DGC Magazine

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

The Decline & Fall of a Fiat Empire?

E-DINAR'S CEO
DR. ZENO DAHINDEN
ANALYSIS OF
THE WORLD
FINANCIAL POWER
SYSTEM

November 2008
Digital Edition

The Mightiest Nation
by Arthur Hoppe
Page 5

At Peace With Apollyon*
by Paul Rosenberg
Page 7

Derivative Illusion
by Trace Mayer, J.D.
June 2008
Page 11

The World Financial Power System: an Analysis of a Different Kind
by Dr. Zeno Dahinden, CEO of e-dinar
Page 13

The Bullion Market Versus The Paper Gold Market - An Explanation
by Jim Sinclair From MineSet
http://www.jsmineset.com/
Page 15

Why the Bail-Out Won't Work
by Dan Denning
http://www.dailyreckoning.com.au
Page 21

The Failure of America's 1st Fiat Currency (1779)
Page 25

Got Gold Report - How to Buy Physical Gold and Silver on the COMEX
By Gene Arensberg
http://www.resourceinvestor.com
Page 28

Maxing Out The National Debt (clock)
Page 31

Anglo Far-East Announces No Supply Disruption Despite Record Demand In Global Precious Metals
Page 31

Margin Calls Loom for Treasuries: ThomWatch
by Thom Calandra
http://www.thomcalandra.com
Page 33

XeroBank Announces Release of Onyx, Enterprise Anonymity & Communications Defense Network
Page 43

Kenya's Banks ask for regulation on Mobile Money Transfers…
Page 44

'Pay and Play' using cashU at Dubai World Game Expo
Page 46

Deflationary Depression? Where to go from here
by John Lee
http://www.goldmau.com
Page 48

INTgold's Mike Comer is Now Behind Bars
Page 52

COVER
"I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. . . . Corporations have been enthroned, an era of corruption in high places will follow, and the money-power of the country will endeavor to prolong its reign by working upon the prejudices of the people until the wealth is aggregated in a few hands and the Republic is destroyed." ***-Abraham Lincoln***

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The Mightiest Nation

by Arthur Hoppe

Once upon a time there was a country that was very small and, on the whole, very good.

Its citizens were proud and independent and self-reliant and generally prosperous. They believed in freedom and justice and equality. But, above all, they had faith. They had faith in their religion, their leaders, their country and themselves.

And, of course, they were ambitious. Being proud of their country, they wanted to make it bigger. First they conquered the savage tribes that hemmed them in. Then they fought innumerable wars on land and sea with foreign powers to the east and west and south. They won almost all the battles they fought and conquered foreign lands.

It took many generations, but at last the good, little country was the richest, mightiest nation in the whole, wide world -- admired, respected, envied and feared by one and all.

``We must remain the mightiest nation,'' said its leaders, ``so that we can insure universal peace and make everyone as prosperous and decent and civilized as we are.''

At first, the mightiest nation was as good as its word. It constructed highways and buildings and pipelines and hygienic facilities all over the world. And for awhile, it even kept the peace.

But being the mightiest nation in the world, its leader was the mightiest man in the world. And, naturally, he acted like it.

He surrounded himself with a palace guard of men chosen solely for their personal loyalty. He usurped the powers of the Senate, signing treaties, waging wars and spending public funds as he saw fit.

When little countries far away rebelled, he sent troops without so much as a by-your-leave. And the mightiest nation became engaged in a series of long, costly, inconclusive campaigns in far away lands. So some disillusioned soldiers refused to obey orders and some sailors mutinied, even though the leader raised their pay. And in some places the mightiest nation hired mercenaries to do its fighting.

And because it was the richest nation, it worshiped wealth and the things wealth bought. But the rich grew richer and the poor grew poorer through unfair tax laws. And in the capital 1 in 5 were idle and on welfare.

When the poor grumbled, they were entertained by highly paid athletes and the firing of expensive rockets into the air which sometimes fizzled. But the poor often rioted and looted and burned in their frustrated rage.

Many citizens lost faith in their old religion and turned to Oriental mysticism. And the young, wearing long hair and sandals, became Jesus freaks. Bare-breasted dancers, lewd shows and sex orgies were increasingly common. And the currency was debased again and again to meet the mounting debts.

Worst of all, the citizens came to learn their leaders were corrupt -- that the respected palace guard was selling favors to the rich and sending spies among the people, creating fear and distrust.

So it was that the people lost faith. They lost faith in their leaders, their currency, their rockets, their postal system, their armies, their religion, their laws, their moral values, their country and, eventually, themselves.

And, thus, in 476 A.D., Rome fell to the barbarians and the Dark Ages settled over Western civilization.

Moral. For what is a nation profited if it shall gain the whole world and lose its own soul.

This column appeared in The San Francisco Chronicle on May 27, 1973. Mr. Art Hoppe passed away in February of 2000. He was a Prince among men.
http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/1999/07/22/ED78905.DTL

At Peace With Apollyon*

by Paul Rosenberg

It's the end of the world as we know it,
It's the end of the world as we know it,
It's the end of the world as we know it,
And I feel fine, I feel fine.....
-- R.E.M.

I was traveling to some high-end meetings in Europe – outfitted in my nice sport jacket and striding through glitzy airports. I had a nice laptop bag slung over my shoulder and was editing important papers along the way. And then…

My idiot, small-town bank's security people saw that charges were coming in from "overseas." (God forbid!) They canceled my card. The human-like automaton at the railway counter looked at me like I was a terrorist and seized the card. Then I realized that I had forgotten to bring a back-up and that I didn't have much cash. I made it to the hotel, but I was now broke. (After I had waited four or five hours for my lost luggage.)

After some very unhappy conversations, the bank Fedexed me some money, but it wouldn't arrive till the next day. With nothing to do but wait, I followed my schedule. "What the hell," I thought, "I can survive without eating for a day." Then, just as I left my downtown hotel, it began pouring rain. And, of course, I had forgotten to bring an umbrella. And, the hotel had just given out their last one. I didn't have money for a cab. So, after some serious grumbling, I started running.

Five or six deluged blocks later, I walked into another hotel lobby to meet my associates. I looked like a soaked homeless guy with a laptop. All they could say – once they realized it was me – was, "Are you okay?" "Boys," I said, "once in a while everyone gets kicked in the ass. Today's my turn. Anyone have a towel I can borrow?"

It's now clear that we're taking our first steps into a period of significant economic destruction and difficulties. Apollyon is making one of his cyclical appearances. A whole lot of us are about to have "our turn." That's not really important. What matters is that we make our way through it to the other side. Accept it, deal with it, and get across. Have a cry if you need one, but then get up and get back to work. Sometimes we all get kicked in the ass.

FIRST THINGS FIRST

Even though we're heading into some difficult times, I think there's one thing we need to get out of the way first: We were right! People said insulting and hurtful things about us when we talked about fiat currencies, credit cycles and sane economic principles. (As if "Prosperity Through Ever-Increasing Debt" would actually work!) Some were bullies, some were brainwashed and some were trying to protect fragile psyches. They didn't want to know the truth of the matter, they only wanted to shut us down. They were unkind and sometimes cruel. But we were right and they were wrong.

So, yes, we have a right to gloat a bit. But, gloating won't pay the bills and it has a really short shelf-life. So, once we get it out of our systems, we need to let it go and deal with the current situation.

As someone who remembers that last serious recession, I can tell you that there will be suffering. Sure, we'll all come out the other side, but recessions (or worse) are not fun. So, for whatever they're worth, here are a few things that I expect, based upon my previous visits with Apollyon. Maybe they'll be of some use to you:

THE BORING YEARS END

A neutered "McCulture" has spread over the western world in recent decades. The music has been utterly dull (no matter the volume), movies are either senseless or predictable or both, and the news outlets all sing variations of the same song. Sure, there has been some action on the fringes, but most of it isn't worth your time either. We have a youth culture who thinks they're rebelling with piercings and tattoos. (Oh my, how threatening to the bosses!) In other words, the western world, for a lot of years, and with almost the sole exception of the Internet, has been crusted over and deathly boring.

But as safe, reliable ways of living fail, people begin to re-engage their minds. Many will be forced into adaptation, simply because the respected way no longer works. Regardless, more people will be thinking more thoughts than they were previously. That's good and that's interesting. Moreover, things that are new or different will be more accepted than they have been recently. Some of the new stuff will stink, but some will be creative and good… finally!

OPPORTUNITY

Change may bring pain, but it also brings opportunity.

Once the monolithic cult of "acceptable thinking" is broken, new people with new ideas actually have a chance to operate without being attacked. When people are distracted by larger fears, they tend not to care about an entrepreneur with new products. Instead of screaming that a new Internet service is "a threat to our way of life," people have weightier things to freak out over.

THE BAD GUYS RAMP IT UP

One final issue with rough times is that the various thugs of the world will see opportunities and will move to cash-in on them. Ah well… remain fleet of foot and stay away from big noises.

SO…

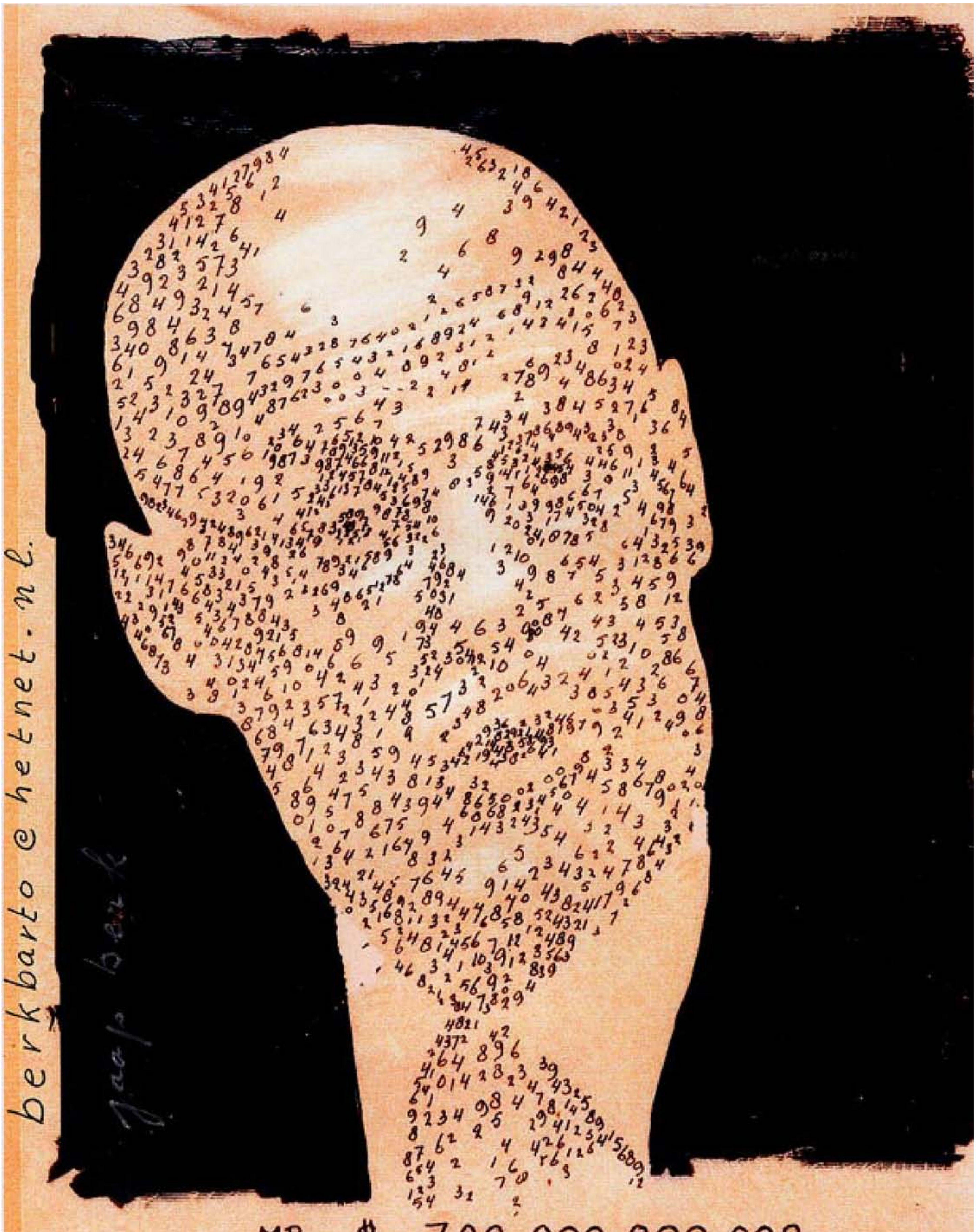
Destruction may not be our friend, but it does tend to knock the masses of humanity out of stasis. (Often for the better, but occasionally for the worse.) So, if you end up taking a few lumps this time around, shrug it off, adapt, and look for places where a bit of cleverness can pay-off. This should be a moment where you won't get shot down solely because your idea is different.

You can handle this. Strap on your helmet and proceed.

* * * * *

* Apollyon is the Greek name of The Great Destroyer. He's one of the really scary characters in the book of Revelation.

Paul is the author of numerous books and the Individual Virtue newsletter. You can find his work at http://www.veraverba.com and http://www.individualvirtue.com



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Derivative Illusion

by Trace Mayer, J.D.

How much gold is $700B?

A cube of .999 fine gold 37.9 feet on each side would weigh 29,872.3 tons or 65,857,72.4 pounds. Worldwide stockpiles are about 150,000 tons. So the US bailout cost about 20.6% of all the gold that has ever been taken out of the dark mines. In other words, enough tax money was given away for someone to build a 4-floor-tall cube of solid gold.

Often the assertion is made that there is ‘not enough’ gold to return to a gold based monetary system. The counter-argument is that there is too much paper.

The dollar based monetary system is the largest bubble in the history of the world. **Gold has been, is and will always be the center of the financial universe.** In 1971, most people were too gullible and accepted the thinking that the earth (US$) revolves around the sun (gold).

Today by luck I ran into a friend who was the Chairman and founder of a respectable bank in Nevada. He is extremely well connected. We spent some time talking shop. He remarked that ‘oil is going to $50 and gold to $500’ and in about two years that gold will probably begin performing well. I would not be surprised if both assertions are proven correct over time because of the nature of the deflationary credit contraction as gold abuts T-Bills. Nevertheless, my bullion is not for sale.

Why is that? Because the current monetary system is an illusion. The gold market is **tiny** compared to the Tower of Babel that has been constructed on top of it. **The pricing mechanism is completely broken.**

My friend, who often teases me for being a ‘gold bug,’ does not understand some basic monetary science and theory. He views gold as a portfolio asset; I view everything else as a portfolio asset. **We hold opposite views about what is the center of the financial universe.** I launched a calculated rebuttal about credit default swaps vaporizing firms. He **revealed his ignorance** by responding, ‘Yes, is there going to be any end?’ I responded, ‘There are **$1.4T** of derivatives and central banks use some of them to manipulate the gold price. The great thing about gold is it is either in my hand or not and $850B of it cannot just be created out of thin air.’

I then briefly explained the future of currency, GoldMoney, and how it eliminates counter-party, settlement, credit, payment and Herstatt risk from the medium of exchange and store of value. The change of the monetary system is only beginning. Change always encounters pugnacious opposition from the status quo Establishment. However, like the Catholic Church was powerless against the ideas of Copernicus and Galileo so likewise is the Establishment powerless against the ideas of digital commodity money.

Most importantly digital gold will ultimately explode onto the international monetary scene whether bankers or governments like it or not! However, there are still some ideas that need to be implemented. When the systems are implemented and the time is right then **digital gold will go viral and the illusion will dissipate.**

My strategy is to acquire gold on a consistent regular basis with a constant percentage of proceeds from cash-flowing assets. When you own an unencumbered ounce of gold your wealth is sovereign. Hoard it. **Humanity’s gold lust has been dormant for nearly a century and when it awakens it will be extremely vehement and go viral.** Those who own gold know of what I speak. The yellow metal seems to call out to the inner conscience and resonate with our DNA. The result will be that the pitiful garrets of the central banks will be overrun.

Subscribe via email for free to receive future updates.
http://www.runtogold.com/Run_To_Gold/Subscription.html

Trace Mayer, J.D., holds a degree in Accounting from Brigham Young University and a law degree from California Western School of Law. He has devoted time to the study of Austrian economics and claims to be a rabid advocate of the non-aggression axiom and free speech. He is a member of the Society of Professional Journalists and the San Diego County Bar Association. He has worked as an entrepreneur, investor, journalist, and monetary scientist, and operates RunToGold.com.

Source:
http://www.runtogold.com/Run_To_Gold/Run_To_Gold_Blog/Entries/2008/10/22_Derivative_Illusion.html

The World Financial Power System: an Analysis of a Different Kind

by Dr. Zeno Dahinden, CEO of e-dinar

To truly understand our global financial crisis, we first need to understand what happened back in 1910 when the Federal Reserve System was conceived and what the hidden agenda of the 'founding fathers' of the Fed were. Without this historic backdrop, we cannot possible understand what led up to and is perpetuating the ongoing economic crisis.

My analysis will focus on four core aspects of the Modern Financial Power System:

1. How **FIAT Money** comes into existence (summary)
2. How FIAT Money impacts our economy (summary)
3. The **hidden Agenda and Objectives** of the banking cartels known as Central Banks and the Federal Reserve System
4. Why the current financial crisis is a logical extension of the Fed's hidden objectives

Please allow me some introductory remarks:

1. Even though, for reasons of simplicity, I will **focus** my discussion on the US Federal Reserve System, the same logic applies to all other Central Banks
2. Although my explanations seem **simple**, I can assure you that they are **technically speaking 100% correct**
3. Try **not the make** sense out of all this because it does not make sense. Just think of it as your **basic scam** and you will be able to understand it pretty well, particularly in the light of the ongoing **financial crisis**
4. All of what I am going to talk about concerns you and me. It is our money and economic well-being that are at stake, it is our money and pension funds that are being depleted and used to bail out the banks which created the whole mess in the first place
5. Many aspect of my analysis are based on the ground-breaking work by other people, in particular by **G. Edward Griffin** in his far-sighted book: 'The Creature from Jekyll Island: A second Look at the Federal Reserve System'.

1. How FIAT Money comes into Existence

FIAT Money is **money made out of nothing** and comes **into being** through the creation of government, business and private **debt**. That is very important: FIAT money is **created from debt**.

This becomes possible through a **collusion of interest** between **governments** and the privately owned **banking cartels** known as Central Banks and the Federal Reserve System. Why are governments in partnership with banks? To understand this, we need to analyze for a moment what each of the two partners gets out of this partnership:

The two parties profit as follows:

- While it allows the government to create an unlimited amount of money out of nothing **without** having to burden the tax payer with **direct taxes** (they prefer to take our money **indirectly through inflation**),
- The banking cartel is able to create a **perpetual flow of unearned wealth in the form of interest** on money made out of nothing

In the past, when money was still tied to gold, **governments** had to increase direct taxes if they needed more money. Since this is not a very popular thing to do and tends to get politicians de-elected, governments all over the world eagerly embraced the notion of making money out of nothing and became a willing partner. They prefer to take our money indirectly through inflation – that is why **they are in partnership with the banks.**

For the **banks**, it meant the **unrestrained creation of money from nothing**. For every dollar the Fed creates and lends to the US government, nine additional dollars are created by the commercial banks through loans. This becomes possible because the Fed has ruled that only a minimum of 10% of all outstanding loans must be kept on deposit (called **fractional banking**). In other words, 900% of all deposits in a bank are at any time loaned out against interest and secured by 10% in deposits and the assets of the lenders.

While the banking side collects perpetual interest on nothing, the fruit of our labor and sacrifice goes back to the banks in the form of interest. Whether in times of **expansion or contraction**, it does not matter: the banks always win – it was **engineered** that way. If we however fail to pay interest on this nothing money, the banks take our cars, our houses, in fact all of our assets because we signed on the dotted line.

You might rightfully wonder how the banks which collect perpetual interest on nothing and have the right to our assets can possibly get into trouble as they do today. The answer lies in their **excessive leverage** which results from a **combination of fractional banking, greed and negligent risk management**, where they loan out too much and keep too little in reserves.

Let us examine one disturbing example in more detail. Credit Default Swaps or CDSs are instruments to speculate on or hedge against a company's probability to default on its debt. CDSs grew from 600 billion USD in 2001 to 63 trillion USD today. According to the Fed, 90% of the CDS market is in the hands of 17 large banks (Lehman Brothers was one of them) thus clearly posing a systemic risk.

How could the CDS market grow so quickly? CDS came in a nice package with ***off-balance-sheet accounting*** and allowed banks to load up on asset-backed securities and derivatives manufactured and sold by Wall Street amounting in many cases to **more than 30 times the bank's equity.** It is easy to see why banks became so exposed given the extreme leverage they incurred during the good times. Now that times turn bad and their 'asset' base starts to erode, reserves become quickly insufficient to cover losses.

When the tiny class of sub-prime-backed derivatives turned toxic, banks started to sit on illiquid derivatives that nobody wanted to buy and did not have sufficient reserves to cover losses. As you might recall, the US government at first planned to buy the toxic debt from troubled banks to bring relieve to reserve requirements. Without notice, the Fed and Treasury reverted course and instead began to buy up equity in banks rather than their toxic loans as planned initially. Why the sudden change - certainly not because governments are better at banking.

I believe the quickly deteriorating situation forced their hand. While buying up the toxic debt would not have left a lasting impact, buying up equity in the healthier banks will at least provide temporary relieve. How long such relieve will last remains to be seen – this will depend on how broad the erosion of the asset base behind structured instruments will turn out to be.

Given the current crisis, we can clearly see why the whole FIAT system is a **house built on cards** (debts) which any major storm can bring down. The old adage is still true: **the higher the leverage, the higher the risk** – in our case unfortunately systemic risk. The **tightening of credit** is simply a side-effect and reflects a growing **mistrust between banks** since most of them hide bad assets somewhere in their balance sheets and nobody knows who the next victim is going to be.

As we have seen previously, the unlimited creation of money from nothing creates **inflation** which we experience as loss of purchasing power or rising prices. If we believe the official government and central banks statements (which put inflation consistently too low), inflation grew at a few percent per year over the last six years. Between 2001 and 2005, housing prices in the US have however practically doubled. Since **rising prices are a direct reflection of inflation**, in reality therefore, real inflation in the US has been running at well above 10% per year as opposed to the official figures we are made to believe.

Another good measure of inflation is **money growth** (expressed as M1 to M3). While the European Central Bank still publishes reasonably accurate figures on M3 (reported at ~ 9%), the Fed has stopped publishing such figures several years back. For good reasons – even simple minds might ask questions at the rate the administration has been borrowing and creating money from nothing.

3. The Hidden Objectives of the Federal Reserve System

If we believe the official doctrine, the purpose of the Central Banks and the Fed is to stabilize our banking system and our economy. If these were indeed their true objectives, they do a **very poor job at it** and have consistently failed to meet their stated objectives.

These have however never been their true objectives. The true objectives of the Fed (as analyzed in great detail by G. Edward Griffin) were fourfold (with the fourth objective underlying the first three) and are completely unrelated to their publicly proclaimed objectives. They are:

I. To consolidate and increase the **power of the big banks** on Wall Street (the exact opposite of what the Fed was supposed to achieve back in 1913)
II. To reverse the trend towards **private capital**

The Bullion Market Versus The Paper Gold Market - An Explanation

by Jim Sinclair From MineSet, http://www.jsmineset.com/ October 19, 2008

It is axiomatic that the most leveraged gold market most often (95 percent of the time) sets the price of any cash market. First derivatives (listed futures) commands price.

This remains true as long as the COMEX warehouse of gold is NOT meaningfully depleted by long gold contracts by taking delivery from the exchange warehouse.

As long as an exchange maintains a warehouse that historically overwhelms historical demand for delivery the first derivative, The COMEX listed gold future, will be the primary cause of price.

Taking delivery from the COMEX warehouse is not an easy process as the system is designed not to violate your contract but to be a world-class pain in the ass.

The COMEX requires re-assays, assuming you wish to re-deliver. This then places another raving pain in the ass in your way.

The COMEX market is effectively an international 24-hour market as there is no location where you cannot buy or sell a COMEX clone.

Cash bullion gold as opposed to the semi cash markets that non-USA banks trade is the only totally private means of buying and selling gold.

As currency problems increase, first the knowledgeable public such as you clean out the coin market.
This is the first time that the international coin markets have been cleaned out everywhere. This did not happen globally in the 70s.

Large gold bars are still available in major markets but the backup inventory is getting low.

As long as the COMEX warehouse remains adequate and large bars still are available, the paper market, the leveraged COMEX market, will rule the price.

Only with a decline in COMEX warehouse inventories and a run down in large bar supplies of the cash market will the cash bullion market command the price of the COMEX futures market.

It was not the buying by the Hunts that caused silver to move above $30 into the $50 area, but rather the universal belief that they would take delivery, which would deplete or exceeded the COMEX warehouse supply.

The War between paper gold and bullion gold is a war to determine which will take command of the price of gold, nothing more, nothing less. There will be no two markets trading at different prices. All this battle is about is IF the bullion gold market is going to take the lead in making the singular price away from the traditional axiom that the most leveraged market makes the price. I believe the bullion, in these most unique conditions, will command the one gold price making it hard to impossible to manipulate the gold price via the paper gold market, as is the practice every day.

Jim Sinclair is primarily a precious metals specialist and a commodities and foreign currency trader.

Anybody Seen Our Gold?

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

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

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formation thus countering a trend in the early 1900 whereby corporations and individual were saving part of their earning to invest in future projects

III. To arrange **government bail-out** at the expense of the tax payers for those cartel members that get into trouble – a process that has gone out of control today

IV. To **increase their power base** by buying influence through a river of unearned wealth generated from the first three objectives

Now let us examine each of these hidden objectives in more detail.

A. The Money Trust:

In the early 1900, the American people and Congress were very concerned about the concentration of financial power in New York which was commonly referred to as the '**money trust**'. Congress set up a special committee chaired by Senator Nelson Aldrich to come up with new banking regulations **to break the 'money trust' and disperse financial power away from New York.**

In 1910, Senator Aldrich together with 6 other highly influential bankers representing the financial empires of the Rockefeller's, the Morgan's, the Warburg's and the Rothschild's set out on a secret journey to Jekyll island and in nine days hammered out the fundamental principles of what would later become the Federal Reserve System. In their time, these 7 individuals represented directly and indirectly **25% of the entire wealth of the planet.** The first Federal Reserve Bill which was sponsored by Senator Aldrich (who later by the way became the grandfather of Nelson Rockefeller) was voted down in Congress because Senator Aldrich who was the Republican Whip in the Senate was known to represent the interest of big business.

This was however just a minor set-back. They scrambled around the paragraphs a little bit and, on the insistence of Paul Warburg, added some excellent provisions to the revised bill that would seriously restrict the power of the Fed. When his colleagues asked him: Paul, what are you doing, we do not want these provisions in our bill, his reply was classic: **fellows, he said, our objective is to pass the bill, we can fix it up later.** They then found two millionaire democrats to sponsor the bill, spoke openly against the bill **that they had written** and got it passed in 1913 by a large majority.

This mainly became possible because of these excellent provisions that were added on the insistence of Paul Warburg which finally won over the support of Jennings Brian (the head of the populist movement) who had previously resisted all efforts to establish a central banking mechanism.

And they indeed did **fix it up later**. Since its inception, the Federal Reserve Bill has been amended over 100 times and all of these excellent provisions were long ago removed and many more were added that greatly expanded the power of the Federal Reserve.

The biggest increase in the power of the Fed is happening **today**. The Fed has just been authorized by Congress to not just create an extra one trillion $ out of nothing, but use this money together with Treasury to buy **equity stakes** in financial service companies **at their discretion.** Interestingly, the current $160 billion handout to banks from Niagara Falls to Beverly Hills is going mostly to the healthier lenders that need it least, putting weaker rivals at risk of being shut down or taken over. "This has the (intended) effect of making the **strong stronger and the weak weaker**." In other words, the objective of these hand-outs is to drive consolidation and fuel take-overs rather than salvaging those banks that need the infusion of capital most - perfectly in line with the first objective of the Fed: namely **to consolidate global financial power into the hands of the money trust.**

Pushed by taxpayers angry about financing the bailout of Wall Street while their retirement accounts wither, Congress is likely to shake up bank and securities regulation, giving the Federal Reserve **even more power.** "I would not be surprised if the Fed ends up officially becoming our systemic-risk regulator," said Robert Litan, an economist at the Brookings Institution in Washington. That's ironic to Donald Young, an investor advocate who testified that "both the Fed and the SEC joined the banks they oversaw in **resisting proposals for more disclosure of off-the-books assets**."

Let us go back to the meeting on Jekyll Island in 1910 where there is a lot more to be learned. I mentioned before that this meeting was taking place in **total secrecy**. When these 7 men set out for their journey to Jekyll Island and met at the Hudson railway station across from Manhattan (where senator Aldrich has sent his private railroad car for the journey), they were instructed to come alone, not to dine with each other on the night of their departure, not to greet each other should they meet by accident and, once on the train, to use first names only (two of them actually used code names to increase the effect of camouflage). For many years after this meeting, these men denied such a meeting ever took place. Only 20 years later, some of them wrote books and articles about what happened on Jekyll Island. Why was secrecy so important and what is wrong with some bankers going on a journey and discussing banking regulations? Ladies and gentlemen, these were the representatives of the Money Trust writing the Federal Reserve Bill whose **objective was to break the Money Trust!** This is like inviting **the wolf to herd the sheep**.

As one of them confessed many years later, should it have become known that these 7 men were meeting to discuss banking regulations, it would have caused waves in Washington, in Wall Street and even in London. Secrecy therefore was of essence; otherwise their Bill would have had no chance whatsoever to pass in Congress.

Let us now examine the composition of the group of people that created the Federal Reserve Bill in more detail. Around the table on Jekyll Island were representatives from the Rockefeller's, the Morgan's, the Warburg's and the Rothschild's. Is there something strange about the composition of this group? Ladies and gentlemen, these were **competitors**. Just a few years back, they were beating their heads, fighting for dominance in the financial markets of the world. Now these same people are sitting peacefully around a table and coming to an agreement of some kind. What is happening here?

To understand this better, we need to look at American history in the late 19th and early 20th century which was often referred to as the **dawning of the cartels**. US Corporations which became big and powerful as a result of intense competition and for this reason were outdoing their European counterparts, started to form cartels to protect them from competition and loss of market share. It was John D. Rockefeller who said: **Competition is a Sin!**

This brings us to the astounding realization that the Fed is in reality a **banking cartel**. You will not find this interpretation in any text book. Contrary to the objectives of Congress who wanted to disperse and dilute financial power away from New York, the Fed has **greatly increased** the power of its New York member banks. And to secure this increase in power, it has gone into **partnership with the government** – something cartels often do to protect their interest and secure their market share.

To camouflage the true intentions behind the Federal Reserve System, they then had to come up with an appropriate name for the sake of appearances. First they decided to call it **Federal** to create the impression as if it was a government operation (which it is not). Secondly, they added the word **Reserve** to make it appear as if there were Reserves somewhere (there are no reserves anywhere) and finally they added the word **System** to create the impression that it was a system of 12 regional and equally important banks where in fact it was from the beginning dominated by the New York cartel.

From its inception, the Federal Reserve System was based on **secrecy, deception and misleading appearances.**

Did they achieve objective 1? Yes, they did indeed and get an A on their scorecard. While there are big banks in the South and the West, these banks are nothing compared to the global banking giants in New York with offices all over the world.

B. Private Capital Formation

In the late 19th century, corporations and individuals began to set aside part of their profits to invest in future research and development projects. This is called **private capital formation.** At that time, the banks were greatly concerned about this trend and tried to figure out ways how to lure businesses and individuals back into the banks to loan money to them.

They realized that the only way to do this was by **lowering interest rates.** You might say why didn't they just lower interest rates? From today's perspective, this is a perfectly legitimate question since the modern Fed has the power to move interest rates up or down, completely at their discretion. In those days however, money was still based on gold and silver and on that money there was no lever to influence interest rates. As we have seen previously, interest rates on real money (in other words gold and silver) were determined by supply and demand resulting from the interactions of millions of people. It was therefore impossible for any interest group to move interest rates up or down.

So they said that they needed a **flexible currency** to better serve the interest of businesses and individuals. What is a flexible currency? Ladies and gentlemen, a flexible currency is **money made out of nothing**. With this kind of money, it is completely in the power of Central Banks to move interest rates up or down, and, even at low interest rates, make a nice profit.

--Continued on page 37--

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Why the Bail-Out Won't Work

by
Dan Denning
http://www.dailyreckoning.com.au

Might it be churlish to wonder just how exactly the US banking bail-out can hope to succeed...?

SEVEN HUNDRED BILLION DOLLARS will flush through the US banking system faster than [insert preferred metaphor here], writes Dan Denning for The Daily Reckoning Australia.

In other words; the bailout won't work.

The crux of the US bailout is that it's designed to keep banks from failing by recapitalizing them. It's like a massive financial organ donor program where the Treasury, like a live organ donor, replaces the malignant guts of the current system with its own, healthy ones.

But of course, live organ donors don't usually swap their healthy organs for failing ones. The Treasury is breaking new ground here.

Even if Treasury secretary Hank Paulson can come up with the full $700 billion from Congress, many of the banks are going to fail anyway. They borrowed money short term to buy long-term assets (mortgage backed securities and collateralized debt obligations). Now, the money must be paid back, but no one wants to lend short term.

Why? Because the assets are falling in value. And when assets fall in value, it wipes out equity capital. You have a small amount of capital controlling a large amount of assets. If you take a write-off on those assets, it wipes out your capital. You're insolvent.

Here's the thing...$700 billion is not going to be enough to remove the troubled assets from bank balance sheets. But then, Paulson must know that. He's hoping that the Treasury's buying kick starts the market by establishing a price for the stuff.

Then, he also hopes, private equity, hedge funds, and others with cash come in from the sidelines to make deals with the banks and get the assets off the balance sheet so the banks don't fail. Trouble is, the price Paulson wants to pay for the assets seems likely to be higher than what the market is willing to pay. Kick-starting the banking system won't work if the first bidder (the government) comes in and pays a price the market has already said no to.

The financial markets may believe, for a day or two, that the passage of Paulson's bailout plan fundamentally alters the dynamics of the US financial system. But it does not. Not one jot.

Borrowed money has to be paid back. Assets that were bought with that borrowed money are falling. That is how all credit bubbles end. This one is no different.

The new Senate version of the bailout bill has some bells and whistles not included in the version that failed to pass the House. Two of the main measures added seem aimed more at shoring up political support for the bill, rather than improving the chances that the plan will actually work. But let's take a look at them anyway.

First, the Senate wants to temporarily increase Federal insurance on deposits in US commercial banks from $100,000 to $250,000. You might wonder what an increase in Federal deposit insurance does to improve the quality of assets on bank balance sheets.

The answer is, "It doesn't."

But the increase in what the FDIC can offer was designed to make the Paulson plan more difficult to oppose in the House. Who could be against providing ordinary savers more insurance for their life savings? No one looking for re-election.

There is also the question of confidence. By increasing FDIC insurance to $250,000 you reassure (hopefully) people that there's no need to remove their money from the bank. Here the Feds aim to prevent a run on banks by depositors that leads the bank to fail. This is what happened first at Indy Mac in July and at Washington Mutual early last week. Depositors took out a whopping $16.5 billion from WaMu between September 15th and the end of the month. That kind of run is a serious drain on a bank's capital. It's a scenario the Congress wants to avoid by increasing FDIC insurance. But it does nothing to improve bank balance sheets, unless, by restoring confidence, it prevents a huge drawdown in a bank's assets (its deposits).

Meanwhile, to address the value of those damaged assets that Henry Paulson can't wait to get his hands on, the SEC clarified its stance with regard to mark-to-market accounting rules. This is where an asset is valued on a balance-sheet at the actual price it would currently fetch in the market. Toxic mortgage-backed securities, however, currently hold no value – and no one seems willing to pay any more for them just because they 'might' one day rise towards their initial price as home-buyers repay their loans.

The SEC's move towards clarifying its mark-to-market plans for the bail-out cash is designed to give banks some wiggle room when it comes to valuing their damaged assets. The higher the banks can value the assets, the less likely the banks are to have to take losses on those assets, or to sell them to meet capital requirements. They can stay in the game. So in essence, the new dispensation permits financial institutions to legally inflate the real-world values of many balance-sheet assets.

The new ruling provides a delicious array of valuation metrics that will enable financial firms to elevate the stated value of their troubled mortgage-backed securities far above what any actual human being would pay.

Granting these new powers of deception is good, we are told, because telling the truth would be too darn painful and would put many banks out of business. This process is a little bit like providing a trophy from Little League as collateral for a $1 million loan. No one actually believes that the trophy is worth $1 million, but since the borrower may legally assert that the "fair value" of his trophy is $1 million, the lender cannot foreclose. Everyone is happy, right?

No bailout plan in the world is going to convert a Little League trophy into a $1 million asset...or a defaulted mortgage into a AAA security. And no bailout plan in the world is going to reverse the fall in American house prices (or even arrest it). Therefore, no bailout plan in the world is going to force banks to lend, if the assets on their balance sheets are both overvalued AND falling in value.

Until someone comes along with a plan that severs the connection between residential American real estate and the banking system, the system itself remains on the edge of crisis.

http://ripple.sourceforge.net/

Open Decentralized Payment Network

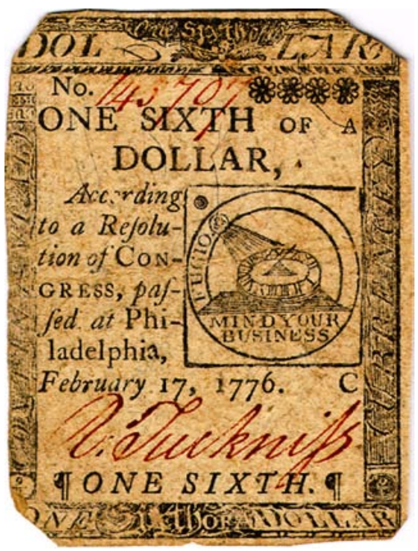
Contact: Ryan Fugger
info@ripplepay.com

The Failure of America's 1st Fiat Currency (1779)

NOT WORTH A CONTINENTAL

Treasurer General Thomas P. Curtis relates how the Founding Fathers, with little gold or silver on hand, turned to printing paper money — with disastrous results. The problem worsened when the British cleverly produced counterfeits.

Anyone who has studied the period of the American Revolution and the difficulties facing those who fought for independence knows that one of the major problems was that of finance.



Indeed, this has always been a major problem for governments engaged in a lengthy war and it continues to plague us to this day. Witness Vietnam. There are a variety of answers that have been tried throughout the centuries. A government can tax its citizens (a direct and rather painful way of raising funds). It can borrow money from both its citizens and other nations. Or it can just print more money. The last recourse almost always leads to inflation, but seems to be the least objected to in the short term. Almost all governments have resorted to this expedient.

How To Pay The Bills?

And so it was with our forebears in the American Revolution. The Founding Fathers had to find a way to pay the troops, to buy the necessary supplies to feed the Patriots and attend to the countless expenses offighting the greatest colonial power in the world, Great Britain.

How to do so? They had little gold or silver. in hand in 1775. They couldn't tax the citizenry. Each colony was jealous of its rights and few would even consider giving up tax authority to any central government. They couldn't borrow gold from other nations. Up until the arrival of French support after Saratoga, no other nation could expect a "rabble in arms" to pay back any loans. But they could print money — and they did.

On the 10th of May, 1775, the first issue of Continental Currency was circulated, The bills were printed by Hall & Sellers in Philadelphia. They were designed with intricate patterns to make counterfeiting difficult and bore a variety of patriotic mottos in Latin on their obverse.

A special paper was used and the image of a real leaf from one of the local trees was imprinted on the reverse; it was felt that no counterfeiter could duplicate the pattern of God's handiwork. The bill claimed that the bearer was entitled to the designated amount of Spanish milled dollars (the most common coin then in circulation in the colonies) or the value thereof in gold or silver. It didn't explain how one was to collect the hard money thus promised — there being no hard money in the treasury. There were a variety of denominations and one could come up with an eight dollar bill, a seven dollar bill or even the proverbial three dollar bill.

Hard Money Disappears

At first, the bills were accepted at face value. After all, they were issued by Patriots for Patriots. One ominous result, however, was that almost immediately all hard money disappeared. It was a case of Gresham's law, which states that bad money will drive out good money. Who wants to spend their guineas when paper is just as acceptable? The trouble was, of course, that paper wasn't as acceptable and many merchants preferred real money to paper. In fact, this became so frequently the case that Congress had to pass a resolution in January. 1776 that "whoever should refuse to receive in payment Continental bills, should be declared and treated as an enemy of his country and be excluded from inter-course with its inhabitants".

The sad tale of the Continental Currency thereafter was one of more and more rapid depreciation. As the value of the Continentals dropped, Congress had to print more of them — and as more money flooded the countryside, its value dropped even more rapidly. In November of 1776, $19 million had been issued and one could still buy$1.00 worth of goods for $1.00 in paper. By November of 1778, $31 million had been issued, and it took $6.00 in paper to buy the same amount. By November, 1779 $226 million was in circulation and it took $40.00 in paper to buy $1.00 in goods. After that, it was all down hill. In April 1779, George Washington complained, "A wagon load of money will scarcely purchase a wagon load of provisions".

Congress tried desperately to stop this depreciation — with disastrous results. Several laws were passed, requiring citizens to accept the paper money on a par with gold or silver. This attempt at price control had the effect of eliminating goods from the market. Who would offer goods of real value in exchange for near-valueless paper? It was just at that time that George Washington and his men were suffering at Valley Forge — suffering, in great part, because no one had any food to sell to his quartermaster — for paper money. Price controls nearly destroyed our army and might have, but for the heroism of the Continental soldiers.

Taxation Avoided

Why did Congress go on printing money for so long a time rather than attempt some sort of taxation? Just as today, there was a mindset among politicians which made them want to avoid the unpleasant. One member of the Continental Congress was quoted as saying: "Do you think, gentlemen, that I will consent to load my constituents with taxes, when we can send to our printer and get a wagon load of money, one quire of which will pay for the whole?".

Also, if truth be known, not many understood the reason for the depreciation. As one patriotic old lady remarked in 1777, "What a shame it is, the Congress should let the poor soldiers suffer when they have power to make just as much money as they choose." Many people still think that way today. Rather than grasp the simple fact that if you double the money supply you will reduce its value accordingly, they tend to blame the merchants for raising prices, the natural result of a depreciation of the value of the money.

Needless to say, the British were not reticent about lending a hand in the depreciation of the Continental Currency. For all the efforts on the part of Hall & Sellers to make the bills hard to counterfeit, they were, in reality, rather crude products and it was a simple matter for loyalists and the British government to duplicate them. When countless counterfeits were being added to an already flooded money supply, it's not surprising that the value of the currency kept falling.

And what group was most hurt by this inflation? Not the tories. Although they were required to accept the paper money, they got rid of it as quickly as possible, passing it along to other citizens. Not the politicians. They were the first to get the new issues of money and could spend it before it had lost its value. It was the Patriots, the little folk who supported the cause, who were left holding the bag — a bag full of worthless paper by the end of the war. This was true of my own forebears as well as many, many others. In the Curtis genealogy, the following appears: "When the expedition against Canada was fitted out under Arnold, Obadiah and Martha Curtis loaned their specie (hard money) to the colony and took their pay in Continental paper." They never saw any of that specie again, needless to say.

It was a bitter experience, this paper money inflation during the first years of our existence as a nation. So bitter for those who won that Alexander Hamilton was to write:

> ***"The emitting of paper money is wisely prohibited to the state governments and the spirit of the prohibition ought not to be disregarded by the United States Government." As a result of this and further abuses of paper money during the time of the Articles of the Confederation, Article I, Section 10 appears in our Constitution: "No state shall ... make anything but gold and silver coin a tender in payment of debts."***

Postscript. It's a pity that people so quickly forget the lessons of the past. At present, our government (through the Federal Reserve System) is emitting billions of dollars in paper money, irredeemable in anything but more paper money and, if one uses gold as a standard, the dollar is worth five cents in the money of 1920.

Will we ever learn?

****

This article appeared on the "Founders and Patriots of America" web site.

http://www.founderspatriots.org/articles/continental.htm

Peace Of Mind – Second To Nothing

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

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

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

Offering the very finest in military-grade VPN services and Location-Agnostic Servers (LAS). Further innovative, new services will follow.

e-mail info@cryptohippie.com

http://www.cryptohippie.com

Got Gold Report -- How to Buy Physical Gold and Silver on the COMEX

By Gene Arensberg, 24 Oct 2008
http://www.resourceinvestor.com

Think the futures price of metals is too low? The Got Gold Report reports on how to buy and actually take delivery of gold and silver metal from the futures markets that have savaged the price of them so much. If the COMEX is determined to under price its physical metal, then they ought not to mind seeing it leave their warehouse for the popular physical market.

ATLANTA (ResourceInvestor.com) -- It is perhaps the ultimate irony in this great crash market of 2008. Exactly when precious metals ought to be soaring on safe haven demand; when they should be stronger than a acre of garlic as a place for people to store wealth away from the hurricane of uncertainty that has become of the forex market (and the bizarre fluctuations of its now hugely inflated fiat currencies); the two most popular precious metals are instead being sold off on the futures markets just like all the other overly-leveraged commodities.

The ongoing deleveraging and intense flight to cash has buyers terrified worldwide. They are locked-up, deer-in-the-headlights fashion, which gives the hedgers and short sellers supernatural strength. It may sound trite, but that will continue until ends. When it ends, for gold and silver, there will very likely be a just-as-vicious rally that will:

1. **Seem to be as irrational as the sell-down was, if not more, and**
2. **Very likely be a rally like the world has never seen.**

It is vital to understand that the selloff on the metals is on the futures markets, where the players deal in all kinds of interrelated paper contracts. These paper contracts usually only rarely settle by actual physical metal delivery. It really isn't very much like the popular physical bullion markets where people actually take the metal home the same day they fork over the cash. But the futures markets do actually have metal that can be bought and delivered. At least they still do so far, but they very well may have a lot less of that metal after December has come and gone.

An Unprecedented Shortage of Bullion

An unprecedented shortage of physical metal currently exists in the popular gold and silver bullion markets. Premiums, the amount paid and charged by bullion dealers over the current spot or cash price, are at the highest levels since at least 1980, and possibly the highest ever seen for popular gold and silver bullion coins and bars.

That's the bad news. People want gold and silver badly. They are willing to pay much more than the spot price, but they can't find bullion to buy. They can't find it because there isn't enough physical metal available at these drastic, artificially induced, fear and fund-liquidation-caused spot prices.

How utterly ridiculous. The metal's price is falling even when it is in a physical shortage condition. Yes, that is counter to normal economic theory. Normally when shortages occur the price should rise to the level that attracts more of it into the market. Normally, when shortages occur the rising price encourages capital investment by companies that sniff it out and eventually produce more of it, answering the shortage.

These are anything but normal times, however. Perversely the extremely low prices are causing producers to shut down mines, lay off people and hunker down for better times to come. News services are crowded with reports of important mines going on care and maintenance or shuttering altogether. Think we have a shortage now for gold and silver? Just wait a few months. With all the mine closures being announced now, the shortage of physical gold and especially silver is likely about to become the stuff of legend.

How to Buy Gold and Silver Metal on the COMEX

There is, however, one source of physical metal that remains available for investors who can act swiftly and decisively. That source is the very market that has been mispricing the metals way too low. The COMEX, division of NYMEX in New York.

Long-term holders and investors in gold and silver, frustrated by the lack of available metal in the marketplace, could consider taking delivery of real gold and silver directly from the miscreant bullion banks on the COMEX that continue to show disrespect to the value of the precious metals. This report will show how to do just that for the December COMEX contract, which is the most active of the futures contracts on the COMEX.

The Slogan: Delivery in December or "DID"

Okay, fine, if the two or three big U.S. banks that have savaged the gold and silver markets on the COMEX with an avalanche of short sales since July have so little respect for gold and silver that they are willing to sell them down into oblivion - when there is a raging shortage of metal in the real bullion marketplace – then shouldn't some of us take them up on it?

In other words, if the COMEX doesn't respect the real physical market for gold and silver, shouldn't we remove the metal from them and send it into the physical market that does respect it? This report says yes, certainly we should. They are figuratively begging us to.

Apparently that exodus of metal from the COMEX is already underway. For example, just over the last five trading days 2,051,970 ounces of silver were withdrawn from COMEX warehouse stocks and delivered elsewhere. The total inventory of silver fell from 133,582,226 to 131,530,256 ounces for the period. And, that's during October, an "off month," or relatively light-contract month.

There are persistent rumors in trading circles that an unusually large number of long contract holders intend to stand for delivery in December for both gold and silver. There is good reason for that. Bullion dealers desperately need metal to fill mushrooming customer orders.

Assuming one wants over 100 ounces of gold or 5,000 ounces of silver, how does one buy gold or silver on the COMEX and take delivery of the metal? I asked Tony Klancic of Chicago based futures broker Lind Waldock for a primer on the subject. Just below is his response via email in its entirety. For those who are interested, Tony's contact information is included.

Again, if the COMEX is determined to under price its physical metal, then they ought not to mind seeing it leave their warehouse for the popular physical market.

That's it for this report.
Until next time, as always, MIND YOUR STOPS.

http://www.resourceinvestor.com/pebble.asp?relid=47347

Tidbit...from the MarketOracle.co.uk

By Eric deCarbonnel
Editor of Market Skeptics
http://www.marketskeptics.com
(continued from article)

Investors who believe this are making the mistake of thinking COMEX gold is the same as real physical gold. It is not.

COMEX gold is a form of debt. It involves one party promising to produce gold (money) to another at a future date. Like all forms of debt, a COMEX futures contract is only as good as the counterparty behind the contract. Right now, because of low margin requirements, sellers of gold futures only have enough gold to cover 10% of outstanding contracts stored in COMEX warehouses. Considering that the biggest sellers of gold futures contract are insolvent financial institutions, it is obvious that COMEX gold has enormous counterparty risks . If even a quarter of outstanding contracts asked for physical delivery, it would be enough to guarantee a default. Since a financial collapse would actually creates the risk total default (insolvent banks can't produce the gold or cash), COMEX gold fails miserably as a safe haven . This is why COMEX gold prices are falling, while physical gold is disappearing from the market place.

Read the entire article here,
*http://www.marketoracle.co.uk/index.php?name=News&file=article&sid=6952

Maxing Out The National Debt

(CLOCK)

"I must have money in my bank account, I've still got checks left."

If this has been your motto for the past few decades you are not alone. The Federal Government has been spending money like a fat man in a doughnut shop and time has just run out on that debt.

Times Square's National Debt Clock, which has been adding up the money owed by the U.S. Federal government since 1989, has run out of digits!

It is maxed out.

Ironically, like much of what the government spends money on, the clock has no real base in economics, it merely shows that Americans are drowning in debt.

This enormous digital clock is the unofficial tracker of the federal deficit. The clock is maintained by the Durst Organization in New York.

Last month the clock ran out of digits. Perhaps, all that extra government bailout cash was the real cause...but something pushed the national debt over $10 trillion for the first time ever.

To make room for all the new government spending on the way, the clock's dollar sign had to be removed and replaced with a one in order to record the massive new liability.

A new version of the digital clock, one that will reach into the quadrillions, is now on order from Zimbabwe and should be operating in NYC by next year.

Anglo Far-East Announces No Supply Disruption Despite Record Demand In Global Precious Metals

Precious metals refinery capacity maxed out globally in recent weeks due to record levels of investor demand in the metals.

Recent currency volatility and financial institution fragility has been cited as the driving reasons for the record numbers of investors flocking to silver and gold in recent weeks looking for the stability and safe haven the metals have traditionally offered. Global bullion refining capacity has been quickly overwhelmed by the sudden spike in demand for physical bullion supply.

"People are often surprised to learn there are less than seventy industry accredited refiners in the entire world" said AFE's bullion treasury manager Simon Heapes this week, "refineries have been running three fully staffed shifts most of the year. The industry is just not geared for such huge spikes in demand as we have seen in recent weeks".

Many refineries are announcing long delivery delays and many are taking no further orders till Q1 quarter of 2009, particularly for refining of smaller investor type bars and coins, while North America coin dealers have been out of all stock for many weeks.

AFE announced this last week after weeks of record demand it continues uninterrupted supply to its clients with allocated good delivery bars through its network of long term supply relationships and unique global infrastructure. "In peak times like these, long term multi-decade relationships are critical" commented AFE's Founding Director, Philip Judge.

http://www.anglofareast.com

MARGIN CALLS LOOM FOR TREASURIES: ThomWatch

by Thom Calandra
http://www.thomcalandra.com

Governments in danger of cram-down

As money flows continue to freeze, sovereign treasuries across the planet are hoping to recapitalize their stock.

The attempts have government banking stewards, beholden to a fraying currency exchange system, at odds with one another.

China, the big OPEC producers, Canada and perhaps Brazil and several other nations steeped in natural resources are sitting in the catbird seat. The U.S., Britain, and most of Europe are not.

"Bank recapitalization means that someone invests money in a bank. Banks are heavily levered," author and money manager **Nathan Lewis** in Connecticut tells me. "It's like a margin call -- you need new cash to make up for investment losses." Lewis, author of GOLD: THE ONCE AND FUTURE MONEY, adds, "I'm not sure what a national recap would be."

Few do.

A recapping of nations' reserves requires assets for support. Without those assets, be they rising worker productivity, gold, oil, even land and food crops, bankers have little choice but to boost their balance sheets, as the U.S. Federal Reserve has been doing at an accelerated pace. (See article.)
The result, as any former Marine Corps or Green Beret currency trader will tell you, is that one currency, or several currencies, must decrease in value against the other currencies in the exchange system.

Governments and central banks have a history lesson ahead of them.

"Let's take a trip down memory lane," says Internet pioneer Chris Kitze, whose credentials in this matter are that he is a rabid and thorough researcher, he is a friend and I am quite sure he is not lying. Kitze, as are all of the talking heads in this article, also has been spot-on these past several years about the worsening state of sovereign (and corporate) treasuries.

- ***"Recap version 1.0," says Kitze, who lives in California –"Executive Order 6102 signed by (U.S. President) FDR on April 5, 1933, which effectively confiscated everyone's gold. Gold went from $20.68 to $35.00 in a week, an effective inflation of about 60%."***
- ***"Recap version 2.0 -- Executive Order August 15, 1971 when Richard Nixon announced that U.S. currency would no longer be redeemed for gold."***
- ***"Recap version 3.0 -- Thom, you need to fill in the blank here, but it's going to bigger and 'badder' than versions 1 or 2."***

This leaves us here, in the camp of folks such as red-flagging economist Stephen Roach, GoldMoney operator and economist **James Turk** and others who have warned about the vast amounts of debt consumers and nations have taken on since year 2000.

For my part, I think we are going to see a monstrous move higher in the price of gold and in gold coins in the next week or so, perhaps sooner. I am not one to forecast, to be sure. But 1933 keeps tugging at the back of my head. I hate to have to say this, after going positive on gold in 1999, but the metal appears to be headed to a new, altered state. One that will take it to levels hardly imagined.

I cannot speak in this space to gold paper, as in companies that explore and produce gold. But they once again will have their day as investors seek ways to own producers of tangible "stuff." For now, the rising demand for the actual metal, and for gold coins, tied to all of this currency craziness and to a looming recapitalization of sovereign treasuries, leaves me firmly in Colusa land, which is my term for astronomic gold.

Better to leave off with James Turk, who has coached me as a writer and a gold researcher since 1999. I chatted with Turk Wednesday, and he tells me from New Hampshire:

"Printing up bundles of money is not capital. Capital comes from work and savings, not the printing press, and capital is in short supply after decades of over-spending and under-saving," he says.

"Real (inflation adjusted) interest rates are negative. Why would anyone hold dollars, other than their immediate need for living expenses? As I describe it, the dollar is on the path to the fiat currency graveyard. The dollar has bounced because things look so bad in the euro all of a sudden, and hot money is sloshing around looking for a safe home. More and more of it will end up in gold."

Winners & losers

So who wins in the current currency exchange system? I asked James.

"China and Russia are waking up. They are quietly making moves to establish their own international monetary order/system."

And who loses? (Gets crammed down, in the language of venture capitalists.)

"Anyone who owns financial assets denominated in fiat currency loses," Turk says. "Anyone who owns tangible assets wins. Financial assets get destroyed in a meltdown like we have now. Tangible assets do not disappear in a financial meltdown -- the wealth simply gets re-distributed."

Tangible assets include land, food, even companies that produce food, metals, and water perhaps. Even necessary technologies make the list, although iPODS (a true wonder that has changed my lifestyle), alas, might not make the cut.

James Turk left me with this remark from Ed Steer, a researcher and board member of (yes, I have to say it) **Bill Murphy's** Gold Anti-Trust Action Committee: "What the Fed and the U.S. Treasury are attempting has never worked ... ever. We are watching the death throes of a giant beast, and as it flails about on the ground, it's best to stand well clear of it."

Sorry to have to say all of this. (OK, I will let someone else say it.) **Robert Bishop**, a gold mining researcher with whom I lunched this past week, also has coached me warmly over the years. "Monstrous," Bishop said about where assets such as gold will travel in the near future, "is probably not the wrong word for it."

Note: My cosmos of holdings is listed on www.Stockhouse.com under the "portfolio setting." We own some gold coins and two of the worst performing gold stocks in history, one of them being Colombia Goldfields in a gorgeous nation that was briefly my beloved home. We also own the ETF for silver (SLV is the American ticker). For more ThomWatch, please see
http://www.ThomCalandra.blogspot.com

THOM CALANDRA REPORT: For investors who profited from a meteoric rise of commodities, mining and life sciences companies, Thom Calandra acted as a beacon. Thom helped his audience find value in a quagmire of investment choices. Yet he is not a titled investment adviser. He is, more than anything, a scribe who goes where the action is. Thom co-founded and was the driving editorial force and spirit behind CBS MarketWatch, MarketWatch.com and the long-gone FT MarketWatch in Europe. As the voice of Thom Calandra's StockWatch and The Calandra Report, Thom beat bushes for prospects. He fancied $300-ounce gold before that metal became an investment rage. Thom visited numerous biomedical companies, metals mines, and even a haberdashery or two, not to mention thin-crust pizza joints across the planet in his search for profit, fashion and food. Thom's latest project, the novel PABLO BY NUMBERS, was completed in summer 2008. He and Stockhouse this autumn will offer a subscription report with bells and whistles. The service is tentatively titled Thom Calandra Report. Please stay tuned AND PRUNED to Stockhouse.com, ThomCalandra.blogspot.com and to ThomCalandra.com for more.

Thom Calandra

Watch for a new subscription service on Stockhouse featuring Thom Calandra, coming this autumn. It is tentatively titled Thom Calandra Report.

For a wide-ranging interview with Thom, please see Stockhouse's series of articles: Taking Stock of Thom. He and his family live in Tiburon, California. Visit his web homes at www.thomcalandra.com and http://thomcalandra.blogspot.com.


http://www.perfectmoney.com/
PM
Perfect Money is a top-quality financial service created by a team of specialists in the field of electronic finances especially for Internet Users
USD
EUR
GOLD

--Continued from page 18--

This was the beginning of **fractional banking**. At first, they lowered the reserve requirements in gold and silver down by 30%, then by 60% and, under president Nixon in the early 1970, removed them altogether thereby finally creating a pure FIAT currency.

By lowering interest rates, they were able to lure businesses and individuals back into the banks because everybody thought it crazy not to loan money at these low rates. What people however tend to forget is that interest rates will also go up and economies will not just expand but also contract. And when economies contract, people are pressed harder and harder to service their debt.

Did they achieve objective number 2? Yes, they did indeed. Today, most businesses and individuals are indebted to the hilt just barely hanging on by their teeth. Bankruptcies are at an all-time high, more money is spent on servicing corporate debt than is handed out to shareholders in dividends and the whole world is in a state of global recession.

Stock markets are collapsing across the world, individuals and public institutions like pension funds see their wealth disappear faster than ever and governments incur debts at an alarming rate. What has happened? By dramatically increasing their leverage through asset-backed securities using **off-balance-sheet accounting** (driven by the ever pressing need for higher returns), banks started to turned a blind eye to the downside waiting behind every economic upturn and increased their risk exposure beyond rational levels.

As Mark Pittman (Bloomberg) noted in a recent article, the bundling of consumer loans and home mortgages into packages of securities -- a process known as **securitization** -- was the **biggest U.S. export business in the 21st century**. Up to 30 trillion of these derivatives have been sold since 2001. That's more than two times last year's U.S. gross domestic product of $13.8 trillion.

The most widely traded credit-based derivatives are called '**Credit Default Swaps or CDS**' which (combined with off-balance sheet accounting) dodge the reserve requirements of traditional institutions and promote a pyramid scheme of leverage, based in many cases on no reserve cushion whatsoever. CDSs are at the center of **shadow banking**, and PIMCO's Bill Gross warns about a possible financial Armageddon if CDSs begin to collapse.

"Securitization was based on the premise that a **fool was born every minute**," Joseph Stiglitz, a professor of economics at Columbia University in New York and Nobel Prize winner told a congressional committee on Oct. 21, 2008. European banks, in particular, were eager adopters and increased securitizations in Europe almost six fold between 2000 and 2007. "We exported our toxic mortgages abroad - had we not, the problems here at home would have been much worse."

Three Icelandic banks borrowed enough to buy $228 billion of assets, most of them securitizations, turning the country's financial system into a hedge fund. In Germany, the Landesbank Sachsen bought $26 billion worth of sub-prime-backed investments, putting the state of Saxony on the hook for $3.5 billion. In Japan, Mizuho Financial Group Inc., the nation's third- largest bank, acquired an entire structured-finance team, which proceeded to lose $6 billion issuing mortgage-backed securities in less than one year.

Securitization created a **shadow banking system** financing most of the world's credit cards, car purchases, leveraged buyouts and, for a while, sub-prime mortgages. The system, which pools loans and slices up the risk of default, made borrowing cheaper for everyone, creating a **debt culture** that enabled people to buy luxury cars and homes. It also pumped out record profits for banks, accounting for as much as one-fifth of their revenue over the last decade.

Before the invention of securitization, banks loaned money, received payments and profited from the difference between what the borrower paid and the bank's funding cost.

During the mid-1980s, mortgage-bond traders at Salomon Brothers devised a method of **lending without using capital**, a technique at the heart of securitization. Securitization's biggest innovation was ***off-balance-sheet accounting***. This means that banks could buy these securities outside their regular reserve requirements and the **Landesbank Sachsen** loaded up on asset-backed derivatives manufactured and sold by Wall Street at **more than 27 times the bank's equity**. Now Saxony, which pledged taxpayer money as a guarantee against losses, is on the hook for 2.8 billion euros of the bank's equity! Investment banks like as Goldman Sachs and Bear Sterns (before it was taken over) were leveraged at more than 33 times equity.

As securitization caught on, borrowing increased. **U.S. consumer debt tripled in the two decades** after 1988 to $2.6 trillion, according to the Federal Reserve. ``One of the things the **United States exported overseas was a *debt culture***''.

``What happened in 2005 was that asset-backed securities offered **a bigger spread than anything that had ever been in the market before**,'' said Deborah Cunningham, chief investment officer of Federated Investors in Pittsburgh. ``It was hundreds of basis points, as opposed to 10 or 20 basis points before.''

Trillion of dollars worth of asset- backed commercial paper was sold between 2005 and 2007. This created a **huge appetite for high-yield assets**, far more than was available in the market. ``We've created an absolute disaster,'' said Nouriel Roubini, a New York University professor of economics, who predicted the failure of investment banks in a paper he wrote in February ``**The reputation of the United States** as a financial centre and a leader has been **tarnished significantly**.''

It was **Alan Greenspan** who cheered and promoted structured investment instruments (derivatives) as **important innovations** for the financial service industry. Today, we see that these instruments in reality were delayed **time bombs**.

As we have discussed before, our modern world is built on debt, and the freezing-up of credit brings it to the point of collapse. While governments across the planet are busy bailing out banks, the next disaster is already looming on the horizon. As **a secondary effect to the financial crisis**, large corporations loose business deals because their customers cannot finance them, they find it increasingly difficult to meet payroll requirements and to service their debts to the banks. These secondary effects of corporate bankruptcies which are just around the corner, will, in my opinion, be **much more severe** than what we are witnessing today in the banking sector. I am referring to the giants of the producing economy, companies such as GM, GE and Ford.

All of this came about because the Banking Cartel was so successful in **reversing** the trend towards private capital formation. They clearly get an A on their score card for achieving objective 2.

3. The Game called Bail-Out

The third objective of the Federal Reserve System is called **corporate bail-out.** It works like this: if a bank is in trouble or a large corporation or third world country which owes a lot of money to the Banking Cartel gets into trouble, the Fed goes to Congress and tells them that they have to bail out the bank or corporation because if they do not, thousands of Americans will loose their jobs and, who knows, the bank is so big that, if it fails, it might act like a domino and bring down all other banks with it (sounds familiar, doesn't it?).

I am sure you can see the obvious parallels to what is happening today. Just switch on the TV or open the newspaper and you will be bombarded with the latest bail-out news from all over the world. Morgan Stanley, AIG, Freddie Mac and Fannie Mae, HBOS, Bank of Scotland, Mizuho, Landesbank Sachsen, UBS to just name a few.

Since Congress **does not want to be responsible** for all of these terrible things to happen, they quickly begin to use tax payers' money to bail out the banks and corporations in trouble. They do this (while in emergency sessions) without bothering to ask the tax payers themselves who might have different ideas of what should happen with their money. I found it particularly appalling that the **Swiss government** (the only direct democracy left on the planet) gave 60 billion CHF to UBS without asking the people first. Apparently, it never crossed their mind that they represent the interests of the people and not of the banking elite.

The game called **bail-out** started on a small scale in the early 1970 and has since **gone out of control** consuming funds which we cannot even begin to imagine – the zeros simply are too numerous to count.

As we have painfully learned over the last few months, the European governments have pledged **2.7 trillion USD** of our money to support their ailing banking system while the US government has already spent some **300 billion USD** on their crumbling financial companies and has pledge an additional **700 billions** to be spent on bank equity. Without even considering the commitments by the Russian and other governments, these figures are by any measure **staggering**, but **will not be even closely enough** to contain the current crisis (as the free-falling stock markets around the world demonstrate). Once the full impact of the financial crisis will hit the giants of the producing economy such as GM or GE, corporate failures will grow exponentially and no government, irrespective of its financial power, will be able to contain the mess and stop these companies from going under. At that point, the **financial crisis** (which is still reasonably contained) will begin to **mushroom** into a global **tsunami** as recently pointed out by Alan Greenspan.

And the reason for all of the above is excessive leverage and greed – mixed with a 'laissez-faire' attitude towards risk management. While governments bail out the culprits of this historic disaster without even punishing them, we are the ones footing the bill through **massive inflation** and loss of purchasing power.

You might ask what happens to all the paper wealth that is being destroyed during this crisis, does it simply evaporate? No - **for every loser, there is a winner.** To understand who is benefiting from the financial crisis, you have to keep watching **who is buying up the pieces** at rock-bottom prices. These are the real winners and they stand to benefit the most from others' losses by increasing and consolidating their global power base.

And nobody is on the **barricades** protesting. And if we wait much longer, there will be nothing left worth protesting for.

They did indeed do a marvelous job at deceiving us and get an A on their score card for achieving objective 3.

D. Usury as the Way to Power => the Core of FIAT Banking

As I have illustrated previously using a 30 year mortgage at 10% fixed interest on a house worth 100 kUSD, the bank earns 2.5 times what the builder gets for all the work and all the materials. Since the bank earns this wealth through interest on nothing, we suggested that **any kind of interest on any loan of FIAT money** should be forbidden as excessive.

You might argue that one should not forget the **time value of money** given the long period of 30 years during which the banks cannot use this money and the work and sacrifice that went into saving it. But not this money ladies and gentlemen: nobody worked or sacrificed for this money - this money was created from nothing.

You now have to multiply this with every house, every factory, every office building, every personal, corporate and government loan, every warehouse, every piece of equipment, every ship, every airplane, every corporation and you come up with a vast river of unearned wealth which is perpetually flowing into a gigantic lake of unimaginable wealth.

You might think these people get richer and richer and richer. Not so. This is not the purpose of this money. This money is used to **purchase influence and power.** Once you have all the money you can possibly spend over several generations, what is left? Power! **They do not buy the hardware, they buy influence.** They use this money to buy the people and organizations that we depend on for advice and leadership. They buy governments, publishing houses, newspapers, corporations, movie industries, universities, church organizations, public interest groups, NGOs, political organizations, consumer groups, boy scouts, girl scouts – you name it. Any organization that exercises any form of influence is a target for control. And the process has already progressed at an alarming rate and will soon be complete.

In the so-called **third world, this process is already complete**. These governments have already been bought outright and they could not possibly exist without this money. Ideologies are irrelevant – **where is the money!** The have used this money to turn inefficient dictatorship into efficient dictatorships, ineffective armies into effective instruments of control and repression. They couldn't care less about the people whose standard of living has not changed one iota, if anything it went down.

In that process, they have not only pumped enormous sums into developing countries, they have actually **depleted the wealth of the developed countries** which is also part of the plan. In many ways they simply waste money to artificially lower our living standards. A strong country will resist control. A weak country however, where people are hungry and have no shelter, will be much easier to control.

What then is the ultimate objective of the banking cartel? It is the establishment of the **New World Order** with one Military (UNO, the Blue Helmets and Nato), one World Court, one World Taxing Authority, one World Currency, one World Regulatory Authority and one World Government. This is their ultimate objective – the Brave New World revisited. And they are almost there. What we are witnessing today is not an accident and is falsely labeled a financial crisis. In reality, it is purposefully engineered as the final step in the **consolidation of world financial power** before the New World Order will finally descend on all of us.

Make no mistake **these people are scientists and are brilliant in what they are doing.** They have not become what they are by being idiots and do not leave things to chance. They are the highly trained Masterminds who prepare the New World Order in front of our eyes and we don't even see it. It is time to wake up, ladies and gentlemen, before it is too late. And time is running out faster than you might think.

This is what all of this is about: to **consolidate the wealth of the world and to use this wealth for control of the world.** Nothing less than that: we are witnessing today the final act in an unfolding drama wherein a tiny group of people will soon rule the entire world.

And if all of the above objectives for some unimaginable reason should not bring about the desired results, they can still resort to yet another weapon at their disposal which has been used most effectively in the 20th century: **a new World War**. In the same way that World War I was used to do away with the old world order and jump-start FIAT economies and World War II to overcome the effects of the Great Depression (which incidentally were caused by the arising FIAT economies following World War I), World War III might well be used to establish the New World Order should the above measures fail.

4. What, if anything, can we still do about all this?

First, we obviously have to move away from **FIAT Money** (money made out of nothing) to **REAL Money** (money with intrinsic value). Why is this so important? Because the core function of money is that of a store of value to preserve purchasing power. FIAT money is a terrible store of value because it can be manipulated by small interest groups whereas real money cannot be manipulated and is therefore an excellent store of value.

Second, we have to move away from commercial banking practices to Sharia-compliant investments. Why? Because first and foremost, Sharia economics **forbids the use of money to make money (meaning any form of derivatives)**! What does this imply? It means that more than 600 trillion USD worth of derivatives should be redirected to the productive economy since derivates are instruments exclusively used to make money with money.

While derivates have been promoted as important innovations by the likes of Alan Greenspan as the best way to distribute (or should I say dilute) risk, other important bankers and investors have condemned them: Investment banker Felix Rohatyn called derivatives potential "**hydrogen bombs**", and **Warren Buffett** describes them as financial **"weapons of mass destruction."**

Third, the prohibition of loans of any kind implies that all forms of financing should be based on **shared profit/risk** schemes where the investor **participates in the gain or loss of a project** together with the 'borrower' and where the 'borrower's' seed assets are protected against ex-appropriation. All types of modern loans therefore disqualify. In interest-based banking, all collateralized assets go to the lender once interest payments on a loan cannot be maintained. In Sharia compliant investments, this could never happen.

Sharia compliant investments therefore must always be based on shared profit and risk and must extend into the productive and away from the financial economy. This is the **core attribute of Sharia compliant investments, and on that attribute, we need to reconstruct a new understanding of what balanced financial investments really mean.**

Just remember that the whole mess we are in today started with a tiny class of derivatives secured by sub prime mortgages. Just try to image what will happen when other asset-backed derivates begin to turn sour – nothing could stop our modern financial system from collapse.

To close our discussion, we need to go back to the beginning of our discussion where learned that FIAT money comes into existence through the creation of debt. By **reducing our personal debt** and putting pressure on our respective governments to increase their **fiscal discipline** (no doubt a difficult endeavor today), we can start to put a few dents into the FIAT system. Because FIAT money cannot be created in the absence of debt, debt reduction therefore is an effective instrument in the fight against FIAT money.

If we then go on and adopt **real money** (i.e. gold and silver), the dents become bigger and bigger. Why? Because FIAT currencies are so weakened today and are still recovering from the bail-out shock that any direct challenge can derail them. As more and more economists begin to see today (albeit still hesitating), the only viable way out of the current crisis might well mean that we will have to go back to gold and silver (even though nobody seems to have any recipes how this could be achieved).

In all of history, Gold and silver have never failed us– why should they fail us now?

XeroBank Announces Release of Onyx, Enterprise Anonymity & Communications Defense Network

Protects critical communications, corporate identity, and online research operations. Defeats spying by competitors, ISPs, and foreign governments by using advanced cloaking techniques. Provides a strong solution for enterprise anonymity, IP hiding, and market intelligence gathering.

New York, NY October 13, 2008 -- XeroBank announces the release of Onyx, a unique and highly secure network designed for business and government communication. Onyx effectively addresses threats of breach against client internet communications. The Onyx network is accessed via the XeroBank CryptoRouter, which protects all computers connected to it.

Using multi-jurisdictional routing of communications, Onyx ensures that no third party -- including XeroBank -- can gain access to client context. Each node of the Onyx network is isolated, and all nodes are operated by multiple private companies in different jurisdictions, creating a robust legal structure. None of the operators can collect the required data to decipher the content or context of client communications. Furthermore, traffic does not enter or exit the network through the same country. “This makes it exceedingly difficult for adversaries to trace client connections,” says Steve Topletz, Operations Advisor at XeroBank.

“Onyx technology plugs the leaks of other privacy services,” Topletz adds. “We have the tactical, technical, and legal expertise to ensure that client communications are protected against leakage, theft, misuse, or inadequate information storage.”

The operational, corporate, and network structures of Onyx protect the privacy of both content and context, the two most critical aspects of internet communications. While content privacy is the primary concern, the context of communications also requires significant protection. Context can reveal the recipient, message size, frequency, and other pieces of information that together create a profile. Such a profile can suggest the content of the communications and enable unintended parties to anticipate future behavior.

Business & Government Applications

Onyx can be implemented in a variety of environments. It can perform IP hiding with thousands of anonymous IP addresses for Open Source Intelligence gathering, which is often performed by law enforcement and intelligence agencies. Onyx can also be used for Competitive Intelligence gathering, such as web harvesting, price scraping, and online research, by defeating IP blocking and web cloaking techniques.

Information assurance is essential in petroleum, aerospace, banking, and other Supervisory Control and Data Acquisition industries. Onyx strikes back against corporate espionage and surveillance societies by providing strong data integrity with its unique closed-group routing feature.

Closed-group routing allows clients to create encrypted Virtual Private Networks inside the Onyx anonymity network. This means that a firm in San Francisco can simultaneously communicate with its offices in London, Hong Kong, and Dubai, without fear of competitors, ISPs, or governments being able to eavesdrop on their communications.

Onyx Technology

XeroBank Onyx supports OpenVPN, MixPPP, and IPSec access, and its standards-based military cryptography protocols protect the content of client communications. In addition to multi-jurisdictional routing, a variety of techniques are employed to disguise communications context, including traffic padding; re-encryption of connections to protect against watermark attacks; random assignment of outgoing IP; encryption of traffic between entry termination and exit nodes; and automated selection of exit and termination nodes to optimize crowding, a basic principle of anonymity. Onyx technology also uses channel multiplexing, which divides user communication into multiple streams and recombines it with other users’ streams. This practice increases anonymity and resists traffic analysis. For further information about technologies and practices employed in Onyx, a whitepaper is publicly available for download.

CryptoRouter

The XeroBank CryptoRouter, the primary access device to the Onyx network, effectively extends the closed network onto client premises. It can replace or stand alongside other routers. Several levels of available service, such as high-bandwidth and high-volume, all share essentially the same suite of protection technologies.

Comparing Networks

Competitive Intelligence firms used to endure a single US company for enterprise anonymity services because few viable alternatives existed. Onyx provides full VPN access for web and non-web traffic, free support, free CryptoRouters for easy installation, large active IP pools, and flat-fee pricing based on total throughput instead of web queries. Features like encryption and decentralized structure are not paid upgrade options; they are a standard part of the security and anonymity that XeroBank is known for. Onyx also provides flexible features, such as Geographic IP selection, personalized entry and exit nodes, and closed-group routing services, which are available upon request.

Unlike the existing Tor network, which is an open-proxy network based on user-donated resources, the Onyx network currently provides over 550 Mbps sustained speeds. It is also immune or resistant to a variety of attacks, including watermarking, man-in-the-middle, malicious code injection by exit nodes, fingerprinting, timing, and other privacy-compromising attacks.

About XeroBank

XeroBank specializes in turn-key solutions for internet privacy and produces the free xB Browser, the leading anonymous browser with over 8 million downloads. “All XeroBank software products are free, pre-configured, source viewable, and USB portable,” says Topletz, “because we believe privacy and security shouldn’t have to be complicated or inconvenient.”

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Kenya’s Banks ask for regulation on Mobile Money Transfers…

October 21, 2008

The banking fraternity is crying foul over what it described as unfair & increasing competition from money transfer operators. The industry says the operators are enjoying privileges similar to those extended to deposit taking institutions despite not being covered by the same regulatory regime.

“Currently, there is no legal framework within which these entities provide their services despite behaving like current account institutions,” says John Wanyela, executive director of the Kenya Bankers Association. “If these operators want to join the financial sector, they have to be properly licensed.”

The bankers are calling on the government to subject the services to prudential regulations “for robust and secure movement of funds across the economy.” Under the proposed guideline, the services will have to be supervised by a specialised financial regulatory authority that will oversee their financial soundness and stability.

Currently, the two leading mobile phone service providers - Zain and Safaricom - are offering money-transfer services in the country under Sokotele and M-Pesa brands respectively. Like other deposit takers, the bankers association wants the mobile cash transfer operators restricted on how much deposits they can take.

To avert undue competition with the banking fraternity, Wanyela says, M-Pesa and Sokotele services have to meet the capitalisation requirement as stipulated in the Banking Act. According to the Act, a deposit taking institution should maintain a minimum capitalisation of Ksh250 million ($3.5 million).

This is however expected to double come December next year before hitting Ksh1 billion ($14.2 million) by 2010 after capitalisation requirements were amended in this financial year’s budget. The bankers also say the “digital money” has implications for the conduct of monetary policy by the Central Bank of Kenya.

To control inflation levels in the country, CBK continuously monitors the amount of money in circulation, mainly in the hands of people and commercial banks. With the monies in circulation, CBK is in a position to maintain a reserve money target and, therefore, intervene to control inflation. Observers say it is this huge amount of money circulating electronically that has defeated CBK in the fight against inflation.

Wanyela says it is time the government stepped in to ensure M-Pesa and Sokotele services are regulated before “something goes wrong.” Debate has been rife on who should regulate the mobile phone money transfer operators, with some arguing that the CBK should be party to the issuance of guidelines as “part of M-Pesa and Sokotele services fall under the national payments system.”

Fundamentally, the two mobile operations are guided by the Communications Commission of Kenya. Early last month, CBK said it had no intention of bringing the mobile cash transfer services under the Banking Act.

It claimed that treating the money transfer services

END THE FED

11:22:08

On the night of November 22, 1910, a group of newspaper reporters stood disconsolately in the railway station at Hoboken, New Jersey. They had just watched a delegation of the nation's leading financiers leave the station on a secret mission. It would be years before they discovered what that mission was, and even then they would not understand that the history of the United States underwent a drastic change after that night in Hoboken."
*From "Secrets of the Federal Reserve", by Eustace Mullins.

So began the dark conception of the Federal Reserve System, a creature which many economists and Constitutionalists argue is responsible for devouring the political and financial wealth of America. The U.S. Dollar has seen a better than 98% decline in its purchasing power since the time of that meeting at the exclusive resort on Jekyll Island, Georgia.

On November 22, 2008, ninety-eight years later, there will be rallies at every Federal Reserve Bank and office in the country. Activists will demand an end to private banker control over the nation's money supply and the return to a hard, commodity backed monetary system. Their slogan is simple and direct: "End the Fed! Sound Money for America!"

November 22, 2008: End the Fed!
Rallies for Sound Money Will Highlight Unconstitutional Monetary System

End the Fed! supports the passage of Representative Ron Paul's legislation which would repeal the Federal Reserve Act, H.R. 2755.

Rallies will be held in the following 39 cities:

Boston, Philadelphia, New York City, Buffalo, Cleveland, Cincinnati, Pittsburgh, Richmond, Baltimore, Charlotte, Atlanta, Birmingham, Jacksonville, Miami, Nashville, New Orleans, Chicago, Detroit, St. Louis, Little Rock, Louisville, Memphis, Minneapolis, Helena, Kansas City, Denver, Oklahoma City, Omaha, Dallas, El Paso, Houston, San Antonio, San Francisco, Los Angeles, Phoenix, Portland, Salt Lake City, Seattle, Washington, D.C.

under the Act may impede competition in sector that is still at its infancy in a country whose majority population has limited access to financial services.

Safaricom statistics show that as at the end of the first quarter of this year, more than Ksh3.1 billion ($44.2 million) had been transferred. From its launch in March 2007 till May this year, the service has facilitated the transfer of more than Ksh23.77 billion ($339.5 million).

The original source of this article was The East African, (http://www.theeastafrican.co.ke) I found the information reading Michael's blog "The 411..."

http://kipsang.wordpress.com/2008/10/21/kenya%E2%80%99s-banks-ask-for-regulation-on-mobile-money-transfers

Michael Kipsang Bullut is a 22 year old university student pursuing a B.Sc. degree in Information Technology.

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'Pay and Play' using cashU at Dubai World Game Expo

Also will launch co-branded gaming cards with Stardoll - the world's largest online entertainment destination for girls and real-time strategy game Khan Wars.

cashU - the preferred payment partner for over 200 online multiplayer games will mark its presence by highlighting its impressive portfolio of massively multiplayer online role playing games, virtual goods, and Arabic browser games at the Dubai World Game Expo, which will take place at Dubai International Convention & Exhibition Centre in United Arab Emirates from 28 – 30 October, 2008.

Incepted in 2002, cashU's prepaid card enables minors to shop online and play online games without the use of a credit card. Minors are further protected by cashU's Parental Control feature which can be used to control the shopping experience. Each merchant is screened according to the product's recommended age group, (0-12, 12-18, and 18+). Parents can block or unblock specific merchants from the Account's login area. The feature enables the parent to affect a greater degree of control and security to credit cards.

"We are delighted to participate at the Game Expo in its inaugural year. cashU has been at the forefront of gaming developments in the Middle East, we are keen to capitalize on the growing demand for a credit card alternative. Teenagers in the Middle East have been ahead of the curve when it comes to using new products and technology in the online sphere." said Martin Waldenstrom, General Manager of cashU. "A good example of exponential growth in this region is Travian. The Arabic version of this popular browser based strategy game is enormously popular in Saudi Arabia, having doubled its user base to a million in just three months." He added.

cashU's prepaid cash card model enables users to make payments on the biggest names in online multiplayer gaming – World of Warcraft, Maplestory, and Runescape, which have a multi-million user base globally, and a loyal fan base in the Middle East. Browser games are now more popular among Arab users, and cashU has partnered with developers who have made local language versions for Stardoll, Travian, Khanwars, and The Crims.

cashU will be launching co-branded cards in association with Stardoll, the world's largest online entertainment destination for girls aged 9-17 focused on fame, fashion and friends, Stardoll receives nearly 8 million unique visitors every month from across the globe—94% of whom are teen and tween girls. One of the few places on the Internet designed specifically with girls' interests in mind, the Stardoll community express themselves in a number of unique ways to deliver a playful, fun-filled approach to fashion, celebrity and dress-up. The site also has user-run fashion magazines, clubs, instant messaging and virtual shopping. cashU can be used to sign up for a paid account that opens a number of features on the site.

cashU will also be launching co-branded cards in association with Khan wars. Khan wars is a browser game where you develop your own medieval empire. Starting with a small kingdom, the players must conquer castles, organize alliances and wage deadly wars. A complex real-time strategy with thousands of players, who ally themselves in clans and fight each other, in a struggle for world domination.

About cashU

Launched by Maktoob in July 2002, cashU was born as a result of a survey conducted by Maktoob.com, which revealed that only 13% of internet users were willing to use their credit cards online. There was a clear need for an internet payment solution that tackled fraud and security concerns; and also addressed the need for a payment alternative in countries where credit card penetration was extremely low.

cashU is a prepaid Internet payment service. The user can sign up for a free cashU account, which can be funded using a variety of payment methods. Funds added to the cashU account can be used to purchase products and services on cashU's growing merchant base.

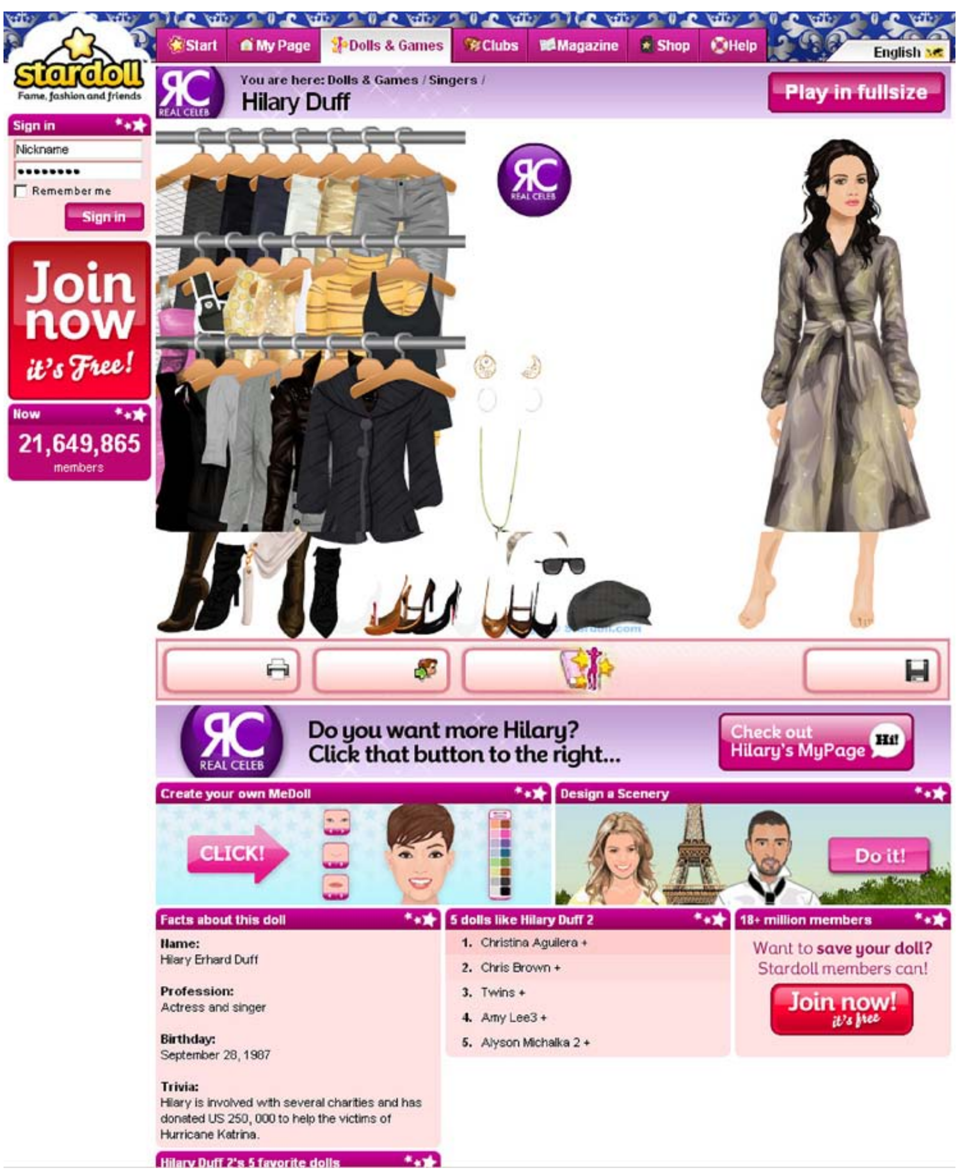
cashU has provided the region with a key solution for e-commerce. cashU is a payment platform that is built upon and encapsulates the most sophisticated and up to date fraud prevention systems, cashU reduces the risk of online payments and allows for wider, safer and faster consumer participation in e-commerce.

cashU provides merchants with a solution where they can sell their goods and services on the Net, including virtual products (like online game items) or services (such as SMS or ring tones) that require micro payments. Merchants pay no setup or installation fees - and integrating cashU is quick and simple.

cashU is now available in 28 countries around the world. The cashU network connects hundreds of thousands of cashU cardholders, online and offline resellers as well as online businesses and merchants, and will continue to develop and advance rapidly.

Dubai World Game Expo (DWGE) / Dubai World Game Summit (DWGS)

DWGE is organized by INDEX Conferences & Exhibitions Organisation Est. under the Patronage of HH Sheikh Majid Bin Mohammed Bin Rashid Al Maktoum, Chairman of Dubai Culture and the Arts Authority. DWGE is the computer game's gateway of MENA region and it is home of interactive gaming. The exhibition halls will be open for trade visitors from 10:00 to noon on 28th and 29th October. For public the exhibition halls are open from 29th and 30th October, 2008. The DWGE will also highlight the Dubai World Game Summit (DWGE), presented by Nokia as the Platinum Sponsor. Attendees will witness the unveiling of latest in the game industry and the vast business opportunities for the MENA region.



Deflationary Depression?
Where to go from here

by John Lee
http://www.goldmau.com

In September two significant events happened that will mark the month as the most financially significant in US history by far

1. Fannie Mae and Freddie Mac were nationalized; this was no surprise as I predicted in November 2007:
http://www.goldmau.com/marketupdatenov23.php

If left to their own devices by the government, Fannie and Freddie are doomed. At this juncture, the Fed has no choice but to redeem any and all mortgages at near face value directly, through GSEs, or offshore vehicles.

2. Lehman Brothers went under. While I have said all major US banks (including Citibank, and JPMorgan), brokerages (including Goldman Sachs), and big finance companies (AIG, GE, GM, etc) are insolvent, I didn't expect that Lehman would be allowed to go under.

Paulson clearly didn't understand Lehman's involvement. Lehman is a leveraged brokerage shop that was the counterparty to trades sized in the $hundreds of billions, including interest rate swaps, commodity futures, corporate bonds, international equities and real estate loans, currency swaps, and private equities. The counterparty risk created fear and triggered domino selling. Banks refused to lend to one another fearing the other end to be infested with Lehman's positions. Insiders claim that it could take over a decade to fully unwind Lehman's positions.

What's more, Lehman was one of the largest prime brokers to international hedge funds. Lehman's bankruptcy immediately caused wholesale panic within the hedge fund industry as funds tried to close/transfer/pull their money out of their Lehman custodian. Today over $60 billion is still locked up in Lehman's London brokerage unit. Given the leveraging nature of hedge funds, the effect on global equity markets was catastrophic as trillions of dollars were wiped off global equity markets.

Global equity and commodity correction

With $hundreds of billions-worth of positions that need to be closed fast, we witnessed the most dramatic equity downturn outside of 1930 and 1987.

Russian markets went down 70% and Nikkei, the world's second-largest equity index, is down 30% since September 1.

Given that consumer spending accounts for 50 - 70% of GDP across various countries, the equity downturn caused spending pullback and thus global recession talk abounds.

I believe this sudden downturn had more to do with Lehman's derivative positions and hedge funds having locked up than it did with fundamentals.

For example, demand for Oil and Copper had never slacked yet Oil and Copper prices were cut by half in 4 months. Inventory levels remained near historic lows and there was no projected slowdown in commodity demand from China, the world's largest consumer.

In the financial arena, Chinese, Asian, Middle Eastern, and Latin American banks had minimal exposure to US subprime debt or to the collapse of US banks. The debt level of the Asian consumer, the key driver to the next phase of global growth, remains low.

Commodity Sector

Charts speak more than words.

Coeur D'Alene, world's largest silver producer, is down to 90 cents from $5 in 2008.

Newmont, world's best known gold producer, is down to $28 from $55 in 2008.

Teck Cominco, Canada's largest mining conglomerate, is down to $15 from a high of $53 in 2008.

The S&P TSX Ventures Index, a proxy to the junior resource sector, is down 70% to 900, from a high of 3,000 in 2008. (chart not shown)

Junior sector and resource funds

In September and October, 2 prominent resource funds closed: Ospraie and RAB. Both combined controlled over $3 billion in the resource junior sector. They literally owned 10-20% of the market and positions had to be sold. We saw classic margin-call selling. Prices of stocks were down 10% on consecutive days with small breaks in between and no rebounds. Many companies soon traded 10%, then 20%, then up to 50% below their bank cash balances. The situation clearly became irrational. Premier gold and silver producers such as Coeur D'Alene and IAMGold were down 50-70% in 2 months.

Where to go from here

As of October 20, the junior market looks to have stabilized and I am convinced the correction for quality companies will not last long (i.e. 6 months, less than one year for sure). This is much like the Nasdaq in 2001. Bad companies will go under, while good companies will survive and flourish.

With central banks recently pledging over $2 trillion to solve the crisis, a $750 billion bailout, more consumer stimulus, a federal deficit set to blow over $1 trillion, a continued US trade imbalance, a gigantic $10 trillion foreign reserve that is mostly yet to be diversified, and the central banks' inability to raise rates to combat inflationary pressure, I am more bullish on gold and gold equities than ever. Severe shortages of gold and silver at the retail level across the globe validate my belief that the supply of precious metals is dwindling fast at current prices. Reports from top Swiss vaults state they have "topped up" their metal storage space with no more capacity to spare.

There is talk of a deflationary depression, but my view strongly differs. Firstly, the money supply is exploding so prices will trend up after a brief scare. Secondly, on a global scale, the modernization of Asia and the Middle East is far from over with US $4 trillion at their disposal.

Regardless of the long term picture on gold, when things are selling at 50 cents on the dollar as some stocks are, a brief rebound should see a recovery back to at least cash value. Whenever there is a crisis there is an opportunity.

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Source:
http://new.goldmau.com/article.php?id=899

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INTgold's Mike Comer is Now Behind Bars

Mike Comer and Jeff Koleski were the nitwits behind INTgold and the InGoldcard which were raided & closed in 2005. Many people lost a lot of money from their antics, so here is an update.

News: Mike is now in prison relating to his e-currency business.

Documents relating to Mr. Comer's legal case have surfaced and are now available across the Net.

Internet Gold Incorporated also owned the InGoldcard ATM debit card system.

Agents from the U.S. Secret Service and Federal Bureau of Investigation raided the company's headquarters in Greenville on Dec. 17, 2005.

UNITED STATES OF AMERICA v. MICHAEL COMER

No. 3:08-CR-085-N Filed 10/03/2008 PRELIMINARY ORDER OF FORFEITURE

...And WHEREAS, on June 1, 2008, Comer pleaded guilty to Count One of the Information and agreed to forfeit the property;
And WHEREAS, as a result of Comer's guilty plea, his Plea Agreement, and his Factual Resume, the Court has determined the Government has established the requisite nexus between the property and the offense alleged in Count One and that the property is subject to forfeiture to the Government pursuant to 18 U.S.C. § 982(a)(1).
IT IS HEREBY ORDERED that Comer's interest in the following property is condemned and forfeited to the Government subject to the provisions of 21 U.S.C. § 853...
One of the Information:
a. 2001 Chevrolet Corvette, VIN 1G1YY32G615122656.
b. $2,373.45 contained in Full Analysis Business Checking account #XXXXXXXX0203, in the names of Michael Comer and Internet Gold Inc, DBA L&M Computers, at Bank of America, Greenville, Texas and seized by the United States Secret Service.
c. $10,416.23 contained in Fixed Term Certificate of Deposit #XXXXXXXXXX7841, in the name of Michael Comer, at Bank of America, Greenville, Texas and seized by the United States Secret Service.
d. $5,466.44 contained in Regular Checking account #XXXXXXXX6100, in the name of Michael Comer, at Bank of America, Greenville, Texas and seized by the United States Secret Service.
e. $,5880.00 contained in Full Analysis Business Checking account #XXXXXXXX4130, in the names of Michael Comer, Christopher Vernon and Internet Gold Inc, DBA Pool of Gold, at Bank of America, Greenville, Texas and seized by the United States Secret Service.
f. $189.658.47 contained in Business Economy Checking account #XXXXXXXX9236, in the names of Michael Comer and Internet Gold Inc, at Bank of America, Greenville, Texas and seized by the United States Secret Service.
g. $276,178.96 contained in Money Market Savings account #XXXXXXXX7138, in the names of Michael & Stephanie Comer, at Bank of America, Greenville, Texas and seized by the United States Secret Service.
h. $10,534.78 contained in Fixed Term Certificate of Deposit #XXXXXXXXXX9408, in the name of Michael Comer, at Bank of America, Greenville, Texas and seized by the United States Secret Service.
i. $13,844.28 contained in Star Checking account #XXXXX1640, in the names of Michael & Stephanie Comer at the American National Bank of Texas, Greenville, Texas and seized by the United States Secret Service.
j. $97,012.80 contained in Preferred Investment account #XXXXX9360, in the names of Michael & Stephanie Comer at the American National Bank of Texas, Greenville, Texas and seized by the United States Secret Service.
k. $10,227.42 contained in Primary Savings account #XXXXX1450, in the names of Michael & Stephanie Comer at the American National Bank of Texas, Greenville, Texas and seized by the United States Secret Service.
l. $23,407.26 contained in Primary Savings account #XXXXX7731, in the name of Stephanie Comer at the American National Bank of Texas, Greenville, Texas and seized by the United States Secret Service.
m. $25,707.90 contained in Business Money Market account #XXXXXX2611, in the names of Michael & Stephanie Comer and Internet Gold Inc, at State Farm Bank, Bloomington, Illinois and seized by the United States Secret Service.
n. $136,823.57 contained in Mutual Fund account #XXXXXXXXXX4494, in the names of Michael & Stephanie Comer, at State Farm Bank, Bloomington, Illinois and seized by the United States Secret Service.
o. $230,391.87 contained in Mutual Fund account #XXXXXXXXXX5089, in the name of Michael Comer, at State Farm Bank, Bloomington, Illinois and seized by the United States Secret Service.
p. $191,276.30 contained in Money Market account #XXXXXX6525, in the name of Michael & Stephanie Comer, at State Farm Bank, Bloomington, Illinois and seized by the United States Secret Service.
q. $18,285.05 contained in OP Reserve Account #XXX734 in the name of ING Frozen Assets at Marshall BankFirst, Sioux Falls, South Dakota and seized by the United States Secret Service.
r. $130,130.88 contained in Mutual Funds Individual Account #XXXX4496 in the name of Stephanie Comer at State Farm Mutual Funds, Bloomington, Illinois and seized by the United States Secret Service.
s. $12,478.23 contained in Mutual Funds Individual Retirement Account #XXXX6682 in the name of Stephanie Comer at State Farm Mutual Funds, Bloomington, Illinois and seized by the United States Secret Service.
t. $51,979.45 contained in Certificate of Deposit Account #XXXXXX7061 in the name of Stephanie Comer at State Farm Bank, Bloomington, Illinois and seized by the United States Secret Service.
u. The physical assets of Internet Gold, Inc., located at 3931 Joe Ramsey Boulevard, Suites A-C, Greenville, Texas and seized by the United States Secret Service on December 16, 2005, or at any time afterward, including, but not limited to:
i. All documents, data, files and records of Internet Gold, in whatever form;
ii. All computers, computer hardware, computer software, modems, printers and associated equipment, and all data and records located on any computer hardware or associated equipment;
iii. All firearms and ammunition seized by the United States Secret Service from 3931 Joe Ramsey Boulevard, Suites A-C, Greenville, Texas, on December 16, 2005.
v. Any and all equity in and fixed assets at the following properties and residences:
i. 3901 College Street Greenville, Texas 75401
ii. 6509 Finch Street Greenville, Texas 75401