for all of them. (One currency—many servers.)

— Transaction servers can prove which currencies have been issued there, by producing the issuer's last receipt. (And the currency contract.)

— Issuers and transaction servers can both prove the total amount that has been issued, also by producing the last receipt.

— The same currency might be distributed across a dozen different issuers, using basket currencies. (Basket currencies allow users to distribute the risk of a single currency across multiple trusted issuers.)

— The contents of a single “asset account” might be distributed across a dozen different transaction servers. (If this abstraction is coded into your client GUI, then what appears as a single account is actually spread across X number of servers.)

4) — Let's concede that while OT can't forge receipts against individual users, a malicious server could still

use a dummy account to inflate the currency itself, without having to forge any of the individual users' receipts, and without having to forge the issuer's receipt.

This is true, but it would not escape the upcoming OT Audit Protocol!

Why not? Because counterfeit funds cannot be spent without flowing from an illicit account into the other accounts of the general population, where the total amount will show up on an audit and be compared against the amount on the issuer's last receipt.

As long as receipts are stored between audits (which could be daily) then the users, as above, can simply dump the untrusted server and redeem their receipts at the issuer. (This can all be automated.) Transaction servers, of course, would have a huge incentive not to pull this, since they already can't get away with it, and since they would instantly lose their daily revenues from transaction fees.

A similar solution is planned for Bitcoin-based accounts on OT, using the same new mechanism described in answer (3). It also doesn't hurt that Bitcoins are publicly-auditable, but plans go beyond that. (FYI, the OT Audit protocol is designed but not yet coded.)

5) — A typical centralized system is very vulnerable to hackers, who make use of all manner of cross-site-scripting and SQL injection in order to gain access to your server account, and do transactions you never authorized.

But on OPEN-TRANSACTIONS, it is useless to hack the server, since even a malicious server cannot forge

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transactions on OT! Hacking a user would require gaining access to his private key--which is not stored on the server--as well as installing a keylogger on the user's machine (in order to get his passphrase.) Furthermore, the hacker would have to do this for each individual user. (The ultimate solution goes even further: store your private key on a crypto-card. People will actually start doing this once enough of them have been hacked.) By comparison, MtGox recently had hackers sell-off all of the users' balances for pennies. This also had the effect of crashing the Bitcoin market and damaging the "bulletproof" reputation of Bitcoin.

There simply shouldn't be any passwords stored, anywhere! Neither should there be any transactions processed that haven't been signed by the user's private key.

6) — A typical centralized system is vulnerable to hackers obtaining a copy of their database, and subsequently distributing the users' email addresses, salted passwords, account balances, and usernames all over the Internet.

These same users are then subjected to an aftermath consisting of hacks on their Tradehill, Facebook, (etc.) accounts, as well as the imposition of frustrating account-validation and password-changing procedures at all of those sites.

But on OPEN-TRANSACTIONS, no passwords are stored on the server OR client side. Instead, public-key cryptography is used, and the server only responds to signed requests. Users will never have to go and change their Gmail password when using OT-based systems.

7) — A typical centralized system must store all of its receipts, forever. This is because it cannot prove which instruments are authorized, or which transactions have cleared, without storing them all (in an ever-growing database.) That's the only way it can prove its case in the event of any dispute. (If parties cannot "prove their case" in a dispute, then the system breaks down.)

But OPEN-TRANSACTIONS uses Triple-Signed-Receipts: Parties can prove which transactions have cleared, and which instruments are authorized, simply by producing their last signed receipt.

8) — A typical centralized server (such as e-gold) can be pressured to produce transaction data, and made legally responsible to report it. Such data is also vulnerable to hackers (such as happened to MtGox.)

But on OPEN-TRANSACTIONS, users and transaction servers both have the choice to operate in "cash-only" mode, which is completely anonymous. The server cannot be pressured or hacked to reveal your account, if you don't have one! The issuer is similarly safe, due to OT's philosophy of "separation of powers." Since he has outsourced the transaction processing to the transaction server, the issuer cannot be forced to produce any transaction data—he doesn't have any!

9) — A typical centralized server requires a bailment process to get new funds onto the server, and back off again.

Open-Transactions servers don't require any bailment process, since they don't store any reserves. Instead, the issuer chooses when to issue new units of any currency, and any bailment happens through the issuer directly. (Just like Loom.)

A similar yet more p2p solution is coming soon for Bitcoin-backed currencies--this is the same new mechanism mentioned in (3).

Additional options are coming soon:

Via the Ripple protocol, a user will be able to transfer off of the OT server simply by sending funds to another user on OT (who makes a similar reciprocal transfer on an entirely different system (via Ripple.)

In effect, this allows users to bail out of specific servers without having to “bail out” at all — instead merely sending an internal transfer to another user, who then pays them in a separate account via Ripple.

Ripple client capabilities are being built into Moneychanger (OT Java client.) Since Moneychanger users will likely list different currency types in their wallets, it only makes sense to connect them all via Ripple. Especially since OT clients will be P2P anyway (they need to compare notes on public mint files for various OT servers.)

This is where I see the true value of Ripple: Eliminating any need for server-to-server transfer, by allowing currency flows directly through the users.

Open-Transactions also allows for users to transfer from one server to another through the issuer, since he already exists at both ends. (Therefore the user doesn't have to “bail out” in-between.)

Open-Transactions will also make use of Bitcoin as a “glue”, or “universal medium”, between OT servers. OT will always use a crypto-currency in this regard (whether Bitcoin or whatever else) since it is a unique solution to this problem.

10) — A typical centralized server only supports two financial instruments: account transfer, and sometimes market trades.

But OPEN-TRANSACTIONS currently supports many financial instruments, including cheques, invoices, vouchers, account transfer, receipts, market trades, payment plans, and untraceable digital cash. Many more instruments are coming soon to OT, including those with scriptable custom behaviors.

11) — A typical centralized system does not have contracts.

OPEN-TRANSACTIONS allows users to create Ricardian-style contracts. These can be used to issue currencies, or to make agreements between other users—and these contracts can be enforced by the server.

OT also uses server contracts, meaning that each OT transaction server is identified by a contract, which contains its connection details for various networks, as well as its public key.

In OT, contracts have become the building block of the entire library. These contracts are self-verifying, and if applied to the domain name problem, they have the potential to entirely decentralize the DNS system.

Coming soon: “Smart contracts” (scriptable clauses.) The Bitcoin economy, as well as the DGCs (digital gold currencies) will need more financial instruments in order to grow. Instruments such as Escrow, Real Bills, Stocks, Bonds, etc. There will always be the need for a system that enables that next financial instrument. I propose to make those available through scripts, so that new custom code is not necessary inside OT itself for most new contract types.