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# THE GOLDEN ROAD TO THE LAST VILLAGE

by Paul Roseberg

The US economy and the global financial system are tipping at the brink. You probably watch the financial channels every day to see if and when the markets will turn a corner and pull themselves back together. But it's not just you – people in thousands of small towns all over the world are also watching, and that probably isn't helping your business.

As you get further away from the first-world cities where you live and work, it gets harder and harder to convince people to step into an all-electronic money regime. (These folks don't trust their own local officials, much less money-masters in Washington or Brussels!)

There is, however, one asset class that people in even the smallest village understand and respect, and that is gold. Gold requires no explanation, and it is always of value. Princes come and princes go, empires come and empires go, but gold remains unchanged. People in the smallest villages have understood this for a hundred generations. Instead of fighting against this long-held belief, why not turn it to your advantage? Use it!

## DIGITAL GOLD

Digital gold is nothing new; it has been actively used for a decade or more by millions of people and at transaction rates in the billions of dollars per year. The gold remains in audited warehouses and ownership is exchanged electronically.

Micro-payments? No problem. Send a thousandth of a gram if you like.

Currency-to-currency conversions? Not even an issue. It never converts at all – it's gold!

There have certainly been regulatory issues with digital gold (the burden of being new), but there is a stunning lack of complaint from the actual users – they love it.

I won't waste time in this article, explaining the fine points of digital gold systems. First of all, you can probably guess most of the details – the systems operate pretty much the way you'd expect them to operate. Secondly, you can poke around DGC Magazine's web site and find most of the information you need.

## THE HUGE ADVANTAGE OF GOLD

How hard would it be for you to make arrangements with a gold dealer in a regional city to accept your payments in return for gold and silver coins? You could probably get it done in a few days. At worst, you'd have to leave an escrow at the local bank. The dealer would make a few percent on each sale and you would actually generate a bit of revenue on each transaction.

BUT... think about what that means to the doubting old man in the last little village of your territory.

This man will not be impressed by your technology and he certainly doesn't want to hear about your network. But you'll get his immediate attention if he understands that when he uses your system, he's using nothing but actual gold! Heck, you could give your first customer in the village a free bus ticket to the city to exchange some digital currency for gold or silver bullion. Can you think of a more visceral marketing technique than this person stepping off the bus and showing their friends and neighbors the shiny new coin they got with your system?

## THE ISSUE OF TRUST

Hawala and similar value transfer systems have endured because of trust. The Hawaladar is a trusted man in the community, tribe or clan. For him to betray that trust would generate horrible consequences for himself and for his family. You cannot compete with that. You are an outsider. You can, however, make the issue entirely moot.

Gold does not require trust. It simply is what it is. And if your currency is known to represent physical gold, the issue of trust becomes almost meaningless. I send you a payment and you receive it instantly (unlike Hawala). And if you have any reservations at all, you can run to the next village and turn it into gold bullion.

Speed and redemption trump the ancient way. Sure, some will still prefer the ancient way simply because of its age, but that sort of resistance seldom lasts in the face of overwhelming advantages.

#### WHO NEEDS A BANK?

Bank accounts are creatures of the West's industrial era. They certainly made sense in their time and place, but opening one is an unwieldy, unpleasant experience. People would rather not go through the process if they don't have to.

The traditional banking and currency model is also problematic for businesses. Consider your own: Instead of creating complex hierarchical systems for transferring value (the MMT device, the intermediary, the local bank account, currency converters, hubs, etc.), why not just use electronic gold and flatten out the entire process? How much more profitable would you be, minus a few layers?

Digital gold is a better architecture, and - soon enough - it will be adopted.

Moreover, this is the way to "bank the unbanked." Getting these people to rearrange their lives your way involves getting them to a bank, getting them to fill out forms full of highly personal and embarrassing information, and begging them to trust this new institution with their earnings. I don't have to tell you that this is not an easy sell in many places. But, if you offer them gold, and require only a visit to their local store, they will be interested and even eager.

Why spend time and money forcing unwanted burdens upon your customers, when it's easier and cheaper to do things their way?

#### OBSTACLES & REWARDS

There will be obstacles to face if you decide to roll-out a digital gold system. Most of them will revolve around the phrase, "We've never done it that way." People in the hierarchy of existing systems may object. You may find yourself facing-off against an old institution. Some people may even say bad things about you.

Make no mistake, digital gold is the best way to do business with the last village, and perhaps the

only way. But, if the obstacles don't seem worth crossing, you can certainly keep trying as you have been.

Some company is going to do this – the advantage to be gained is too large to ignore. That company will then use their advantage and become an industry leader... possibly the industry leader.

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Paul is the author of A Lodging of Wayfaring Men and other books. You can find his work at <http://www.veraverba.com>

## **E-GOLD<sup>®</sup> ENGAGES KPMG TO ASSIST E-GOLD IN ITS DEVELOPMENT OF AML PROGRAM IMPROVEMENT**

Melbourne, FL (PRWEB) September 30, 2008 -- e-gold Ltd. announced today that it has retained KPMG LLP to assist e-gold Ltd. with the development of an improved Anti-Money Laundering Program. KPMG's Advisory Services practice brings significant industry knowledge and experience that will greatly benefit e-gold Ltd., e-gold Ltd. announced.

Dr. Douglas Jackson, e-gold Ltd. Chairman, said, "e-gold Ltd. is seeking to have one of the market's most effective Anti-Money Laundering Programs." Dr. Jackson said e-gold Ltd.'s goal is to implement significant enhancements to its Anti-Money Laundering Program in the next 30-60 days.

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# THE FUTURE OF PRIVATE MONEY

BY SIDD, CO-FOUNDER OF PECUNIX

Since the early 1990s forward thinkers have been discussing various technologies that could be used for private money. With the arrival of strong cryptography and the Internet, digital cash in the form of “Digital Bearer Certificates” became a real possibility. In this article we will look at the history behind the idea of bearer certificates and why it is more relevant today than ever before.

## THE HISTORY OF WAREHOUSE RECEIPTS AS MEANS OF EXCHANGE.

Since around 330 BC in Ancient Egypt warehouse receipts have been used as a form of money. Farmers deposited grains in secure warehouses and received written receipts for specific quantities of grain. The receipts could be returned and exchanged for the grain when needed. These receipts were much easier to carry, store and exchange than bags of grain, so they were used as a secure and convenient form of payment. The warehouse receipt itself had no inherent value; it was only a symbol for something of value. These highly successful ancient grain banks eventually evolved into the goldsmith banks in seventeenth century England.

These were the early days of the mercantile revolution when gold and silver coins were the common money. No banks existed in England at the time so people stored their wealth with the leading goldsmiths of London, who already had stores of precious metal in secure private vaults. For each deposit of precious metal, the goldsmiths issued paper receipts certifying the quantity and purity of the metal. Like the grain receipts, the goldsmiths' receipts soon began to circulate as a safe and convenient form of money backed by the gold and silver in the vaults. These receipts represented a promise by the goldsmith to exchange the receipt for a certain amount and quality of metal, and were “negotiable” in that anyone (the bearer of the

receipt) could present the receipt to the goldsmith and take possession of the metal.

The system of goldsmith receipts worked exceptionally well so the obvious question to ask is why, if the warehouse receipt system worked so well, did it not continue to be used through to the present?

## THE DECLINE

With their warehouse receipts working extremely well as money, and earning a decent fee for storing the precious metal, the goldsmiths became well known and prosperous. It was not long before people began asking the goldsmiths to lend them money. Merchants needed to expand, farmers wanted to buy more land, the borrowed money could facilitate wealth and prosperity. The goldsmiths soon learned that they didn't need to lend their own gold. They could simply write out more receipts to “create money”, even if they didn't have the metal in their vault to back them up. Nobody except the goldsmiths knew how much gold they had in their vaults, or how many receipts they had issued. The receipts were still accepted at their full value, even though in reality there was not enough gold to back them up. A subtle change had happened; the goldsmiths had become bankers, and the papers they were issuing were no longer warehouse receipts, but had become bankers' notes (bank notes). The paper was no longer backed up by real metal in a vault, but by the bankers' promise to pay the bearer the value on the note. It is obvious that these new bankers were being dishonest, and ultimately their fraud was revealed and the system collapsed.

The problems with the early goldsmith bankers were caused primarily by a lack of adequate financial governance. What the goldsmiths lacked was a system that would keep them honest and



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would allow their customers to have reasonable certainty that the warehouse receipts they were using truly were as valuable as claimed. If those early bankers had allowed or encouraged their customers to elect a trustworthy member of the community to act as an auditor of their affairs, the problem would not have arisen. The auditor would simply examine and count all the precious metal in the vault, then examine the banker's receipt book. It would be instantly obvious if there was a difference in the amount of reserve and the value of the issued receipts. If the people who used the receipts for trade trusted the auditor they could always be confident that the receipts had full value.

Unfortunately instead of implementing honest auditing and keeping the money supply private, the government stepped in and started to regulate the banking industry. This was the beginning of the end for anything remotely resembling honest money. Money has degenerated over the years to the point that it is highly dishonest and untrustworthy. Bankers and governments do an extremely poor job of protecting the wealth of the people who trust them and the current runaway inflation and financial breakdown is perfect evidence of this. As we watch government money steadily decline in value, we need to replace it with money of real substantive value.

## **WAREHOUSE RECEIPTS TODAY**

In the early 1990s, Nick Szabo coined the term "Digital Bearer Certificate" and described it as a broad term incorporating various technologies. A digital bearer certificate may come in various forms such as digital cash, digital warehouse receipt, digital certificate of deposit, digital credit note, etc. Each of these forms may also come in various forms: digital cash may be cryptographically blinded or not, it may be one-use only, it may have cryptographic integrity or not, etc. "Cryptographic Warehouse Receipt" describes a specific type of digital bearer certificate which uses modern technology to implement exactly the same idea as the goldsmiths' receipts of old. Warehouse receipts are an established principle still used in modern society, most commonly for agricultural

and industrial trade, and have an established legal status. Most warehouse receipts are issued in negotiable form so they can easily function as a money substitute.

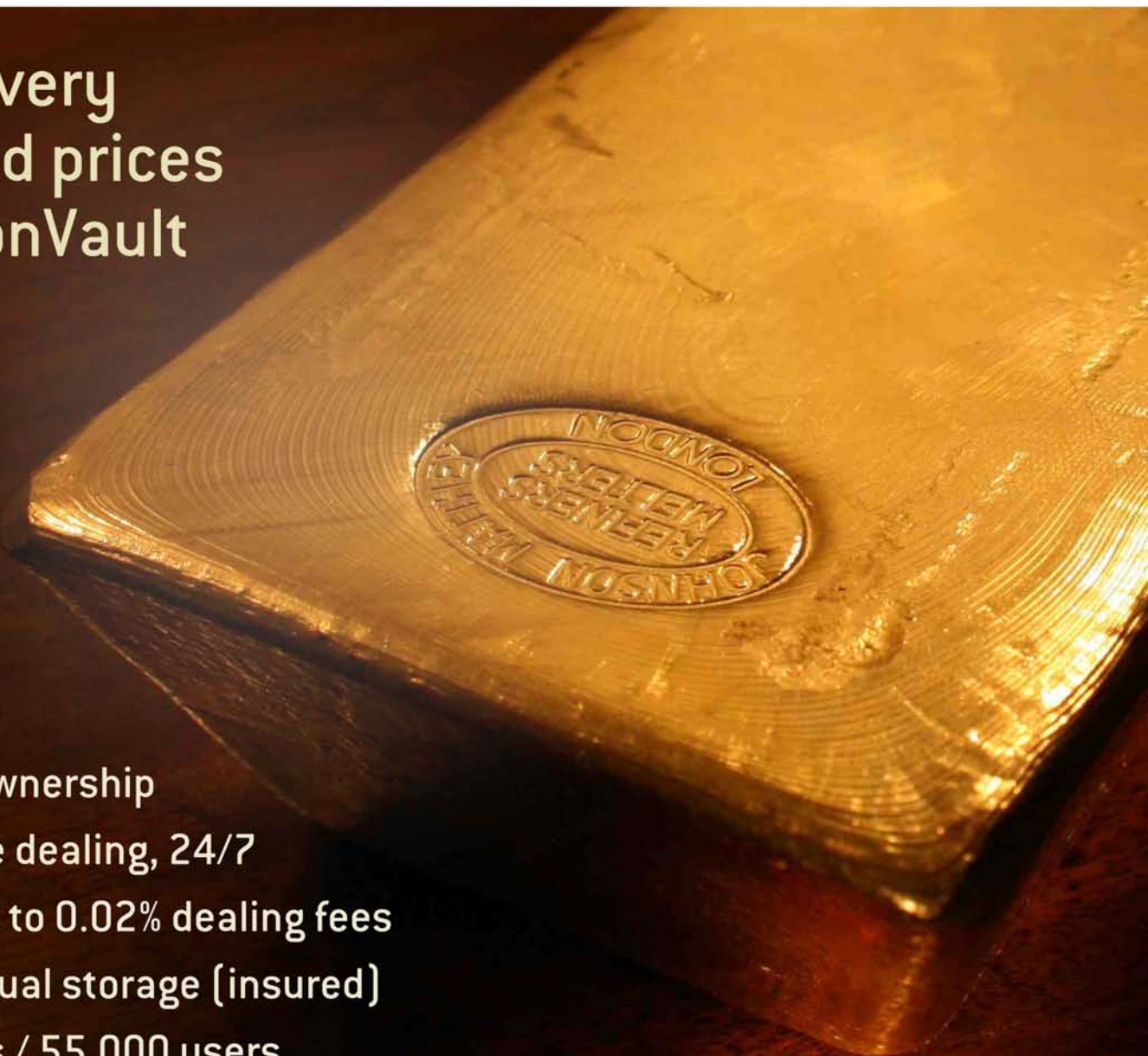
The technology is available to create a system of gold or silver (or any commodity) warehouse receipts issued by an efficient and secure computerized system under a policy of strong governance. Using modern highly secure cryptographic techniques and combining this with the Internet, we can efficiently facilitate both local and international exchanges between traders, merchants and their customers.

If we use a computer to create the receipt, the issuing warehouse can cryptographically "sign" the document to guarantee its authenticity. It isn't possible for anyone to create counterfeit warehouse receipts because they don't have the signing key. The receipts can be digitally stored in a database or as text files, and can be passed from person to person using Internet facilities such as e-mail and instant messaging. As long as there is always a strong governance system in place, people who use these warehouse receipts can be confident that the receipt has real value.

After the historical success and failure of warehouse receipts, it is reasonable to ask what relevance they have today. Right now we are experiencing a serious crisis in the fraudulent money system currently run by bankers in collusion with corrupt governments and we need to create a practical and honest alternative. During the last 15 years we have seen various experiments in private money issuance based on gold, with the most successful being e-gold, the Liberty Dollar and various clones of e-gold such as GoldMoney and Pecunix. These private money systems have served their purpose well as experiments, but unfortunately have flaws and consequently do not appear to be resilient enough to survive. Bankers and governments don't easily accept honest competition and these early experiments have recently come under attack. Both e-gold and Liberty Dollar have been charged by the United States authorities with alleged offenses ranging from "money laundering", unlicensed money transmitting and fraud.

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As the pioneer in online digital money, e-gold is an excellent case study that can help us develop private money into the future. Although e-gold models themselves as an issuer of digital gold currency, their main function is more in the line of an account based payment system. This means that they are able to control who uses their system and how their system is used, and the government expects them to do that. If we look at the Federal Reserve Bank (that issues US Dollars) we can see that they don't have this problem. Once they have printed the money and distributed it into the world, they have absolutely no control on who uses the money or how it is used. Consequently it would be impractical to accuse the Federal Reserve Bank of facilitating crime and they can plausibly deny knowledge of any alleged crime. In the case of e-gold, it is much easier for law-enforcement agencies to accuse e-gold of facilitating crime than it is for them to find and charge the real criminals, as they must do if Federal Reserve notes are used. Furthermore, e-gold has no way to plausibly deny any knowledge of the alleged crime because they have complete records of every e-gold transaction. The introduction of cryptographic warehouse receipts would put the issuer in the same position as the Federal Reserve Bank in terms of plausible deniability and could protect the issuer from frivolous attacks by lazy law-enforcement agencies. Clearly the current political and legislation regime in the world does not encourage private currencies in the way they have been implemented to date so innovators need to come up with new systems to challenge the status quo.

Research indicates that there is a distinct change in human consciousness rapidly spreading throughout the world. Perhaps it is due to the facilitation of massive and instant information exchange through the Internet, but no matter what facilitates this process of change, people are waking up to the realities of life under corrupt, violent controlling governments. The world is ready for honest money that puts the economic power back into the hands of the people who produce, and forces governments to work as they should. The issue of gold based money in the form of warehouse receipts suits this new paradigm perfectly.

Payments between people, merchants and customers using well governed cryptographic warehouse receipts are secure, private and highly resistant to government interference. The larger the number of independent private money issuers, the more resilient the system will become. Today we have the ideal situation to use this type of private money for worldwide trade. We have extremely efficient computer and Inter-network systems and modern highly secure cryptographic techniques. It's time for people to take back the control of their wealth and money, and one way to ensure this is for them to return to the system that stood the test of time (approximately 2500 years). Using precious metals, gold and silver as money, combined with the efficiency, security and privacy offered by cryptographic warehouse receipts is a viable solution for honest worldwide commerce in the future.

- 1 [http://en.wikipedia.org/wiki/Social\\_evolution\\_of\\_money](http://en.wikipedia.org/wiki/Social_evolution_of_money)
- 2 <http://en.wikipedia.org/wiki/Banknote>
- 3 [http://szabo.best.vwh.net/bearer\\_contracts.html](http://szabo.best.vwh.net/bearer_contracts.html)
- 4 <http://anoncv.s.aldigital.co.uk/lucre/theory2.pdf>
- 5 <https://ffij33ewbnoeqnup.onion.meshmx.com/doc.php>
- 6 [http://en.wikipedia.org/wiki/Warehouse\\_receipt](http://en.wikipedia.org/wiki/Warehouse_receipt)

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Congratulations to Webmoney for now having more than 6 million registered accounts. Webmoney Transfer, the highly trusted and recognized leader in global digital currency, has just passed a major milestone of 6 million accounts. Look out PayPal.... It was just March, that Webmoney passed 5 million accounts, so they are rapidly advancing their global client base much faster than any other digital currency. This is more than 1 million new users in just the past 6 months. Webmoney is a joy to use and offers thousands of easy-to-find funding locations around the globe.

In May of this year their Webmoney Keeper Mobile product won a National E-Finance Innovations Award for 2008. Earlier in April, Webmoney along with VISA co-sponsored the annual Digital Money Forum-2008 in London.

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- \* **Community:** Inspire a social movement around our mission. Build a membership of people who are committed to and passionate about seasteading, and see it as the answer to the world's most pressing problems. Create a network of potential residents who have the skills and resources needed to make a vibrant new city. Establish revenue to enable the Institute to operate in perpetuity.
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- \* **Research:** Explore the core seasteading requirements: Structure (not sinking), Autonomy (getting left alone), and Infrastructure (having light, heat, food, etc.). When current solutions are sufficient for our needs, learn them. When they aren't, invent new ones. Secondarily, advance seasteading technologies through grant-funded research and partnerships.

<http://www.seasteading.org/>

# FIAT CURRENCY

by Patri Friedman

I find it a little baffling that people blame the current financial crisis on deregulation and laissez faire when it is occurring in a financial system built on top of fiat currency - arguably the greatest swindle of all time, and one perpetrated by the government.

This is not to say that the current crisis couldn't have been avoided by additional regulation. It is complex enough that proponents of both more and less regulation can reasonably imagine alternative approaches which fit their model and would have made things better. Thus each side can see, in the crisis, validation of their own beliefs. But it strikes me as insane to characterize any system built on top of fiat currency as a free market.

Rothbard's "What has the government done with our money?" [<http://mises.org/money.asp>] is a good introductory read on the subject of money. While I don't agree with his views on the fraudulent nature of fractional reserve banking and he (of course) overstates the case against government / for the market, money is a topic where I believe there is some deep, basic truth to some of the strongest allegations of libertarians about the fraudulent and coercive nature of government.

It blows my mind that we live in a world where most people don't know that for a long time, money consisted of notes redeemable for gold or silver, until suddenly one day, the government (here & elsewhere) said "You must continue accepting these notes, but you can no longer trade them for metal - and we're keeping all the metal we had been using to guarantee the notes." In many cases, this was accompanied by a ban on the private ownership of the metal, or on taking it out of the country. People accepted the unbacked notes because it was illegal to do otherwise.

It was theft on a colossal, mind-boggling scale, but it's behind us and so we've forgotten about it.

The history of money is a sordid history of legalized

theft. It will be interesting to see what alternatives arise in the coming decades, and whether fiat money survives. I would guess that it won't, because of the advantages of digital cash, except that the arguments which say digital cash will win in the future also say it should already have won, which it hasn't, so perhaps those arguments are wrong. <http://patrissimo.livejournal.com>

## TIME FOR A GOLD ROUBLE?

(John Laughland for RIA Novosti) - 24/09/2008 - There used to be a habit of framing old Tsarist bonds and putting them on the wall. Lenin's decision to renege on the Russian imperial debt meant that it became mere paper, interesting only as a historical relic.

In the light of the recent financial crisis in the USA, could the same thing happen now to the bonds issued by the American government, and could the country which has dominated the world for the last half century now enter history as a bankrupt state? And what can Russia do in the circumstances?

The decision by the US government to inject \$700 billion into the financial system means that the already gigantic annual budget deficit of the American state (previously some \$450 billion a year) will now rise by a factor of three. The total state debt of the USA will rise to well over \$11 trillion. It is obvious that such a colossal debt can never be repaid. Instead, it will be serviced by more debt in the future. The contrast with Russia, which has painstakingly sanitised its state finances to the point that it now has more money to lend than the IMF, could hardly be greater.

The recent financial crisis itself grew out of this American culture of debt. To some extent, all countries share it: since 1914, all countries use paper currencies, i.e. debt instruments which are never redeemed. Whereas before the First World War, bank notes were essentially vouchers for specific amounts of gold cash, now the "promise to pay the bearer" (which remains inscribed on British bank notes) is in fact hollow.

In America, this basic culture of debt is aggravated

by the fact that other countries use the dollar itself as a reserve. This means that the United States can export dollars in order to pay for its imports without the dollar losing value. Other states also need dollars to buy key commodities like oil. The USA can therefore export paper currency almost indefinitely - the famous "deficit without tears" analysed by the great French economist, Jacques Rueff. Naturally, if the state itself encourages such a culture of debt by issuing unredeemable paper currency to pay for imports, and by accumulating such mountains of debt, then it is no surprise if the American financial markets themselves operate on the same basis. But the collapse of those markets is only a symptom of a much deeper problem, the basic insolvency of the American state itself.

What can Russia do about this? At first sight, Russia's role in the international financial system does not seem very large. However, as a major exporter of hydrocarbons, her role in the world economy is actually very important. As the age of the dollar draws to a close, Russia will have to consider selling her oil and gas not in the devalued American currency, but instead in the euro used by most of her customers. It is surely unnatural for two geographical neighbors to do such large volumes of business using the currency of a distant and now ailing nation.

Second, the Russian leaders might also consider making their own currency, the rouble, convertible into gold. The idea of gold convertible currencies is extremely unpopular among most economists: they dismiss gold as a "barbarous relic" (to use the famous phrase of John Maynard Keynes) and suggest either the present regime of paper currencies or, at best, a link to a basket of commodities.

Both these solutions are highly artificial and based on the same level of state control which has now just so spectacularly failed. Indeed, which is more "barbarous" - the reintroduction of gold as an instrument of payment, or the practice of amassing huge quantities of the precious metal to keep it locked underground in the vaults of central banks? The contempt of the Keynesians notwithstanding, it is an indisputable fact that gold does remain the ultimate store of value, which is precisely why

states own so much of it.

Russia has less to fear than other countries from the introduction of a currency convertible into gold. Governments are typically hostile to gold because it reduces their discretionary power over the currency and the economy: they say that the money supply cannot be made dependent on the production of gold mines. In reality, this argument is bogus because the amount of mined gold already in existence vastly exceeds the yearly production, so mining does not in fact have an appreciable impact on supply. But, as it happens, Russia is a major producer of gold anyway and therefore to some extent controls production.

Secondly, Russia is vulnerable to her status as an exporter of primary materials - and as an exporter generally - especially in the age of inflation which is about to dawn. The more the Russian economy exports, the more her national paper currency will rise, making those exports more expensive. This is bad for an export-oriented economy. By contrast, the value of a gold rouble would depend not on the trade balance of the Russian economy at all, but instead simply on the price of gold itself which generally remains stable with relation to other commodities.

Russia has shown surprising success in putting an end to the unipolar world of which American strategists have dreamed now for over a decade. There are no permanent victories in diplomacy, however, but a shift in the structure of the world financial system would help to entrench recent gains.

John Laughland is a British historian and political analyst, and Director of Studies at the Institute of Democracy and Cooperation in Paris

<http://en.rian.ru/analysis/20080924/117072937.html>





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# A MODERN GOLD STANDARD?

“BECAUSE, ‘WITHOUT INTEGRITY, NOTHING WORKS’, THE ONLY WAY OUT OF OUR CURRENT MESS IS TO RESTORE INTEGRITY TO THE DOLLAR. WE MUST HAVE A MONETARY SYSTEM THAT IS NOT BASED UPON A LIE. A ‘MODERN GOLD STANDARD’ WOULD DO THE TRICK.”

— **Louis R. Woodhill, “Time for a Modern Gold Standard,” June 17th, 2008.**<sup>1</sup>

One of the most-reported stories of the year also happens to be the biggest problem most-ignored by politicians: inflation and the weak dollar. Plenty has been written about the problem, but very few have written anything in the way of solutions, and even fewer leaders in Washington have responded with anything other than band-aids and bromides.

Fortunately, that may be starting to change. Yesterday, writing for Real Clear Markets, Congressman Ted Poe (R-TX) in his piece “Congress Must Stabilize the Dollar”<sup>2</sup> outlined his bill, H.R. 6690, the “Sound Dollar and Economic Stimulus Act of 2008”. It would set the value of the dollar to one five-hundredth of an ounce of gold. In his words:

“AT \$804/OZ, THE CURRENT MARKET PRICE OF GOLD REFLECTS THE EXPECTATION (AND FEAR) OF FUTURE INFLATION. I BELIEVE THAT FIXING THE VALUE OF THE DOLLAR NOW IN TERMS OF GOLD AT \$500/OZ WILL STOP THE CURRENT INFLATION WITHOUT CAUSING DEFLATION. HOWEVER, MY BILL ALSO PROVIDES A POWERFUL SUPPLY-SIDE STIMULUS, IN THE FORM OF FIRST-YEAR EXPENSING OF ALL CAPITAL INVESTMENT, TO ENSURE THAT ECONOMIC GROWTH ACCELERATES AT THE SAME TIME THAT INFLATION IS BEING STOPPED. BRINGING THE DOLLAR PRICE OF GOLD DOWN TO \$500 WILL BRING THE PRICE OF GASOLINE DOWN FROM ITS CURRENT \$3.50/GALLON TO LESS THAN \$2.50/GALLON. IT WILL STRENGTHEN THE DOLLAR AGAINST FOREIGN CURRENCIES. MOST IMPORTANT, IT WILL PREVENT AMERICANS’ INCOMES AND SAVINGS FROM BEING STOLEN BY INFLATION.”

This mirrors a proposal from Louis Woodhill of June 17th. In response to publisher Steve Forbes’ call for a “modern gold standard” in his June 16th piece, “Unilateral Disarmament,”<sup>3</sup> Mr. Woodhill outlined his plan to stabilize the U.S. dollar with just such a standard amid soaring inflation over the past decade:

“UNDER A MODERN GOLD STANDARD, THE FED WOULD USE ITS OPEN MARKET OPERATIONS TO FORCE THE COMEX PRICE OF GOLD DOWN TO (SAY) \$500/OZ AND KEEP IT THERE. AT THAT POINT WE WOULD HAVE A FIAT CURRENCY WHOSE VALUE WAS DEFINED IN TERMS OF THE MARKET VALUE OF GOLD. UNLIKE THE OLD GOLD STANDARD, GOLD WOULD NOT BE MONEY, AND MONETARY OPERATIONS WOULD NOT CREATE ANY ADDITIONAL DEMAND FOR GOLD. THE MONETARY BASE WOULD AUTOMATICALLY EXPAND AND CONTRACT IN RESPONSE TO MARKET DEMAND. BECAUSE THE FED HAS THE POWER TO DELIVER ON A COMMITMENT TO STABILIZE THE VALUE OF THE DOLLAR AGAINST GOLD,

A MODERN GOLD STANDARD WOULD HAVE INTEGRITY.

“UNDER A MODERN GOLD STANDARD, THE WORLD WOULD BE CERTAIN OF FUTURE VALUE OF THE DOLLAR. ALL OF THE ECONOMIC COSTS CURRENTLY DEVOTED TO HEDGING FLUCTUATIONS IN THE VALUE OF MONEY WOULD BE AVOIDED.”

This proposal differs from the old gold standard because under that standard, gold was money. Governments using the standard would redeem the paper currency for gold at a fixed price upon demand. The problem, according to Mr. Woodhill, was that “[f]rom the beginning, there wasn’t enough gold in the world to honor this promise. This was a fundamental lie... [that] was implemented via ‘fractional gold coverage’ laws that allowed central banks to issue (typically) up to 2.5 times as much base money as the value of their gold holdings.”

In contrast, this modern gold standard would simply peg the value of the dollar to the value of one five-hundredth an ounce of gold at \$500/oz without requiring the nation’s central bank to stockpile bullion to match the dollar printed. According the Mr. Poe, instead, the amount of money would be “determined by the demand for money, which depends upon the transactions people want to do and how much money they want to hold.”

To justify this course, he writes, “What matters about money is not its quantity but its value...” which would be pegged to gold at \$500/oz.

A potential flaw to Mr. Poe’s plan is if the quantity of dollars exceeded the actual demand for dollars. Under those circumstances, the value of gold would plummet, as would the value of the dollar. Therefore, the way that the demand for dollars is measured would be of critical importance to enacting the Poe plan. Would it simply be the amount of money borrowed? Would it include population growth? Economic growth?

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Of course, that's the same problem that exists today: Inflation is up because the supply of dollars currently exceeds the actual demand. Dollars are worth less, so prices are marked up. A potential upside outlined by Mr. Poe is pegging the value of the dollar to gold is that it would increase the demand for dollars:

“I BELIEVE THAT THE DEMAND FOR THE NEWLY-STABLE DOLLAR WILL BE SO GREAT THAT THE FED WILL ACTUALLY HAVE TO EXPAND THE MONETARY BASE... ONCE THE FED IMPLEMENTS ITS NEW DIRECTIVE FROM CONGRESS, EVERY DOLLAR IN THE WORLD WILL HAVE THE SAME MARKET VALUE AS ONE FIVE-HUNDREDTH OF AN OUNCE OF GOLD. FROM THEN ON, THE MONETARY BASE WILL EXPAND AND CONTRACT AUTOMATICALLY IN RESPONSE TO MARKET DEMAND.”

And then the American people's purchasing power would increase, prices would stabilize, and the economy could begin long-term growth based upon the certainty of costs. And two of the biggest problems facing the economy would be solved at one and the same time: inflation and the weak dollar.

\*[http://www.getliberty.org/content.asp?pl=37&contentid=37#A\\_Modern\\_Gold\\_Standard](http://www.getliberty.org/content.asp?pl=37&contentid=37#A_Modern_Gold_Standard)

1-[http://www.realclearmarkets.com/articles/2008/06/time\\_for\\_a\\_modern\\_gold\\_standard.html](http://www.realclearmarkets.com/articles/2008/06/time_for_a_modern_gold_standard.html)

2-[http://www.realclearmarkets.com/articles/2008/09/congress\\_must\\_stabilize\\_the\\_dollar.html](http://www.realclearmarkets.com/articles/2008/09/congress_must_stabilize_the_dollar.html)

3-<http://www.forbes.com/business/forbes/2008/0616/031.html>

## NOTICE: E-GOLD BAR COUNT CHANGE

Craig Spencer has posted an item showing that the e-gold bar count has changed by -16 bar(s) to 178 bars. [Since there are both kilogram and 400oz LBMA bars in e-gold's inventory the actual total weight (2.22 Mg or 71375 oz) has been accounted for in terms of the equivalent number of nominal bars of exactly 400oz weight.]

<http://scbbs.net/craigs/fencome.asp>

## INDIA'S FIRST SPOT BULLION PLATFORM AT COIMBATORE

RiddiSiddhi Bullions (RSBL) Ltd, the biggest bullion dealer in the country, has launched India's first electronic over-the-counter spot trading platform (RSBL Spot - spot precious metals online Trading) at Coimbatore. RSBL Spot is currently trading with contracts of 100 gm (.999) and 1 kg (.995) gold, and 30 kg silver (.999) with delivery centres at Mumbai, Ahmadabad, Hyderabad, Vijayawada and Coimbatore. The trading platform does not charge for opening an account, commission for trading or for the usage of terminals.

“RSBL Spot is a common solution for all problems

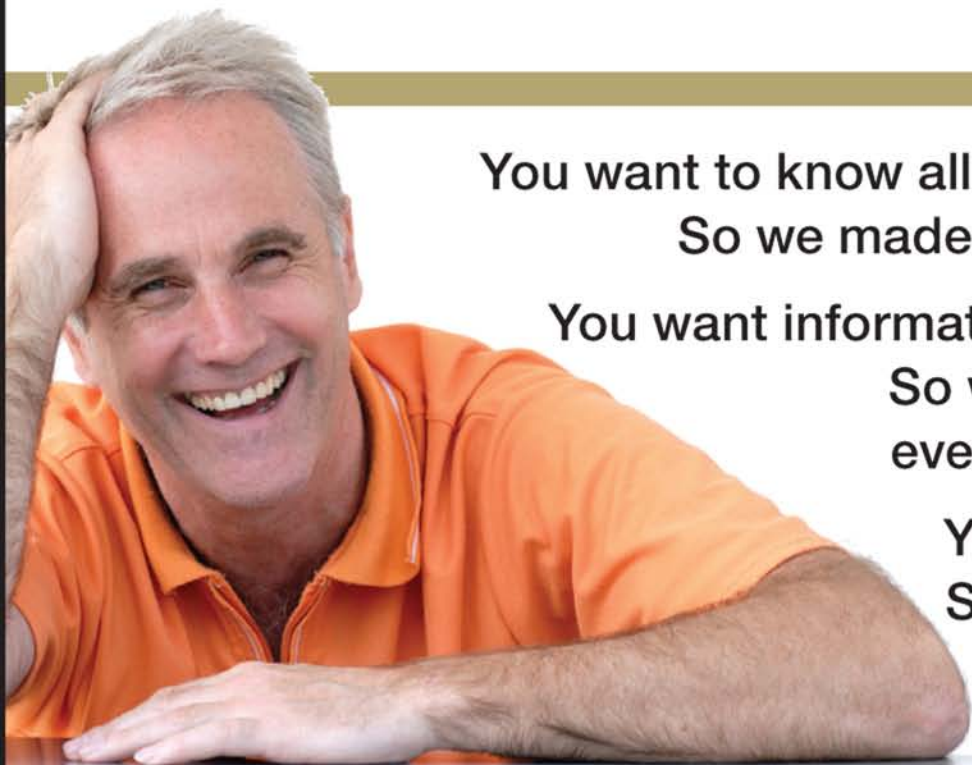
faced by jewellers. With this platform, we have created an integrated systematic, transparent and efficient buy-sell mechanism for all wholesalers and retailers of jewellery. The prices on Spot are comparable to all international or domestic physical market prices. It has emerged as the benchmark for Indian prices of precious metals,” said Prithviraj Kothari, managing director, RSBL.

The company is the only firm that owns the credit to start such a trading platform for bullion in rupees for jewellers, wholesalers, jewellery manufacturers, hedgers and investors. The e-trading platform RSBL Spot also provides trading facilities without the involvement of any intermediaries.

Within 5 months of its launch, the RSBL Spot has registered 300-plus clients. RSBL Spot recorded a total volume of 6 tonne gold and has already recorded a volume of 2.3 tonne for the month of August. “We have outperformed the combined volume of 3,093.033 kg of all gold ETFs (exchange traded funds) in the country,” said Samir Shah, vice-president, RSBL Spot.

<http://www.financialexpress.com/news/India-s-first-spot-bullion-platform-at-Coimbatore/353297>

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# ON GOLDEN ISLAND

By Claire Wolfe

I couldn't help it. The place reminded me of Hardyville.

Yeah, Hardyville -- the grubby little mid-nowhere town that adopted me years ago, but eventually chewed me up and spit me out. Now here I was floating on a man-made mobile island, rocking gently on the territorial waters of some fiscally friendly sheikdom, palm trees waving, global sophisticates slouching elegantly past my outdoor cafe table in designer semi-nudity or gliding by in flowing robes.

Nope, definitely not Hardyville. Not a sagebrush or a cowboy hat in sight.

Still, the place is Hardyville right down to its monumental steel, concrete, and thermoplastic bones. (The island is so massive, they say, that you can't actually feel all that floating and rocking in anything less than a hurricane. Yeah. Tell that to my inner ears.)

The island has an official name, but nobody bothers with it. Most people, in one language or another, call the place something like *Isla d'Oro*. Or *Ile en Or*. However they might say it in Chinese or Arabic or Swahili -- it's always Golden or Gold Island.

And that's what it lives on. Gold is what it does. And all that that implies. Freedom. Which of course is why it reminds me of my old free-wheeling, free-marketing town.

Gold Island is a floating center for anonymous digital gold systems. And for the actual storage and shipment of precious metals.

Not *the* center, mind you. Just *a* center. Doesn't do to keep all your eggs in one basket, even if the basket floats on some of the 21st century's best construction. A basket can fall. So this is just one of five or six.

And when I say "floating" I mean that in more than one sense. Like Nathan Detroit's Permanent

Floating Crap Game from the old Damon Runyon stories, if the location around it gets unfriendly, Gold Island can get under ponderous weigh toward a friendlier locale.

But I have to apologize for going on so long describing the place. This article isn't meant as a Utopian tour. (Don't you hate those old SF books and movies that drag you yawning all the way through "And this is how Our Utopia came to be ... and this is how it benefits the downtrodden workers" kind of thing?) Trust me, I'm not going to do that to you. I'm here to tell you about my first really big, serious business deal using digital gold.

I was on Gold Island to finalize that transaction. There was actually no need for either party to be there, but I thought it would be cool to see Gold Island at last and meet the long-distance associate I'd been negotiating with.

Ah, there he is now, heading for my cafe table.

After diplomatically hiding his disappointment that I'm not a hot babe (I could have warned him about that), the Monsieur sits down.

This being a Mediterraneanish sort of place, we don't get right down to business. You know the obligatory European and Mideastern chitchat. My impatient American self chafes, but I tell myself to learn to love the more leisurely pace.

So over appetizers and aperitifs, we do what passes for chit-chat hereabouts: we talk politics.

"Ave you come recently from America?" he queries in a gentle accent that makes him sound a little less Pepe LePew than I've just written him.

I explain that I haven't set foot at home in five years.

"Ah yes," he sighs, nibbling at *crudites* grown right here on the island (but really, I *promise* I'm not going to do that "tour of Utopia" thing on you; I won't drag you off to look at the hydroponic gardens or the solar panels). "I used to love to visit the United States," he continues. "The energy. The

# Anybody Seen Our Gold?



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

## Who are we?

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

## **GOLD ANTI-TRUST ACTION COMMITTEE INC.**

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# GATA

## On Golden Island

openness. The very rush of it all. But ..." he puts down the carrot, sighs, and gestures to the barman for another drink.

Yeah, exactly. When speaking of what the U.S. of A. has become, there's always that sad, sorry "But ..." Nobody ever has to say more.

As with every great empire, its peak also defined its fall. All that tripping about the globe to convert everyone to "democracy" at swordpoint. All that inflation. All that militarization of every domestic berg and hamlet. All that bureaucracy. All those subsidies. All those bailouts. All those barrels of pork. The eventual curtailment of travel. The outlawing of privacy. The bread. The circuses. The long, slow, painful slide.

Oh, don't get me wrong, even in decline the United States is big and dangerous. Old Grandpa Grizzly still has claws.

But America isn't the alpha in the pack any more. In this post-empire world, the U.S. is no more than a beta or a delta. Others now offer bits of what the "land of the free" once promised. Some found it desirable to offer privacy and hands-off banking laws in exchange for incoming profits. The U.S. can still bluster and threaten, for sure. But its power to hunt and destroy has weakened -- and everyone knows it. So here we are.

Time to order lunch. The waiter glides over and bows. I'm really beginning to wonder when Monsieur will grant his unspoken permission for us to get down to business. After all, pleasantries and pheasant breast aside, business is what we came here to do and what you came all this way to read.

"May we," I finally say, reaching for some notes in my attache case, "get started discussing the final point or two in our contract? I wanted to ask you about this provision ..."

But Monsieur only gazes past me toward another table of business people.

"Isn't it amazing," he muses, "that we could, had we chosen, have transacted our business entirely

without ever even knowing each other's names?"

*Haven't we always taken that for granted?* I thought. But he was right.

In previous eras, one had to meet face to face, personally correspond, or send representatives to transact business. Then came the Internet with its power to change all that. But -- naturally -- almost as soon as the Internet made anonymous, long-distance transactions feasible, the powers that be rushed to make them impossible. Nations and giant corporations (driven largely by the dictates of the U.S.) developed what you might call "anal probe" methods of ensuring trust. For some bizarre reason, "they" imagined that trust could be enhanced by *them* knowing the totality of our lives while we knew less and less about their doings.

That version of "trust" predictably didn't work out. I coulda warned them about that, too. A lot of others tried, but the anal probers weren't listening. Eventually, when their one-way trust model flopped like a dying fish, we got Gold Island.

But my luncheon companion isn't merely stating the obvious when he observes that anonymity and honest dealing can be compatible. He's taking a profound step further. "And," he continues, "because of our ability to deal privately and anonymously through encryption, trust systems, and anonymous digital signatures ... we have also become more safe to meet face-to-face to conduct business as if all were legal and aboveboard. Do you see the irony? Because we can be anonymous, we therefore have less fear of meeting and talking."

"Well, after all, our business *is* legal and aboveboard," I remind him. "It's 100 percent legal within the territorial waters of our host nation, and on Gold Island itself."

But I understand his real point. Because Grandpa Grizzly's opinion becomes less relevant every day, people can now meet and talk with less risk of being surveilled, harassed, and persecuted, as long as their business is non-violent and there's no fraud involved.

My companion is saying that because privacy is



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## On Golden Island

sacred, surrendering a bit of privacy has become safer.

As the U.S. fell, it became natural, even necessary, that a place like Gold Island would rise. Truly private exchanges, of course, need a medium of exchange and a store of wealth that can be counted on despite the vagaries of human beings. As paper currencies became ever-more laughable, global traders of all sorts looked to a medium of value that didn't rely on the (ha ha) "full faith and credit" of a bankrupt issuer. Thus ... gold, digi-gold, and Gold Island. The guy in Botswana who might never lay eyes on the national currency of the guy from Indonesia knows he gets something solid in return.

But I'm sorry, there I go again, going on and on about how this particular not-quite-Utopia works. I promised you I wouldn't do that. I said I'd tell you about my transaction.

So ... over coffee and pastries, Monsieur and I finally do it. We spend 10 minutes hashing out the final details of our deal. He types the agreed-upon changes into his copy of the contract, e-signs it and emails it at me. I e-sign right back at him.

Then one of us smoothly transfers gold to the account of the other. We shake hands. Then he, bless him, picks up the e-check.

*Voilà!* I told you I'd tell you about our business transaction, and there you have it.

What? You say you want to know exactly what we were arranging to trade and who paid what to whom? You say you want to know whether our business was strictly "legal" under the oppressive laws you happen to live under? You say I've cheated you by going on (and on) about Gold Island while saying next to nothing about the business at hand?

But really, I told you the very, very, very most important things about our business: That it was conducted in sound currency and that it's private. Everything else is mere detail.

I learned a big lesson on Gold Island. I learned that I was wrong -- and had been for a long time.

When digi-gold bugs used to talk to me about how digital gold could supplant or even exist side-by-side with paper currencies, I'd always argue Gresham's Law: "Bad money drives out good." As long as people would accept paper, I'd repeat, why spend gold or silver? Gresham always seemed like the immovable object.

I just forgot that human beings, making free choices, are the irresistible force.

As you smarter-than-I people know, Gresham's law (and Wikipedia) *actually* says, "Gresham's law applies specifically when there are two forms of commodity money in circulation which are forced, by the application of legal-tender laws, to be respected as having face values in a fixed-ratio for marketplace transactions."

Legal tender laws? Not around here, my friend. "Legal tender" commodity money became mere paper. "Full faith and credit" is revealed as snake oil. Those who do serious business on a global scale demand payment they can count on.

So gold is golden.

And privacy is sacred. Otherwise the whole system falls apart. What's private remains private unless someone presents strong evidence of aggressive violence or fraud.

So you see, I did tell you the most important thing, even if (I admit) I did leave out a few details.

The rule of gold and privacy isn't merely a rule for sound, free business or banking. It's a fundamental rule for living among other human beings in a civilized society. Without respect for privacy, verifiable trust, and exchanges of solid value, civilization isn't worthy of the name. Gold Island and its fellow enclaves have snatched true civilization, true human decency, back from the barbarity of all-controlling empire.

(c) Claire Wolfe 2008

## WHAT WILL THE 'NEW' E-GOLD LOOK LIKE?

“THE NEXT GENERATION OF THE E-GOLD® APPLICATION WILL UNDERTAKE TO ENFORCE A ‘ONE-HUMAN BEING/ONE E-GOLD USER’ RULE,” JACKSON WROTE. “THE ADVANTAGE FROM THE CYBERCRIME-THWARTING STANDPOINT WILL BE AN EVER-STRONGER ABILITY TO BLACKLIST A PERSON WHO HAS ABUSED THE E-GOLD SYSTEM.”

**DR. DOUGLAS JACKSON 'A NEW BEGINNING'**



What will the new e-gold® look like?

This is a question is on the minds of all e-gold® fans. Becoming a “GoldPal” type operation and complying with all the US regulations, as PayPal does, could be a headache for the e-gold structure and business model. However, based on previous upgrades we believe that the talented team of programmers over at e-gold Ltd., who have always set the bar very high, will rise to the occasion and create a terrific new online product.

Here is the end result of recent legal actions undertaken by the US Government and a brief

outline of things to come...how e-gold® will be changing.

*“In a move to conform with U.S. laws, E-Gold has filed an application with the Financial Crimes Enforcement Network (FinCEN), an agency within the U.S. Department of Treasury charged with deterring money laundering, Jackson said. E-Gold is seeking to be licensed as a money services bureau in those states that require it. In addition, E-Gold plans to add a number of provisions to its user agreement in hopes of stopping criminals from using the system to transfer illicit funds. Users will be*

*required to confirm that they will not use e-gold to violate any laws to which they are liable. Also, their accounts may be frozen and they could be subject to prosecution if E-Gold investigators determine they are laundering funds. The company also plans to release a new application that will prohibit one user from running multiple accounts under the control of multiple people. According to a Department of Justice news release, E-Gold's operators also agreed to implement a "comprehensive money laundering detection program that will require verified customer identification, suspicious activity reporting and regular supervision by the Internal Revenue Service's Bank Secrecy Act Division."*

Ahead of all these changes, additions and upgrades most users are now asking what 'old school' features will be retained and what new options, features or restrictions might emerge with 'The New e-gold®'?

- 1. Will an active marketplace of third party independent exchange agents still operate? Or will the new e-gold v2.0 be required to manage all exchange services 'in house'?**
- 2. PayPal restricts the exchange of their units with any other digital money. Whether automated or not, will the new e-gold TOS still allow open market exchanges with other e-currency such as Pecunix, V-money or Webmoney?**
- 3. Will all transactions still be final and the slogan 'get paid and stay paid' remain true with no chargebacks?**
- 4. As PayPal and GoldMoney now require, will e-gold users always be sending funds directly to e-gold and never using an independent agent?**
- 5. Will e-gold be available now be easily purchased with a credit card or ACH transfer as PayPal allows?**
- 6. Will all future e-gold accounts still operate as both a merchant & customer account with no distinction or additional requirements?**
- 7. Might e-gold require a monthly fee to operate an account?**
- 8. Will e-gold prepaid cards finally be popular?**
- 9. Will OmniPay ever move to or operate from the Dark Continent?**
- 10. In order to establish if a financial profit was generated by rising gold prices in a funded account, will an IRS form be required each time digital gold is sold? (As Crowne Gold required)**
- 11. Will e-gold offer an in house debit card for withdrawals?**
- 12. Will e-gold accounts still be offered to almost every country around the world or will e-gold be forced into a country by country selection as PayPal does?**
- 13. Now that the bulk of legal issues appear to be sorted out, should the current e-gold Ltd. company just pack up and move outside the US?**

The e-gold® Team has a busy future ahead and most of us feel a very positive cycle of enormous growth. Let's hope that the new version of the company will be able to retain their convenient, inexpensive and attractive features. Best wishes to Dr. Jackson and team for a successful future. Count on the 100% support from DGCmagazine.

*Section 359 of the USA PATRIOT Act expanded the definition of "financial institution" to include not only a licensed sender of money but any other person who engages as a business in the transmission of funds, including any person who engages as a business in an informal money transfer system or any network of people who engage as a business in facilitating the transfer of money domestically or internationally outside the conventional financial institution system. Any individual or group of people engaged in conducting, controlling, directing or owning an informal value transfer system in the United States is operating as a financial institution. Therefore, IVTS operators must comply with all Bank Secrecy Act (BSA) requirements, which include establishment of an anti-money laundering (AML) program<sup>4</sup>, registration with the Financial Crimes Enforcement Network (FinCEN) as a money services business<sup>5</sup>, and compliance with the record keeping and reporting requirements, which include filing suspicious activity reports (SARs).*

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# ALL E-GOLD ACCOUNTS NOW REQUIRE TAX ID INFORMATION

Here is a follow up to the previous story, the changes are already starting.

***US and non US users will now be required to provide personal tax information on their e-gold account.***

It was July 21 of this year when Dr. Jackson spelled out his plan for updating e-gold accounts. His goal is to quickly and properly make the e-gold system into a US financial business. From that post back in July, Dr. Jackson, acknowledges "... that e-gold is indeed a Financial Institution or Agency as defined in US law and should be regulated as a Financial Institution. E-gold Ltd. ...will be exerting every effort to bring e-gold into compliance with US law and regulation as quickly as possible."

Today, again announced from the e-gold blog, they are announcing a major move toward US financial compliance and customer identification. Effective immediately, all e-gold users will be required to provide a Personal Tax Identification Number for the point of contact on the account. Non US users will have to provide their local tax information for their jurisdiction.

***"e-gold Ltd. remains highly committed to continuing to offer a cost effective Internet payment system making instantaneous settlement, free of chargeback risk, available to customers around the world. We continue to be confident that a regulated e-gold rebuilt to a more systematic specification will be less hospitable to criminals, and more attractive to mainstream business use without being less accessible to those disregarded by legacy payment systems."***

Congratulations to Dr. Jackson and the e-gold team on their move forward.

## BANKS CRUMBLE, WAIT FOR PHYSICAL BULLION GETS LONGER

This article is from Numismaster.com by Patrick A. Heller, Market Update, September 16, 2008

What has happened to the U.S. dollar, stocks and precious metals markets in the past week has followed almost exactly the script I wrote seven days ago. There has been so much media coverage that I won't repeat all the details here.

However, there are two significant negative effects of the U.S. Treasury's takeover of Fannie Mae and Freddie Mac. First, the takeover constituted an act of default on the trillions of dollars of outstanding derivative contracts with Fannie Mae and Freddie Mac, which now need to be promptly unwound without regard to losses. Second, the wiping out the equity of Fannie Mae and Freddie Mac shareholders affected shares held by many investment and hedge funds, which put several of them into horrible financial straits. The effect of these two factors have added to the other financial pressures that have been reported elsewhere.

On Sept. 15, Lehman Brothers Holdings, Inc. announced that it was filing for Chapter 11 bankruptcy. Bank of America announced that it was purchasing Merrill Lynch for a 60 percent premium above that company's Sept. 12 closing stock price. Insurer AIG revealed that it is seeking an emergency \$40 billion loan from the federal government.

In addition, 10 large banks and brokerages announced that they would each contribute \$7 billion to create a \$70 billion fund to provide emergency liquidity to the U.S. financial industry. Although this is being reported as a source of private funds, don't be fooled. This money is ultimately going to come out of the taxpayers' pockets. The sponsors - Bank of America, Barclays Bank, Citibank, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan Chase, Merrill Lynch, Morgan Stanley, and UBS - are all facing billions of dollars of losses (or worse) in the coming months.

With all this bad news developing over the weekend, the price of gold soared \$25 in Asian markets early Monday, Sept. 15. As soon as the U.S. government's trader showed up on the London exchange, almost all of this price gain disappeared. It would take until late in the U.S. markets to return to about \$25 over Friday's close.

For the day, the U.S. dollar index fell about 0.4 percent, the Dow Jones Industrial Average dropped 4.4 percent and the prices of gold and silver were up 3 percent each.

You might be curious about trading activity in physical gold and silver. On Monday, Sept. 15, my firm enjoyed its highest single-day sales since March. Virtually everyone was a buyer. The buyers were in an urgent mood, eager to write a check to get whatever they could acquire. I wouldn't say they were panicked, but it was leaning in that direction. For the past two months, demand for physical gold and silver has been so strong that many coin and bullion dealers and wholesalers have had difficulty having any merchandise in stock for live delivery. Premiums are up sharply. Today, you can expect to have to pay \$5-\$20 per ounce above the gold spot price for coins compared to their premiums in early July. For silver, premiums have climbed \$1-\$3 per ounce relative to spot compared to early July premium levels.

If you want to purchase physical gold or silver, do not expect to find any in stock for immediate delivery, though you might be lucky enough to be in the right spot at the right time. As best as I can determine as of late Monday, Sept. 15, here is what delivery times customers are facing for obtaining physical gold or silver:

Gold coins that can be purchased for delivery within two weeks: Mexico 50 pesos, U.S. Buffaloes, all four sizes of U.S. American Eagles, and limited quantities of U.S. American Arts gold medallions.

Gold coins and bars that can be purchased for delivery in two to eight weeks: Austria 100 coronas, Australia Kangaroos, Austria Philharmonics, 1-ounce gold ingots, and China Pandas.

Gold coins that are virtually unobtainable: most dealers and wholesalers will not accept new orders

(but you might get lucky once in a while) are British sovereigns and South Africa Krugerrands.

Silver coins available for delivery within two weeks: U.S. 90 percent and 40 percent silver coins.

Silver coins available within a few weeks if you find the right dealer: Canada silver Maple Leaves and U.S. silver Eagles.

Silver bars available within two months: 100-ounce and rectangular 1-ounce ingots other than Engelhard and Johnson Matthey brands.

Silver coins and bars that are virtually unobtainable so most dealers and wholesalers will not accept new orders: all Engelhard and Johnson Matthey silver ingots, 1-ounce silver rounds (most fabricators are quoting 4-6 months for delivery), 10-ounce silver ingots, and any coins and ingots fabricated by the Perth Mint (currently quoting 6-8 months for delivery). I saw multiple reports Monday that even the 1,000-ounce silver ingots that could be delivered against COMEX contracts are virtually unobtainable.

A quantity buyer of gold or silver might have the idea of simply buying a COMEX commodity contract and asking for delivery. In theory, you can purchase a spot month contract and get delivery within a few weeks. However, one Dubai bullion dealer stated emphatically this past weekend that it is now taking months to obtain delivery of physical metal on a COMEX gold or silver contract.

This may sound strange, but I do not recommend purchasing gold or silver as an investment. Don't buy either with the thought that you will buy it low and sell it high. Instead, buy precious metals as a form of insurance that you will hold until you die and pass it along to your heirs. Then, if circumstances develop where you need to sell your gold and silver, think of it as collecting on your insurance policy. For insurance purposes, buy only physical gold and silver and take personal delivery. There are several vendors of gold and silver certificate programs that look mighty shaky right now. You won't be able to trade a silver certificate for gasoline or bread, if things get really bad. <http://www.numismaster.com/ta/numis/Article.jsp?ad=article&ArticleId=5313>

# **BULLIONVAULT.COM BECOMES LONDON BULLION MARKET ASSOCIATION MEMBER (LBMA)**

Congratulations to [BullionVault.com](http://www.bullionvault.com) new member of the LBMA.

BullionVault.com offers an online trading platform to buy, own, and sell gold using the Internet. Gold trading - from one gram up.

Incorporated in 1987 in close consultation with the Bank of England, The London Bullion Market Association is the trade association that represents the wholesale gold and silver bullion market in London. This bustling city is the focus of the international Over-the-Counter (OTC) market for gold and silver. That client base includes the majority of the central banks that hold gold, plus producers, refiners, fabricators and other traders throughout the world.

The LBMA Good Delivery List is now widely recognized as representing the de facto standard for the quality of gold and silver bars, in large part thanks to the stringent criteria for assaying standards and bar quality that an applicant must satisfy in order to be listed.

BullionVault is owned by Galmarley Limited which is company number 4943684 registered in Great Britain. Galmarley is involved exclusively in gold and gold related information technology. It owns both web sites [www.BullionVault.com](http://www.BullionVault.com) and also [www.galmarley.com](http://www.galmarley.com) To learn more about BullionVault please visit their informative web site or read our interview with CEO Paul Tustain in the March issue of DGC magazine.

**What does the professional bullion market have to offer?**

- **The most competitive gold prices in the world are enjoyed by the participants in the professional bullion**

**market: large gold dealers, refineries, government agencies and bullion banks.**

- **This professional market only deals in what are known as Good Delivery bars. If you're not trading these bars you are excluded from their market - and their very competitive prices.**
- **Good Delivery bars are cast by a small group of metals refiners accredited by the professional bullion dealing communities in London, New York and Zurich. They are accurately assayed and guaranteed always 99.5% pure gold or better. The market trades their pure gold content, known as fine gold, so you don't pay for the impurities.**
- **From the day they're first manufactured, Good Delivery bars are kept in bullion vaults recognized and monitored by the local gold dealing community. Every time bars are moved a careful record is maintained, showing continuous storage through trusted hands. This guarantees gold bar integrity in a way that keeping gold at home, or even in safety deposit boxes, simply cannot match.**
- **The result is that professional buyers accept deliveries of these bars direct from the seller's vault without re-checking their purity - and that greatly reduces bullion dealing costs. This is why they're called Good Delivery bars.**
- **Good Delivery bars are large - usually 400 troy ounces each (12.4kg). The professional market doesn't allow you to own part of a bar.**
- **But having enough money to buy a whole bar or two would only solve half the problem. You still need that relationship with a formally recognized vault to look after the gold while you own it. The starting balance for an accredited storage account is 15 to 20 of these 400-ounce bars, and the agreements take a lot of time, cost and effort to set up.**

For more information, please see their ad on page two and visit their web sites:

<http://www.bullionvault.com>  
<http://www.galmarley.com>



# 'TOP SHELF' DIGITAL GOLD

by Mark Herpel

Have you ever Googled, "how to buy gold" ?

That keyword query will serve up over 15 million results. After you have waded through those results you may find yourself still unsure about "How to buy **Digital** Gold". Digital Gold has only been around since the birth of the Internet. Digital Gold Currencies have very specific features and benefits. DGCs are a different kind of gold product and offers distinct advantages over coins, ETFs, mining stocks or mint certificates.

Digital Gold is one of the easiest ways for anyone to buy and own allocated gold bullion (physical gold bullion held in storage). Digital Gold can be bought or sold anytime from the comfort of your home PC. If you can find the 'Enter' key and send an email, you can buy or sell Digital Gold.

Using the Internet and not walk in locations allows buying and selling of Digital Gold 365 days a year. Similar to PayPal, DGCs offer instant liquidity into your choice of national currencies. When customers make a DGC purchase they own actual

gold bullion in allocated form. DGC gold bullion has no counterparty risk as you might find with gold stocks, ETF's or gold certificates. Unlike gold coins or a heavy gold Rolex watch, local storage and safekeeping of digital gold is not required.

## TOP SHELF DIGITAL GOLD

Digital Gold is allocated gold stored in a secure insured professionally managed vault (no shipping, storage or insurance hassles) Setting up a new account over the Internet is very convenient. Accounts can be used for investing, savings, trading, local or global fund transfers. Because of low fees most DGCs offer excellent options for stored value. Because of instant online buying and selling at competitive market prices, digital gold becomes a very efficient investment model for the average citizen. Almost all of these accounts can be opened with less than \$100. There are no account opening costs and no extra processing fees. By sending and receiving gold transfers, your online business will reduce merchant costs, fees from currency conversion and losses due to fraud or chargebacks. Since gold is recognized and accepted in every country around the globe DGC accounts are denominated by weight.

**Try us. We will earn your trust.**

# 100% Praises

## Zero Complaints

**<http://www.SwapGold.com>**

**Trusted by Global Clients Daily Since January 2006**

**WHOLESALE RATES TO BUY, SELL, CONVERT E-CURRENCIES.**

**LEGALLY REGISTERED COMPANY IN SINGAPORE.**

**VERY FAST PROCESSING**

## **GoldMoney, BullionVault, Pecunix, Anglo Far-East Bullion, e-Dinar, Webmoney Gold (WMG)**

When you are ready to make a digital gold purchase, any of the above companies may be suitable for your needs, however, each business model offers specific advantages. It is important to understand their features and select the company which meets your requirements.

GoldMoney, BullionVault, e-Dinar, Pecunix and Webmoney WMG allow easy account set up and low minimum entry points. Anglo Far-East Bullion is also an excellent way to privately buy and own digital gold, however they have minimum value requirements for all new account holders.

Each of these companies provides a good level of transparency, strong governance and audited numbers. The digital gold balance which shows in these accounts, is backed by actual gold bars at a vaulting company. Most of these companies will also display the list of bars which are owned and insured through the vaulting location.

GoldMoney.com is an outstanding company and an account through GoldMoney includes some excellent additional banking options. Accounts offers both digital gold bullion and digital silver bullion products. All new accounts require extensive customer identification and verification, however, after a new account has been verified, the process of sending or receiving funds to and from GoldMoney is quick, inexpensive and painless. This system is paired with multiple banking relationships which aid customers when buying or selling precious metals. Goldmoney clients are not required to have funds wired directly back into their local bank accounts. GoldMoney has a mutual arrangement through their local Jersey banks. Between market swings (buying and selling) customers can park their funds with GoldMoney and even earn interest.

In Jersey, GoldMoney's primary banking relationships are with Barclays Bank and Royal Bank of Scotland International. When not invested in precious metal, customer funds are held in segregated accounts with those banks, which pay

interest on those funds. GoldMoney then passes that interest on to its customers and deducts a small management fee for the service.

\*<http://support.goldmoney.com/>

GoldMoney is actual digital gold currency which means you can transfer any amount of digital gold to any other GoldMoney account holder at anytime. GoldMoney accepts business accounts and encourages all users to transact their daily commerce using digital gold payments. If you need to pay for a global product or service there is no need to use a credit card or wire transfer. GoldMoney customers can pay with digital gold.

Did you know that GoldMoney digital gold is an available investment option for an IRA, 401k or SIPP account? GoldMoney has arranged through licensed professionals the option of holding digital gold in your pension or retirement accounts. Have you watched the news lately? *"Millions of Americans are losing their life savings because of plummeting stock values in their 401k"*...well here is an easy gold solution.

Since GoldMoney accounts are denominated by weight and transaction fees are very low, it is possible and inexpensive to send or receive frequent micro payments. Their web site also offer easy integration for developers.

GoldMoney is an excellent option as an International gold savings account.

Bullionvault.com is a precious metal trader's dream come true! From any computer in the world account holders may log in and buy or sell allocated gold bullion in just about any size 'lot'. Bullionvault will even give you a free gram of gold for simply opening an account and trying their tools. All metal on account at BullionVault is held as LBMA good delivery bars in secure vaulting locations. In fact, Bullionvault is now a member of the London Bullion Market Association ( <http://www.lbma.org.uk/> ) These bars never leave the vault and ownership is 'allocated' with those bars being separated within the vault. Unlike GoldMoney, the account holders at BV cannot make any online transfers to anyone else's account. A BullionVault account is strictly a buy and sell gold metal account. This company

offers an extremely effective package of online tools for buying and selling.

The trading features of a Bullionvault account offer distinct advantages over any other digital gold product. BV allows customers to place their own bids and offers directly from other customers. Easy bank integration allows customer funding in national currency from the US, UK or Europe. Once funded, anyone may place a bid to purchase amounts of gold from other sellers.

To assist traders with online transactions, BullionVault offers free graphs, charting and analysis of the markets. The company has vaults in London, Zurich and the US. Bids and offers shown on their web site are always viewed in real time. When first logging into the BullionVault web site you will easily find the 'best bids' to buy and the 'best offers' to sell gold bullion. You begin any transaction by simply clicking the corresponding onscreen button. BullionVault offers online digital gold transactions like no other company can deliver. Their fees are very low and the bid/offer set up provides everyone with an economical and convenient online experience.

The Anglo Far-East Bullion Company provides a range of private bullion custodial and banking services. This is safe, secure and fully insured bullion storage and it is available from one easy-to-establish account.

It's called **Bullion Banking**, and offers an extraordinary level of privacy, governance and convenience. Another great advantage with AFE is they also offer silver bullion and any account holder may spread their wealth between the two popular metals. Owning gold or silver at AFE means you own the actual metal. Customer holdings are allocated in a secure vault location in Switzerland.

AFE provides independent and private bullion vault services governed, protected and insured under AFE's strict corporate and custodial governance. An AFE bullion account (sometimes referred to as a "Metal Account") operates just like normal online banking. The only big difference is that all AFE account balances represent ounces of gold and/or silver not Dollars, Yen or Euro. All DGC accounts mentioned in this article are denominated by weight in Troy ounces or grams. E-dinar offers accounts denominated by weight in gold dinar and silver

dirham.

AFE accounts offer several key privacy features. While opening an account requires strict identification of any new client, all accounts are administered by number and not by customer name or any other identifying information. For example, Bullion Account Statements and Account Transaction Statements never quote the name or address of the account holder. The owner is identified by "Number" only. All gold and silver bullion holdings, are held in trust, free from physical, political or legal risk.

Working with AFE, customers have available to them: Bullion Accounts, Bullion Certificates, Institutional Banking along with Financial & Trust services.

Pecunix and Webmoney (WMG) are digital currencies which are 100% backed by allocated gold bullion. The Webmoney system has multiple ewallets, called purses and one of these is the WMG purse backed by gold. Both Pecunix and WMG offer Internet payment systems with features that rival any standard credit card merchant. Accounts are available to anyone around the globe without the intrusive restrictions of a credit check or account set up processing fee. All transactions are final, so there are no chargebacks. Just like GoldMoney, Bullionvault and AFE, the accounts balances are denominated by weight. The value of a Pecunix or WMG account will rise or fall depending on price fluctuation in the spot gold price. (sorry no silver here)

If you own an ounce of gold in a WMG purse, and the price of gold rises or falls \$100 per ounce your new balance will reflect that change in value. Consequently, these accounts provide an easy way to buy and store digital gold. These company web sites provide the ecommerce added benefit of API and shopping cart integration, easy programming for developers and very low transaction fees. Both of these DGCs make an excellent choice for e-commerce while providing a level of safety and protection that only gold bullion can offer.

If you have a Pecunix or Webmoney account you are free to make transfers from those accounts to any other account holder. Sending and receiving payment in Pecunix is safe, inexpensive and simple.

Another distinct advantage of these companies is

## Top Shelf Digital Gold

the governance. All bullion is held in secure vault locations (in fact Pecunix gold bars are stored by AFE) and there is a strict chain of governance which controls when any new digital units are issued against the vaulted bullion. There can never be more digital units out, than have 100% gold backing in the vault. Ownership of these digital units is actual ownership of the allocated gold. If you have a Pecunix balance in your account, you own that gold.

To protect account holders from default risk, the buying and selling of both Pecunix and Webmoney are transacted through a global network of third party agents. When buying or selling it is the third party agent that assumes any financial risk from a transaction, thus the gold bullion in the vault is always safe. There are thousands of third party exchange agents in dozens of countries around the globe. This means when you want to fund your Pecunix or Webmoney account you DO NOT send funds to these companies. You will need to find a third party agent that exchanges these digital currencies and buy from that agent. The third party agent will charge you a small fee for any exchange with national currency but it is these companies that maintain a liquid market.

E-dinar digital units are denominated in gold dinars and silver dirham. A e-dinar account allows payments in highly divisible parts of a metal unit. Using e-dinar, it is easy to send or receive tiny payments such as 1/100 of a gold dinar or .5 silver dirham.

Each e-dinar electronic unit corresponds to an exact, fixed weight of 4.25 grams of pure 24k gold. Each e-dirham corresponds to an exact, fixed weight of 3 grams of .999 silver. Account holders always have the option to exchange their e-dinars an e-dirhams into any major national currency or redeem them and take physical possession of an equivalent amount of gold dinar and silver dirham.

If you have been avoiding gold bullion because you did not know how to buy gold online, please visit these top shelf Digital Gold companies. Find how how easy and inexpensive it is for anyone to buy, sell or own Digital Gold bullion without the hassles of shipping and local storage. Digital Gold Currency is convenient, inexpensive and offers 24/7 liquid protection against the evils of today's highly leveraged risky world.

*ELECTRONIC DINAR*



<http://www.e-dinar.com>



## **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. Further innovative, new services will follow.

e-mail [info@cryptohippie.com](mailto:info@cryptohippie.com)

<http://www.cryptohippie.com>

## **HOORAY FOR PRIVACY! CRYPTOHIPPIE GETS A BIG DGC MAGAZINE ENDORSEMENT**

It's not often we can endorse an Internet privacy product. Cryptohippie products receive our full endorsement and an across the board recommendation. For DGC users with very strict privacy concerns, Cryptohippie is for you. Here are some details directly from the experts at Cryptohippie. These operators are some of the best in the world.

Cryptohippie USA, Inc. exists to protect individuals and organizations against attacks on privacy by agents of industrial and competitive espionage, organized crime, oppressive governments and even hired hackers. We do this with the best of encryption technologies and a closed group of highly protected networks - for your peace of mind and safety.

### **ENTERPRISE SOLUTIONS**

Cryptohippie USA, Inc. provides access to the CHAVPN network, an anonymous, thoroughly protected and globally distributed network that allows very private access to internal data processing sites and standard internet destinations. (*Virtual Private Network*)

By employing technological and organizational means this enables our clients to use the best of breed system for professional anonymous internet access and closed group networks. Both your communication content and its context (who communicates with whom, which sites you surf to) are protected within the network. Contrary to other products on the market, you will not have to entrust a single entity with your privacy or to accept rogue nodes observing your traffic.

Cryptohippie USA, Inc. provides your enterprise with a dedicated hardware solution for full VPN support and anonymization. Get your advantage back by leveling the playing field. Protect your communication against wire tapping, data retention and identification.

By plugging in a single hardware box on your network border all of your office computers receive full access to the CHAVPN network, allowing you to quickly set up protected closed group networks with your mobile workers, partners and outside suppliers. In addition, all outgoing traffic will be anonymized, so your competitors have no clue what you are working on or what you are interested in. Protect your customers by keeping their confidential data secret; limit the risk of misdirected investigations or bad press due to employee misbehavior. Get protected and regain your peace of mind.

### **FEATURES**

- Hardware appliance: Plug in and forget
- Zero maintenance, priority support
- No user limits or per user licenses
- Absolute cost control
- Seamlessly connect your branches
- Can replace legacy VPN installations
- Does not interfere with other security measures
- Up to 400 MBit/s encrypted communication
- All protection features enabled
- Protected email gateway included
- Integrate your mobile workers

### **WHAT TO PROTECT AGAINST**

#### **COMPETITORS SURVEILLING YOUR COMMUNICATION**

Today, competitive and industrial espionage are daily business. Part of this business is employing technical and human means to find out what other market participants are doing, what they are interested in, and with whom they communicate. This information is freely available or easy to procure via illegal means. Since all unprotected traffic on the Internet can be associated with its origin - even surfing to websites - searching through Google, sending email and using instant messaging or VoIP can - and will - give away critical information about the motives your communications.

#### **INSECURE MOBILE COMMUNICATION ENVIRONMENTS**

Mobile Internet access via public Hotspots, hotel networks or LANs of partners or customers is one of the most dangerous, but necessary, practices of mobile workers. These methods make the user vulnerable to low-cost attacks, to get access to communication details as well as leaking valuable information on critical security details of enterprise networks.

## **MANDATORY DATA RETENTION BY TELECOM PROVIDERS**

All over the European Union and in many other countries, mandatory data retention laws are in effect. Massive databases of connection details - of everyone using modern means of communication - reach back several months or even years. These are now available to law enforcement and intelligence agencies, often even crossing borders due to multi-lateral assistance agreements. Since economic espionage is now in the primary repertoire of intelligence services, and since misdirected investigations are not uncommon, these masses of data constitute an enormous risk for any globally-active economic organization. Adding the problem of corruption and illegal data leakage due to hacking and theft greatly increases the probability that this data is used in unintended, destructive ways.

## **UNWARRANTED ACCESS TO TELECOM OPERATIONS**

All over the world information about unwarranted access to critical telecom back-end systems and operations by law enforcement, intelligence agencies, private data collectors and hackers enters the news and industry publications. Massive "vacuum cleaner" data gathering operations, both by public and private entities, are a serious risk to confidential communication, especially with today's low cost data mining technology.

## **ILLEGAL BEHAVIOR BY EMPLOYEES**

Surfing illegal porn sites, illegal file sharing and committing fraud employing company resources and networks can easily cause investigations of the employer. This leads to bad press and often raids or seizures. These events can result in tremendous cost and even endanger critical operation.

## **MISDIRECTED INVESTIGATIONS**

Digital evidence is easy to forge and hard to refute. Attempts to direct investigations by law enforcement against personal and economic enemies are a common practice - in most cases leading to enormous damages to the target.

## **BLACKMAIL AND CORRUPTION**

Internet Service Providers and other telecom companies have total access to all communication content and details. They are the central nexus of today's digital society - a central point with increasingly valuable data. Using blackmail and corruption, organized crime and scrupulous competitors get access to key administrators and critical customer data, or even to mandatory data retention databases.

## **LOST AND STOLEN DATA**

Lost and stolen data make the news almost weekly although only the tip of the iceberg reaches public attention. This data includes not only customer databases but often correspondence, critical system access credentials and transaction records.

## **HOW CRYPTOHIPPIE PROTECTS YOU**

### **ANONYMOUS INTERNET ACCESS**

When connecting via our service, your original IP address will not be visible to third parties - it is replaced with a new one from our system. This IP address is not assigned to you, nor does it remain the same. This makes it extremely hard for an outsider to gather any information on who you are or where you surf. Furthermore, the packets sent through our network get mixed with many others, making traces very hard.

### **PROTECTED CLOSED-GROUP NETWORKS**

Closed-group networks are private and encrypted networks only accessible to authorized members. This technology makes it possible to invite only members of a team into ones own "private internet". Cryptohippie includes this functionality into all its products.

## NO NEED TO TRUST A SINGLE PARTY

Accessing the Internet via your ISP or through most anonymization services forces the user to entrust a single entity with his or her privacy. Cryptohippie splits trust over multiple certified entities. None of those entities has access to enough data to break your privacy or gather information that could be used against you or a client.

## JURISDICTION AWARE ROUTING

To further protect against unfounded surveillance, all communication on our networks travel through at least two jurisdictions. Furthermore, connections leave our system in a jurisdiction different from the jurisdiction of the destination/receiver. This serves as barrier against over-reaching investigations.

## MILITARY GRADE ENCRYPTION

All traffic to and within our networks is protected by state of the art encryption. This keeps third parties from gathering information about your communication contents and context. Even stolen client keys will not compromise previous data transfers. Data is encrypted with AES-192/AES-256, key exchange is conducted using RSA-2048/DH-2048, HMACs are created with SHA1/SHA256.

## DYNAMIC IP ASSIGNMENT

Internet destinations often create and share log-files with other parties. This can easily create profiles on users. Cryptohippie employs dynamic IP assignment methods that assign IPs based on both source and destination of a connection only. Doing this ensures that a client IP will constantly change (without breaking connections) and thus makes profiling much harder.

## ADAPTIVE FIREWALLS

All traffic within our network runs through client specific firewalls. This assures that no unauthorized connections to your systems can travel through our network. Firewall rules can be updated during active sessions and thus may be adapted dynamically to current requirements.

Protect your Internet business and data. Visit the Cryptohippie web site today and get signed up.

<http://www.cryptohippie.com>



Gold Dinar and Silver Dirham photos courtesy of e-dinar. They deliver around the globe. Please visit their web site for more information.

<http://www.e-dinar.com>



# PAY ZAKAT IN GOLD

By Omar Javaid, Sr.Editor, CRITIC Magazine  
([www.criticmagazine.pk](http://www.criticmagazine.pk))

We are living in a world controlled by an economic system that is anything but Islamic. It's based on Interest / debt based banking systems designed to enslave and dominate the masses and countries so that their natural capacities and wealth can be exploited for the benefit of the few on the top1. Being a Muslim it's our ultimate responsibility to launch a response that can transform this system toward the Islamic Ideals.

The most pivotal building block and strongest tool of exploitation of the interest / debt based economic system is paper currency backed by nothing. Paper currency (and now digital) is the center of gravity off the prevailing economic system and Alhamdulillah, SubhanAllah Islam has provided us a very strong weapon called Zakat that we can use to hit its lifeline if we use it properly i.e. "Pay Zakat in Gold".

To understand this we have to get hold of the economics of paper currency first. Paper currency is not backed by Gold or silver these days. Its value is determined through floating exchange rates resulting in deadly repercussions in following ways:

**"I BELIEVE THAT BANKING INSTITUTIONS ARE MORE DANGEROUS TO OUR LIBERTIES THAN STANDING ARMIES. ALREADY THEY HAVE RAISED UP A MONEY ARISTOCRACY THAT HAS SET THE GOVERNMENT AT DEFIANCE. THE ISSUING POWER SHOULD BE TAKEN FROM THE BANKS, AND RESTORED TO THE PEOPLE TO WHOM IT PROPERLY BELONGS."**

**-THOMAS JEFFERSON, 3RD US  
PRESIDENT**

## WHEN SHARING BECOMES EVIL

The most central practice in today's economic model is Fractional Reserve banking (FFRB) which is about lending a percentage of deposits to customers. Paper Currency that is printed in the quantity, desired by Central Bank (CB) is multiplied as it passes through Fractional Reserve Systems of Conventional banks resulting in inflation. The CB imposes a Cash Reserve Requirement i.e. CRR is 7 ~ 10% on commercial banks (even Islamic banks) which determines the amount to be loaned out. A CRR of 10% means that a bank can lend 90 rupees if it has a deposit of Rs. 100. The bank in fact transfer this amount to the clients bank account, i.e. the same bank (or any other bank) receives it back, again making it a part of its deposits ready to be loaned again. The cycle continues and the money generated by central bank is multiplied many times in the form of loans and expects commercial banks expects it back with interest. Britain the Central bank regulates only 3% of the total money generated where as the remaining 97% is regulated in form of loans by commercial banks. In other words only 3 pounds of money exists arise from the practice of fractional reserve banking. When ever a bank gives out a to pay back 97 pounds to debt in Britain!!!

This phenomenon seems very profitable if seen in context of banking practices, but from macro economics stand point this is most contagious and is the biggest root cause of Monetary Inflation (of course there are others reasons as well) as by practicing FRB, banks gains the capacity to produce and control the money supply in the economy.<sup>2</sup> Its exploitative nature is evident from Mayer Amschel Rothschild, statement which he made in 1828 "Allow me to issue and control the money of the nation, I care not who writes the law". Fractional Reserve banking is only possible if economy is backed by paper currency backed by nothing and its value is determined by floating exchange rates. If it's backed strictly by gold then it is not possible to do FRB simply because a physical gold coin cannot be passed on to many in form of loan, enabling them to use it simultaneously!

## FROM PAPER TO BITS

In reality, Paper currency is a hoax (pay orders, bonds, cheques and other receipts included) and digital currency (debt / credit cards) are even bigger hoax, as it was supposed to be backed by gold but it's not. The reason paper currency superseded gold and silver was that it could be produced effortlessly and multiplied many times over in form of debt by passing it through the FRB system. The digital currency in form of credit and debit cards has even eliminated minor repercussions which paper currency had, like printing and distribution, as now it's even more easier to generate and multiply it in digital form, thanks to the latest information technology.

The result is constant depreciation of currency's value as it multiplies with time, in the form of debt, when passes through the FRB system of banking (the sugar coated term for this phenomenon in economics is the Money Multiplier Effect). Today 3% of Britain money supply is controlled by government whereas 97% is controlled by banks in form of debt<sup>3</sup>, even worst is the case in USA. The result is staggering inflation and devaluation / debasement of paper currency and the hardest hit are the poor as their savings disintegrate with the rate of inflation caused by excess money supply, henceforth they have to put additional backbreaking effort just to maintain it. From Islamic standpoint, Ahadith and Quranic verses, describing the economic ruling, are based on Dirham and Dinnars, which has always been in form of gold and silver. By the way 1400 years ago a chicken price tag was 1 dinnar and today it's still 1 Dirham i.e. 3 grams of silver means zero inflation in terms of silver currency<sup>4</sup>.

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

Devaluation of currency is practiced to keep countries under their economic rule. You must have noticed the devaluation of Rupee in the past

“THE DOLLAR IS AMERICA'S GREATEST SUCCESS STORY, BECAUSE EACH ONE COSTS LESS THAN A PENNY TO PRODUCE AND YET, IS SOLD THROUGHOUT THE WORLD FOR \$1 APIECE. WHAT AMERICAN EXPORT CAN MATCH THAT?”

-JIM GRANT, GRANT'S INTEREST RATE OBSERVER, NYC CONFERENCE

and more significantly in recent times. The World Bank occasionally pushes Pakistani government to devalue the currency (source Dawn newspaper) simply because it increases the amount of debt in dollars and the interest on that debt (previously to pay back 1 dollar, we had to earn Rs. 60, now we have to earn Rs. 70) as a result Pakistan has to pay more out of its savings for an even longer period of time.

## THE GOLD STANDARD OF 2.5%

We all know that the currency used 1400 years back was Dirham and Dinnar, which were in fact gold and silver coins. Henceforth Zakat was implied on individuals whose savings were more than a specific amount i.e. 85 grams of gold, 595 grams silver or 653 kilograms of certain grains. Minimum limit of Zakat was 2.5% of the saving in Dirham/dinar or other trading goods and 5 ~ 10% on grains in stock exceeding the minimum limit. This extracted amount of savings goes to poor and deserving people of the society. Today we calculate and pay in terms of paper currency. If the poor guy spends it immediately then he has nothing to lose. However, if he kept it for saving, paper currency disintegrates with the rate of inflation.

Please note that Zakat cannot be paid on debt! It's paid on the Real Wealth if it exceeds then limits defined above. Considering an economy such as of UK as example, where 97% of all the money supply is in the form of debt created by fractional reserve systems of commercial banking, assuming the masses are all Muslim and wants to pay Zakat on their monetary reserves then they will be only able to pay 2.5% of the 3% of

real money circulating in the economy. Similar would be the case in United States or any other developed country with similar economic scenario. This simply means that a Muslim economy if gets more and more dependent on the interest/debt based fractional reserve banking system then the masses will become increasingly handicapped to pay Zakat. Furthermore, whenever a person asks for some debt from the bank, the bank in return asks him to pledge what ever real wealth he has so that bank can secure its investment in case the creditor gets bankrupt. Thus pledging further disables the creditor to extract a portion of his savings to help the poor of the society. Little surprise when we say "Richs are getting richer and poor are getting poorer" in today's debt reddened so called developed countries...

"BANKING WAS CONCEIVED IN INIQUITY AND WAS BORN IN SIN. THE BANKERS OWN THE EARTH. TAKE IT AWAY FROM THEM, BUT LEAVE THEM THE POWER TO CREATE DEPOSITS, AND WITH THE FLICK OF THE PEN THEY WILL CREATE ENOUGH DEPOSITS TO BUY IT BACK AGAIN. HOWEVER, TAKE IT AWAY FROM THEM, AND ALL THE GREAT FORTUNES LIKE MINE WILL DISAPPEAR, AND THEY OUGHT TO DISAPPEAR, FOR THIS IS WOULD BE A HAPPIER AND BETTER WORLD TO LIVE IN. BUT IF YOU WISH TO REMAIN THE SLAVES OF BANKERS AND PAY THE COST OF YOUR OWN SLAVERY, LET THEM CONTINUE TO CREATE DEPOSITS."

--SIR JOSIAH STAMP,  
PRESIDENT OF THE BANK OF ENGLAND  
IN THE 1920's

## THE ALTERNATE

Keep in view the above stated points its becomes blatantly clear that if we want to raise the standards

of living of the half of the world's population living below the poverty line then we really need to get rid of interest / debt based economic system operating through FRB. The first and most convenient step would be to get rid of paper and digital currency and replace it with Gold and silver, simply because it's not possible to issue, control and devalue it as done with existing forms of currency.

As it is clear that the poor in the society are getting poorer with a rate currency is being devalued which is in fact the rate of inflation, thus as Muslims our first priority should be to save the poor class from the claws of prevailing evils of the economic engine.

The Zakat paid by Pakistan is is 60 ~ 70 billions of rupees. If this is paid in form of Gold and silver, will bring following advantages

1. *Poor class will be able to develop their monetary reserves in form of Gold and Silver, which they are unable to develop due to their negligible income. As we know that the price of Gold and Silver has been increasing with time, thus this will profit poor class in monetary terms.*

2. *If this much gold and silver is injected at the bottom of the society, it will encourage the use of gold and silver as a unit of exchange. Hence, the circulation of gold and silver will begin in the society, which is a pivotal element of Islamic Economic system. As you might know that in some cities of upper Punjab dollar and pounds are used simply because a member of each family is abroad and send back his savings in form of dollars thus making it a medium of exchange for the whole city. In Malaysia use of Gold as a medium of exchange has already started, so it really happens if people initiate it.*

3. *This will be a move in the direction to make Gold and Silver supersede paper currency, this will be the strongest blow to the interest/ debt based economic system, as it will disable them to dominate and exploit countries that they do through fractional reserve/interest/ debt based banking. Fractional reserve will not be possible in presence of gold currency thus their agenda of economic domination will be deterred effectively as they will not*

*be able to control and manipulate the money supply as they do with paper currency.*

Translated from the "Al-Fath Al-'Ali Al-Maliki" page.164-165 "This Fatwa considers paper-money to be fulus (lower category of currency with limited used), because it only represents money and does not have value as merchandise. It follows that since Zakat cannot be paid in fulus, which has no value as merchandise, it cannot be paid in paper-money, which value as weight of paper is null. On this basis, it becomes clear the urgent need to restore the use of the Dinar and the Dirham as payment of Zakat. If the millions of Muslims who now make their payment of Zakat in paper money would do it in newly minted Dinars and Dirham's, they will put in circulation millions of gold and silver coins in to the mainstream of daily commercial activities of our communities. That single act will became the most important political act of the century, opening the path towards the establishment our own halal free currency breaking away from the usurious financial system. The return to the payment of Zakat in gold and silver is an essential part of the reestablishment of Islam."

#### Reference

1 Confession of an Economic Hitman by John Perkins

2 For details please see

[http://www.en.wikipedia.org/wiki/Fractional-reserve\\_banking](http://www.en.wikipedia.org/wiki/Fractional-reserve_banking)

<http://www.lewrockwell.com/rothbard/frb.html>

3 UK Money Supply Has Tripled Since 1997:

<http://www.dailyreckoning.com.au/uk-money-supply/2007/10/09/>

also see

<http://www.prosperityuk.com/prosperity/prosperity.html>

4 <http://www.goldprice.org/buying-gold/2006/02/islamic-gold-coins.html>

5 <http://en.wikipedia.org/wiki/Zakat>

6 25 million die of hunger a year: UN. Source:

<http://www.cbc.ca/news/story/2003/11/25/hunger031125.html>

"I AM HOWEVER STARTING TO THINK THAT THE PLAN FOR THE GOLD DINAR AND SUPPORT FROM OTHER ISLAMIC NATIONS IS A PLANNED OFFENSIVE AGAINST THE USE OF THE DOLLAR AS A SETTLEMENT CURRENCY FOR OIL. IT IS PERCEIVED, AND CORRECTLY SO, THAT THE ISLAMIC WORLD IS CONTROLLED VIA THE USE OF THE US DOLLAR AS THE MAIN SETTLEMENT CURRENCY. WHEN I SAY "CONTROLLED" I MEAN WHATEVER HAPPENS ECONOMICALLY IN THE USA IS EXPORTED THERE VIA THE DOLLAR ...WHAT WE ARE HEARING NOW IS THAT THE GOLD DINAR WILL BE USED AS A "MEASURE" SETTLED QUARTERLY IN GOLD ON AN ISLAMIC INTRA-NATION BASIS, BUT THAT COULD CHANGE QUICKLY. A REVIEW OF THE TRADE BALANCES OF MALAYSIA AND ITS INTRA-ISLAMIC TRADE PARTNERS INDICATES THAT IF THE GOLD DINAR IS EMPLOYED AS NOW SUGGESTED, IT WOULD TIE UP APPROXIMATELY 200 TONNES OF GOLD PRODUCTION EQUAL TO 10% OF NEW MINE SUPPLY. IF MALAYSIA WENT ALL THE WAY AND WENT TO CONVERTIBILITY WITH A 15% GOLD COVER, THEY WOULD UTILIZE MORE THAN 300 TONNES OF NEW PRODUCTION. EITHER WAY, THIS IS THE WILDEST OF WILD CARDS FOR GOLD."

**THE GOLD DINAR: A NUCLEAR  
WILD CARD**

**-JIM SINCLAIR, TANRANGE**

## APPENDIX

Source: [http://en.wikipedia.org/wiki/Money\\_supply](http://en.wikipedia.org/wiki/Money_supply)

**M0:** Physical currency. A measure of the money supply which combines any liquid or cash assets held within a central bank and the amount of physical currency circulating in the economy. M0 is the most liquid measure of the money supply. It only includes cash or assets that could quickly be converted into currency.

**M1:** M0 + demand deposits, which are checking accounts. This is used as a measurement for economists trying to quantify the amount of money in circulation. The M1 is a very liquid measure of the money supply, as it contains cash and assets that can quickly be converted to currency.

**M2:** M1 + time deposits, savings deposits, and non-institutional money-market funds. M2 is a broader classification of money than M1. Economists use M2 when looking to quantify the amount of money in circulation and trying to explain different economic monetary conditions. M2 is a key economic indicator used to forecast inflation.

**M3:** M2 + large time deposits, institutional money-market funds, short-term repurchase agreements, along with other larger liquid assets. This is the broadest measure of money and is used by economists to estimate the entire supply of money within an economy.

The different forms of money in government money supply statistics arise from the practice of fractional-reserve banking. Whenever a bank gives out a loan in a fractional-reserve banking system, a new type of money is created. This new type of money is what makes up the non-M0 components in the M1-M3 statistics. In short, there are two types of money in a fractional-reserve banking system.

- *central bank money (physical currency)*
- *commercial bank money (money created through loans) -sometimes referred to as checkbook money*

In the money supply statistics, central bank money is M0 while the commercial bank money is divided up into the M1-M3 components. Generally, the

types of commercial bank money that tend to be valued at lower amounts are classified in the narrow category of M1 while the types of commercial bank money that tend to exist in larger amounts are categorized in M2 and M3, with M3 having the largest.

### FURTHER READINGS:

- Bank for International Settlements-The Role of Central Bank Money in Payment Systems. See page 9, titled, "The coexistence of central and commercial bank monies: multiple issuers, one currency": <http://www.bis.org/publ/cpss55.pdf> A quick quote in reference to the 2 different types of money is listed on page 3. It is the first sentence of the document: "Contemporary monetary systems are based on the mutually reinforcing roles of central bank money and commercial bank monies."
- European Central Bank-Domestic payments in Euroland: commercial and central bank money: [http://www.ecb.int/press/key/date/2000/html/sp001109\\_2\\_en.html](http://www.ecb.int/press/key/date/2000/html/sp001109_2_en.html) One quote from the article referencing the two types of money: "At the beginning of the 20th almost the totality of retail payments were made in central bank money. Over time, this monopoly came to be shared with commercial banks, when deposits and their transfer via checks and giros became widely accepted. Banknotes and commercial bank money became fully interchangeable payment media that customers could use according to their needs. While transaction costs in commercial bank money were shrinking, cashless payment instruments became increasingly used, at the expense of banknotes"
- ^Chicago Fed-Our Central Bank: [http://www.chicagofed.org/consumer\\_information/the\\_fed\\_our\\_central\\_bank.cfm](http://www.chicagofed.org/consumer_information/the_fed_our_central_bank.cfm). The reference is found in the "Money Manager" section: "the Fed works to control money at its source by affecting the ability of financial institutions to "create" checkbook money through loans or investments. The control lever that the Fed uses in this process is the "reserves" that banks and thrifts must hold."

*This article compliments the article on digital bearer certificates on page 8, entitled "The Future of Private money" by Sidd, Co-Founder of Pecunix. After you read this article below, go back and look closer at Sidd article, tell me if DBC then make perfect sense.*

# JUSTICE, POLICING, AND E-GOLD

by Michael S. Rozeff

This is an article by Mr. Michael S. Rozeff and was originally posted on Lewrockwell.com  
<http://www.lewrockwell.com/rozeff/rozeff215.html>

The criminal case of E-Gold, an internet company that allows users to make exchanges using gold as currency, highlights basic questions about both justice and the proper scope of policing.

America is very far from being a free country. Indeed, America is moving in the opposite direction. At some point – and I, for one, would say that point is now – the U.S. becomes a police state or, at the very least, a “soft” police state.

The E-Gold case dramatically illustrates the lack of monetary freedom in the U.S. and many other countries with similar laws. A person with monetary freedom can transact in any currency of his choice with anyone else willing to transact in that currency. He can transmit any amount of money in any form he wants to use to any place in the world where another party stands ready to accept it. A free person can use any available method of transmission to transmit the medium of exchange of his choice.

With monetary freedom, legal tender does not exist. People choose the media of exchange that they prefer to use, and no authorities force them to use the dollar, the euro, the won, the yen, the rupee, the renmimbi, the ruble, or any other money. They can use cowrie shells if they wish (used widely in Africa until the 20th century). Dr. Roger McCain writes that “The colonies were required to use European money, and they did – but when

the European monetary systems collapsed in hyperinflation, the West African people went back to using their cowrie-money to get past the crisis. It was the cowrie-money that proved most reliable for many years of the twentieth century.”

Monetary freedom also entails freedom for those in business who deal in money. They are free to provide the service of privacy to their clients who want it. Monetary freedom means that businesses are not compelled to spy on their clients. It means that they are not forced to report transactions to the authorities, and that they are not compelled to become part of a network looking for activities that the authorities have deemed to be suspicious. Monetary freedom means that if a business service permits it, a person can withdraw or deposit any amounts in any form he wants to without being subject to the prying and spying eyes of the authorities who have forced the business into being part of their police apparatus.

All of this can be re-stated in terms of rights. A free person has the right to choose the medium of exchange (money or currency) that he prefers. He has the right to choose any form of currency or money he prefers. His rights are being invaded when the State compels him to use a national currency, like the dollar, or not to use a currency like gold. His rights are being invaded when he is forced to accept a particular kind of money in transactions. A free person has the right to send any amount of money in any form whatever to wherever he wants to. He has the right to send it in secrecy and privacy if he can find an obliging carrier or transmitter. Conversely, his rights and those of financial institutions are being invaded if those businesses are forced by the authorities or anyone else into inspecting and reporting upon his financial dealings. Businesses that cannot operate or get licenses unless they agree to become spies for the authorities are having their rights invaded. They are being subject to extortion by the State.

This is by no means a complete catalogue of what monetary freedom entails. It serves as an introduction to the case of E-Gold.

## THE E-GOLD CASE

On July 21, 2008, the U.S. Department of Justice



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High Speed Internet Access  
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No Logging  
Skype Tech Support

<http://www.metropipe.net/>  
[support@metropipe.net](mailto:support@metropipe.net)  
Skype: MetroPipe

released a document with the headline: "DIGITAL CURRENCY BUSINESS E-GOLD PLEADS GUILTY TO MONEY LAUNDERING AND ILLEGAL MONEY TRANSMITTING CHARGES."

Paragraph one noted "E-Gold, Ltd., (E-Gold) an Internet-based digital currency business, and its three principal directors and owners, pleaded guilty to criminal charges relating to money laundering and the operation of an illegal money transmitting business..."

The principal person involved is the company's founder, Dr. Douglas Jackson, 51, of Melbourne, Florida. He "pleaded guilty to conspiracy to engage in money laundering and operating an unlicensed money transmitting business."

Sentencing is due on November 20, 2008. "Douglas Jackson faces a maximum prison sentence of 20 years and a fine of \$500,000 on the conspiracy to engage in money laundering charge, and a sentence of five years and a fine of \$250,000 on the operation of an unlicensed money transmitting business charge." Additionally, as part of the plea, E-Gold and Gold & Silver Reserve have "agreed to forfeiture in the amount of \$1.75 million in the form of a money judgment for which they are joint and severally liable." On top of that, at sentencing, the companies also face a maximum fine of \$3.7 million.

## QUESTIONS

The case raises such questions as these. Did E-Gold violate the rights of others? Or have the monetary rights of E-Gold been violated?

Suppose that a department store has a restaurant, and suppose that several criminals transact business at a table while having lunch there. Is the store guilty of a crime? Suppose that criminals communicate using newspaper ads. Is the newspaper company guilty of a crime? Did it violate the rights of the criminals' victims? Suppose that criminals communicate secretly using some advanced telephone or internet communications device. Are the manufacturers of that device responsible for the crimes that these criminals commit? Are internet providers guilty of conspiracy?

Suppose that a bank receives deposits from criminals. Is the bank responsible for the crimes these criminals have committed? Is it responsible for knowing its customers and for detecting those who are criminals? Is it responsible for reporting monetary transactions to the authorities?

Should racetracks, gambling houses, and internet gaming companies be required to report large money bets and large winnings? Should stores, auto dealers, and real estate agents be required to report large purchases for cash?

Should every company be made to detect and report possible criminal activities on its premises or among persons using its products or services? Should every company be made to monitor everyone with whom it deals in order to detect possible criminal activities?

## ANSWERS

A free person is certainly not free if he is forced into becoming a police spy. A person is not free if he is forced to monitor all the people and their activities that he encounters. The same statements hold for a business. If there is a law against dealing in drugs, that becomes a matter for the police, not a bank or a stock broker or a mutual fund, all of whom are being forced into reporting to the authorities.

Everyone has a right to his life, liberty, and property. To be forced into using one's time, money, and property in order to detect possible criminal behavior is clearly an invasion of one's basic rights. It is one thing to ask people to be on the lookout for a suspected criminal. It is one thing to ask people if they will post wanted posters, or to ask a business to donate some space to alert people to a suspected criminal. The voluntary cooperation of common people in finding and apprehending criminals is one thing, but compelling them to police one another is entirely a different matter. This is the difference between a free country and police state. The U.S. has crossed the line, and so have many other countries.

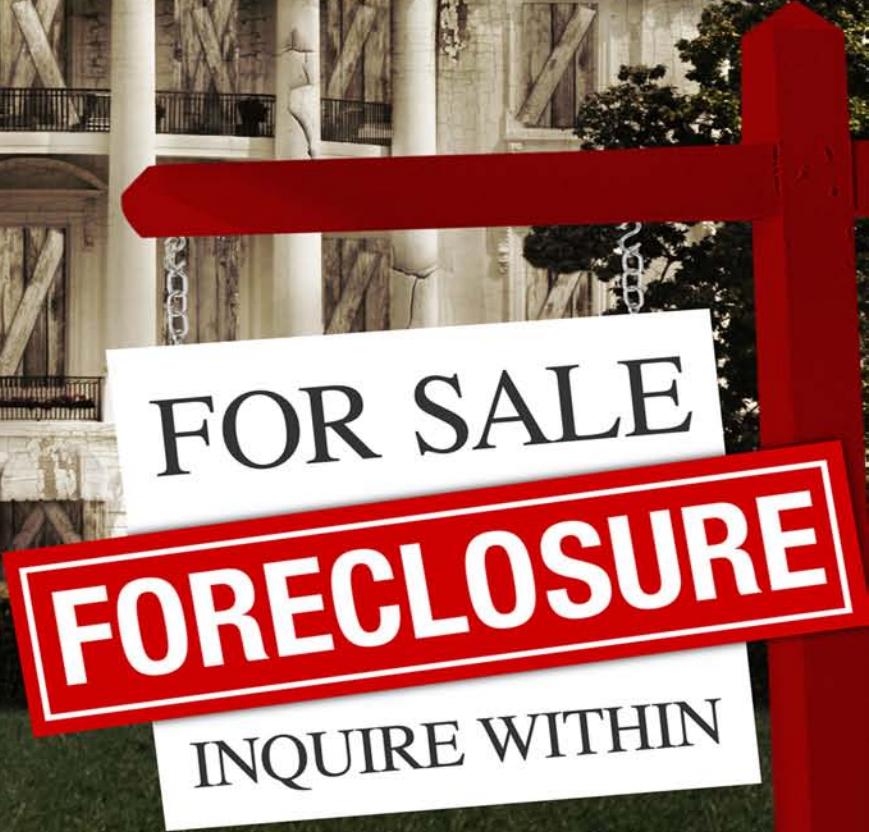
Another answer to all of these questions is panarchy. You choose your society, and I will choose mine. And they can co-exist side by side on the same territory. Societies that are without



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territorial control, living side by side, intermingling, are what panarchy is about. You practice your religion or none, and I practice mine or none. We live in the same town and there is no problem.

If you want to live in a society in which no one has privacy and everyone spies on everyone else, then do so. Your members can report on each other all they like. But you have no right to impose your restraints and dictates on those who think otherwise and choose a society in which their banks do not have to report large cash transactions to the police. You may want to reduce drug-taking and attempt to do so by imposing all sorts of police-state methods. You may launch billion-dollar wars on drugs and build a prison in each locality to house, feed, and clothe drug users, or you may execute them. But you have no right to impose your methods (or taxes or regulations) on anyone else who chooses a different society, although they may live on the east side and you on the west side of town, or even if they live on the west side too.

Tolerance is what panarchy is about, that is, tolerance by people of those who live across the social divides that they wish to make for themselves. Social divides need not be territorial divides. There is plenty of room for everyone and plenty of ways to accommodate the different ways of others without compelling everyone to live under one set of laws in this vast region we call the United States of America. You may be as intolerant of drug-users as you like to all those within your society who have agreed to that intolerance, but you may not extend your intolerance to my drug use within my society and my ability to buy drugs without a doctor's prescription or to my having them administered by an alternative healer of illness.

### **IS DR. JACKSON GUILTY OF A CRIME?**

The fact that Dr. Jackson pleaded guilty does not answer the question of whether he is guilty of a crime. He was forced into a corner. He is seeking to continue the company he began 12 years ago. He is revamping it to comply with the State's edicts. A guilty plea was his least-cost choice, in his estimation. Dr. Jackson's statement can be found here. It is a complete cave-in to all the demands of the State.

E-Gold was not a fly-by-night business. Its customers did not bring about the criminal indictment. It was not customer complaints about missing gold, embezzlement, theft, or poor service that brought on the indictments. E-Gold did not steal anything from anyone. If it has, why hasn't the DOJ trumpeted that? However, the criminal complaint did have a large negative effect on E-Gold customers who encountered illiquidity in their accounts.

The Department of Justice [sic] news release goes on at great length about the supposed crimes that Dr. Jackson committed. In fact, the document suggests to me that the company committed no crimes at all! If it did commit crimes, did the victims appear in court? Did they document their damages?

If Dr. Jackson actually committed a crime, what was it? The fact is that he pleaded guilty to the nebulous crime of conspiracy to engage in money laundering. This only means that other people used E-Gold to transmit funds possibly obtained via illegal activities and that E-Gold was not equipped to detect who they were and report them. What kind of cockamamie crime is it when one fails to kowtow to the State's edicts compelling one to work with the authorities to detect money laundering? For that is what is involved in the other conspiracy charge. I quote the DOJ: "E-Gold...will move to fully comply with all applicable federal and state laws relating to operating as a licensed money transmitting business and the prevention of money laundering which includes registering as money service businesses. Also as part of the plea agreement, the businesses will create a comprehensive money laundering detection program that will require verified customer identification, suspicious activity reporting and regular supervision by the Internal Revenue Services' (IRS) Bank Secrecy Act Division..."

Dr. Jackson has pleaded guilty to the crime of not verifying who his customers were, not making sure that they were not criminals, not creating a comprehensive program to detect money laundering, not detecting and reporting suspicious activity, and not operating under the supervision of the Bank Secrecy Act Division of the IRS. In

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USD



EUR



GOLD

other words, he didn't become part of the State's spying apparatus, and that makes him and his operation a criminal conspiracy. The crime here is not the commission of a crime. Instead the State is demanding that you do what it tells you, and if you don't, then that is a crime. If you stand up for your rights and do not obey the State's demands, you are a criminal!

## CONCLUSION

In Wikipedia, we read: "The Bank Secrecy Act of 1970 (or BSA, or otherwise known as the Currency and Foreign Transactions Reporting Act) requires U.S.A. financial institutions to assist U.S. government agencies to detect and prevent money laundering. Specifically, the act requires financial institutions to keep records of cash purchases of negotiable instruments, file reports of cash transactions exceeding \$5,000 (daily aggregate amount), and to report suspicious activity that might signify money laundering, tax evasion, or other criminal activities. It was passed by the Congress of the United States in 1970. The BSA is sometimes referred to as an "anti-money laundering" law ("AML") or jointly as "BSA/AML". Several anti-money laundering acts, including provisions in title III of the USA PATRIOT Act, have been enacted up to the present to amend the BSA. (See 31 USC 5311-5330 and 31 CFR 103.)"

The rest of the article introduces the reader to the reporting requirements under these laws.

These laws infringe the monetary rights of all persons who either are made to obey them or who are forced to transact under the watchful eyes of financial institutions that are applying these laws to their persons and property.

These laws are one of the very many instances of the abysmal and wretched failure of Americans to have monetary freedom. Many other countries are in no better shape.

We have major laws that openly violate the rights of people. I protest! If I disobey one of these laws, then I am a criminal under these laws. If I am caught, then I will pay a price for my disobedience, that is, for exercising my rights. That is what happened to E-Gold. It's a topsy-turvy world.

August 30, 2008

Michael S. Rozeff is a retired Professor of Finance living in East Amherst, New York.

# THE INEVITABLE END OF THE CENTRAL BANKING AND POLITICAL MONEY REGIME

by Thomas H. Greco, Jr.

The present disorder in the financial markets and the cascading failures of financial institutions come as no surprise. Those who recognize the impossibility of perpetual exponential growth and who understand how compound interest is built into the global system of money and banking expect the continuation of periodic "bubbles" and "busts," each of increasing amplitude until the systems shakes itself apart.

Engineers call this phenomenon, "positive feedback." Such a system cannot find equilibrium. Imagine a heating system in which the thermostat, sensing a rise in temperature, calls for more heat instead of less. Such is the nature of the debt-money system. The imposition of interest on the debt by which money is created, demands that more debt be created. Such is the debt imperative which gives rise to a growth imperative. Among other things, it prevents the emergence of a steady state economy.

Is this the final round? Who can say? Can the system be saved yet one more time? Maybe.

Under the central banking regime which has become all but universal in countries around the world, money has been politicized. The collusion between politicians and international bankers enables governments to extract wealth from the economy by deficit spending and banks to extract wealth by charging interest on money as they create it by making loans.

These two parasitic elements take wealth away from productive members of society and lavish it on military adventures, international intrigues, wasteful boondoggles, and financial finaglers.

When the system spins out of control what will come out of the chaos? It is impossible to predict but here are two strong possibilities. When the dollar collapses the financial and political elite class will certainly try to orchestrate a new global monetary regime based on the same old mechanisms for centralizing power and concentrating wealth in their own hands, seeking to complete the New (feudal) World Order which has been building for the past three hundred years. Another possibility is the emergence of the kind of decentralized, democratic, and sustainable system we have been advocating for a long time.

We had better get ready to seize the opportunity that accompanies this impending crisis.

How? By organizing ourselves in our local communities and affinity groups to reclaim the credit commons, to create interest-free, non-dollar, non-bank exchange mechanisms and payment media. This is not as hard as it seems We already know how to do it. All it takes is organization and will.

Back to the current crisis, we should consider the possible actions of America's creditors. According to Paul Joseph Watson & Yihan Dai, in an article in Prison Planet (<http://prisonplanet.com/>) dated Friday, September 19, 2008, "China Finance, China News and Chaobao Financial News, all state owned media outlets, slammed the Fed for taking action that will only make long term economic conditions worse and devalue the dollar by "creating money that does not exist which leads to the inflation of liquidity," a policy contrary to China's position as a holder of vast reserves of US dollars."

Central banks have one true function, that is to manage the effects of the parasitic drain, to decide who will pay the price, who will feel the pain. They can either (1) restrict credit,

thus causing recessions, bankruptcies and unemployment; or (2) they can expand credit and inflate the money supply by monetizing debts (either public or private) that are uncollectible.

Given China's position as one of the United States' biggest creditors, it is in a powerful position to determine the outcome of the current and future financial crises. If they don't like the restructuring plan that the financial elite wants to put in place, they can kick over the table by dumping their dollar holdings and causing the value of the dollar to crash through the floor. Organized others acting in cooperation might do the same.

"The king is dead, long live the king."

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Tom has a new book coming soon. "The End of Money," is due to be published early next year by Chelsea Green and will further elaborate on the points in the article.