

NORFED REPORT: VOL. 2 NO. 6 JUNE 2000

Welcome Fellow Redemption Centers:

THE BIG NEWS: Sorry this Report is LATE due to Technical Difficulties!!! My sincere thanks for my editor's efforts to use "Tracking" in Word, but try as he did to implement the new feature, it was not meant to be, so you may find typos. My apologies. Video and Window Stickers are "in the mail", New legal opinion letter is completed, Major event may be planned for New York and virus among others ...

PLEASE READ THE FIRST 4 ARTICLES:

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1. **Video and Window Stickers:**

For those of you who were in Las Vegas, you know what's coming. For everyone else, wait till you see the video of the talk I gave to the Privacy Society Internationale. Although Dennis Grover (RC) and I did a video and it worked, this one should be a tremendous tool in introducing the Liberty Dollar to your family, friends and businesses. Also included in the mailing, are some stickers to share with any business who accepts the Liberty Dollar. Carry a few with you so when the currency is accepted, you can put a sticker in their window! Enjoy.

2. **New Legal Opinion Letter brings BIG changes to RCs:**

Our long awaited opinion has arrived and is well worth the wait. It clearly and thoroughly confirms our own original opinion that the NORFED warehouse receipt is just that and that it is not a security. NORFED is not required to register or report to the regulatory agency! But even bigger, the opinion letter greatly expands the action of the RC. Up to this time, it has been NORFED's opinion that any conversion of the ALD back into the FRN would pierce the non-security shield. Not so says the attorney. NOW RCs can convert ALD into and out of FRN! Of

course this is totally voluntary on the part of any independent RC. You are not required to do this. NORFED will continue to only redeem the ALD for gold and silver. So let it rip. Have fun and offer the convertibility to your businesses. What do they have to lose but your business?

3. **Major event in New York?**

October 1, 2000 will be NORFED's Second Anniversary. As part of that I will be doing the long awaited East Coast Tour from September 15 to November 15. And as a part of that Tour, we are planning an Anniversary Conference in the greater New York area. This event may be held in conjunction with other groups and will be as large or small as the situation dictates. Last year on our first anniversary, Ed Griffin and I had an enjoyable three-hour lunch. Hopefully this year we will have more time to really bring some people together and greatly expand "The Truth" as we did out in Las Vegas. So if you live on the East Coast and have friends who you think would like to hear the NORFED message, then please check out the video and give NORFED a call at 888.4212.6181. Let us hear from you. What should we do?

4. **ALERT: Virus!!!**

After the posting of the last NORFED Report, we discovered a very low-level virus in our system. It is "non-threatening" and only works in Outlook Express, but we felt you should know. The name of the virus is "kak" and you can go to:

<http://www.getvirushelp.com/kak/> to detect it and remove it from your system IF you use Outlook Express. Since then, we have installed a third party virus shield for both of our protections. If you have any questions please email truth@libertydollar.org.

5. **Use "Bernard" in the subject field, please:** I am making this item #5 so hopefully someone out there will read this. If you need to reach me I am here. But if you have any questions regarding ORDERS or any administration questions, please email truth@libertydollar.org. I am on National Tour. I have NOTHING to do with orders or administration. I am not even in the office. And then to make matters worse, I just got a rather important email from a RC – that he posted almost a month ago! First he sent it to dot-com instead of dot-org. More importantly, it was sent without Bernard in the subject field. As I get over 100 emails per day, please use "Bernard" in the subject field or your email may not be read nor answered. Thank you.

6. **F*R* 1/2% rate increase and coming crisis:**

YUP! Ouch! They screwed us for a half of a percent. And they are going to screw us for more. They say they are fighting the coming inflation. YUP! Inflation is coming! But what they don't say is that THEY CAUSE INFLATION! Look at gas prices. Total manipulation. Food prices are next and then metals. Get ready with the only Inflation Proof Currency, the American Liberty Dollar. Please tell your family, friends and businesses about the ALD. Show them the video. Get ready for our next financial crisis. The F*R* (Federal Reserve and the last work is Rip-off...) says inflation is coming. This you can believe. They should know, they created it out of thin air! It is called fiat money.

7. **Silver Liberty – now only single sided errors:**

I don't think I could have planned such a nice numismatic treat, but you can read all about it in last month's NORFED Report. All the double sided errors are now gone. And we have not received the new reverse die. So the second error for 2000 is now available. The "ungodly" obverse has now been corrected with a new die. The new reverse die has not arrived yet so the "single sided error" is all that is available right now. We expect the new reverse die shortly and finally the 2000 Silver Liberty planned so long ago.

8. **Two outstanding videos recommended:**

While I am on National Tour, I often recommend two videos. Now that we have our own, it is time to suggest these to you. The first one that came to my attention and one that was instrumental in getting me out of Hawaii and launching the American Liberty Dollar, is *The Money Masters* by my friend and RC, Bill Still. It is an excellent work that covers more about the F*R* than any other video. It is also almost four hours long and costs \$40.00. By the time this Report is posted, I hope to get a case at a discount and pass them along to you, so please call the Fulfillment Center and inquire before calling: 800.THE.PLOT to order.

"*Money, Banking, and The Federal Reserve*", the other extremely well made video features Lew Rockwell, President of The Ludwig von Mises Institute. If you are not familiar with this think tank and bastion of the Austrian School of Economics, then it is high time you are. As you may know, the American Liberty Dollar is an outgrowth of my own studies of Austrian Economics. And although, Lew and his friends refuse the ALD, this tape is an excellent work. So if any of you know this brilliant man, you may want to share with him, much like I told Ed Griffin – "If you are serious, really serious about doing something about our nation's money – we need our own money." So give The Mises Institute a call at: 334.844.2500 and ask them if they would accept as little as 10% in ALD and even if they don't, get the tape. It is definitely worth it. Please note this month's featured article is also by Lew Rockwell.

9. **Article by Lew Rockwell:**

Although it is way too early to wonder "when", we often wonder "how" could a complete change of our nation's money come about. Well this month we are blessed with a brilliant article by Lew Rockwell. Titled, "*How a State Collapses*" the article contains many interesting bits of info like: "Polls consistently reveal that about one third of the American people fundamentally object to the political system as it currently exists and seek radical change." WOW! "Voters no longer have faith in the integrity of the system." And lastly, "...that the means and shape of the restoration of liberty will surprise us all." Well! Mr. Rockwell, it might surprise you to learn that it just could be a dedicated group of Redemption Centers with their own proactive money – The Liberty Dollar - that will restore liberty.

10. **Gold Anti-Trust Action Committee (GATA) Article:**

Wait! We don't have just one great article this month, we have two. Fortunately, both are fairly short and very important if you have the time for them. Mr. Bill Murphy, (such an appropriate name) should be commended for formulating exactly what I have talked about for years i.e. the global manipulation of the gold market. And although I am a "silver bull", the importance of gold is undeniable. And Bill's concern that this manipulation could trigger a global financial panic is very well founded. Please read this article, visit their web site: <http://www.lemetropolecafe.com/index.html>. NORFED's anniversary may not be the only BIG event this fall...

11. **Still not Delaware yet...**

Can you believe it?! Our nation's "First State" is the last state to open a Redemption Center. That's right. We still don't have a RC in Delaware! Now that is OK...but if you know anybody there with a brain, no its more of a heart, it is certainly not a billfold, they could be the "First Delaware Redemption Center".

12. **Carry a Silver Liberty in your pocket?**

If you don't carry a Silver Liberty in your pocket or purse, then I encourage you to do so. It is not only beautiful and healthy because it is silver; it is a very valuable visual tool when showing the

currency to your family, friends and businesses. Just be CAREFUL, as the Silver Liberty may have a sharp edge on it due to its near-proof mintage. So it has any sharpness, simply take the shank of any screwdriver (ask any F*R* banker, he's always ready...) and burnish the sharp edge until it is smooth. Please don't use a file as that will remove metal and make the Silver Liberty an under-weight piece.

13. **Winning Stories:**

YES! We are still talking about this because it is IMPORTANT. Again, you are invited to submit any short story about how you used the currency. It is critically important that we develop a history of the currency's usage. So, please be a part of history and email Sarah your story today and every day you use the American Liberty Dollar.

14. Another RC runs for political Office: Mr. Ron Helwig is running in the Second District of Minnesota for a seat in the House of Representatives as a Libertarian. Let us support anyone who dares to...

15. **Personal:**

I just came back from The Offshore Institute's Caribbean Conference. Although the people I went with and met there were great, those bankers can really be a bore. So I may be in South Florida until I head off to the Northwest for the Annual Audit and Tour at Sunshine Minting in the first week in September. So if you want to hold a rally, share a beer or have a place for me to stay a night, please let me know as I will be on the road and prefer to stay with RCs...
With your continued help we can [Change the Money / Change the Country.](#)

Thanks again for all your support and efforts to return America to value and take back our inalienable rights to liberty – one dollar at a time.

That's it. Wishing you a great day.

THURSDAY MAY 25, 2000

How a State Collapses

http://www.worldnetdaily.com/bluesky_rockwell/20000525_xclro_how_state_.shtm

"Who are you?" a prisoner of the Khiam jail in South Lebanon asked the stranger who was unlocking his cell. "What has happened? Where are the guards?" Not waiting for an answer, he tore out of the cell to look for his family, which he had not seen in the 10 years he had been held there without charges. He was one of 140 freed this week as the South Lebanon Army lost control of the region and headed for the border to the cheers of the Lebanese people.

In an instant, a state had collapsed and 22 years of occupation came to an end. In an instant, all plans for orderly withdrawal were scrapped as hundreds of relieved young men and women headed home to the country they love and away from the one they reluctantly held by military force. How

could it happen? The combined forces of public opposition in the occupied and occupying countries, along with a loss of will within the conscripted ranks of the army itself, finally came to a head, and a whole territory was suddenly free of the grip of an imperial power.

Just as the collapse of communism in Eastern Europe 10 years ago lifted the hearts of freedom lovers everywhere, the spectacular meltdown of the SLA in Lebanon is yet more proof of the fragility of even a heavily armed government power. One day, the streets were crawling with troops in full command of the country, and the next day, these same troops are catching the fastest ride out of town, abandoning their posts and not even bothering to grab their personal effects.

In an instant, too, the political constellation has changed.

Israeli Prime Minister Ehud Barak now speaks openly and rightly about the "tragedy" of Israel's involvement in South Lebanon and reminds the press that he had called for a withdrawal of troops last year. The recriminations will be felt in Israeli politics for many years. How many lives were lost in the battle to keep this territory? How much money? How much support has Israel lost in order to keep South Lebanon?

The press has cast the remarkable series of events only in terms of the ongoing conflict between Israel and its neighbors. The people of Israel, more concerned about real and direct security threats at their borders than ancient dreams of manifest destiny, no longer support military rule in Lebanon, and that attitude spread to those on the front lines. As a result, a Hezbollah fighting force of 500 guerrillas, supported by the civilian population of the occupied area, defeated one of the world's most powerful armies and its local allies.

The implications go way beyond the complexities and peculiarities of the Middle East political scene. It has a broader meaning for the ability of any state to rule when the consent of the governed is utterly lacking. The incident demonstrates that the state, when it is opposed by the people and is losing the will to power, can be reduced to nothingness. It is a lesson that has profound implications in our own country, where an overwhelming but widely despised government rules a recalcitrant population.

Looking back at the history of political philosophy, only a few geniuses have bothered to think and write about the dynamics of state collapse. Preeminently, in the 1550s, Etienne de la Boetie wrote *Discourse on Voluntary Servitude*, a tract emphasizing that "in order to have liberty nothing more is needed than to long for it."

This is because tyrants are "automatically defeated if the country refuses consent to its own enslavement: It is not necessary to deprive him of anything, but simply to give him nothing; there is no need that the country make an effort to do anything for itself provided it does nothing against itself. It is therefore the inhabitants themselves who permit, or, rather, bring about, their own subjection, since by ceasing to submit they would put an end to their servitude."

What did Boetie suggest that a subjugated people do? "I do not ask that you place hands upon the tyrant to topple him over, but simply that you support him no longer; then you will behold him, like a great Colossus whose pedestal has been pulled away, fall of his own weight and break into pieces."

Behind Boetie's thinking was the assumption, later spelled out in great detail by David Hume, that states cannot rule by force alone. This is because the agents of government power are always outnumbered by those they rule. To insure compliance with their dictates, it is essential to convince the people that their servitude is somehow in their own interest.

They do this by manufacturing ideological systems that seem to justify despotism, such as socialism (among a thousand other excuses). If a population comes to believe in one or another form of statism, their compliance with despotically coercive schemes is assured.

If, however, resistance develops and spreads among the subjugated people, the state must relent or step up its use of coercion and make examples out of the non-compliant. The risk of escalation is two fold: the forces of despotism may make martyrs of those singled out for malign treatment, and this can demoralize those within their own ranks who are squeamish about violating essential human rights. Once this dynamic of state collapse begins, it can be difficult to reverse, since further coercion only entrenches internal and external opposition.

This elementary dynamic culminated in the SLA leaving Lebanon. Political and military leaders were making plans for a smooth withdrawal, but in the end, none of them mattered. The will to govern and to submit was withdrawn, and the whole world was suddenly turned upside down. The bars of the prisons couldn't hold back the crowds and the orders of military leaders fell on deaf ears.

Younger readers who do not remember the collapse of communism, and know little of history or Middle East politics, can get a hint of state collapse in the movie "Gladiator." Commodus was a military tyrant, but he was constantly aware of the need to shore up his rule by pacifying the civilian population with bloody entertainment and welfare provisions. But he could see the approaching danger when one of the gladiators gleaned larger cheers from the crowd than himself.

He understood that his power rested on more than power alone. But in the end, he couldn't even count on his own Praetorian Guards to defend his interests. His rule collapsed in rubble, because others had lost the willingness to obey him.

What about our own country? How secure is the imperial rule of Washington, D.C.? The ideology that supports big government has been undermined at the intellectual level and it is increasingly rejected at the public level.

What the commentators decry as public indifference to public affairs is actually a reflection of widespread revulsion at the character and actions of the political class. Lacking a coherent ideological structure for their rule -- most of the available ones are leftovers from the New Deal/Cold War period of American history -- the political class flounders around demonizing civilian sectors that dare to resist its rule (e.g. Microsoft).

Polls consistently reveal that about one third of the American people fundamentally object to the political system as it currently exists and instead seek radical change. Even government officials themselves sense the deep lack of public support for their activities. They believe a fundamental disconnect separates them from the public. Washington, D.C. has become an armed camp, not to protect itself against foreign attack, but to guard against citizen reprisal. The young and talented no longer aspire to political office or public service. Voters no longer have faith in the integrity of the system.

Most important for gauging our present historical moment, discontent is spreading within the rank-and-file of the nation's military. They are outraged at the politicization of promotions, disgusted by the wild-goose chases and murderous expeditions that the commander in chief has foisted on them, and no longer believe the patriotic cliches that once put a moral gloss on imperial globe-trotting. Those who can flee for civilian sectors do

so, while potential recruits are loathe to sign their lives away to people they no longer trust.

Indeed, the dynamic of state collapse is already set in motion right here in

the U.S. There's no point in making predictions about precisely when and how the process will end. All we know, based on the experience of the SLA in South Lebanon and every other occupying power in human history is that the means and the shape of the restoration of liberty will surprise us all. At some point, the people will tell Caesar precisely what he is entitled to and claim the rest for themselves, while those in captivity will ask in bemusement:

"What has happened? Where are the guards?"

Llewellyn H. Rockwell Jr. is president of the Ludwig von Mises Institute

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

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By Michael Kosares
www.USAGold.com
May 24, 2000

Against a backdrop of equities markets plunging globally, gold appeared essentially sidelined in Europe and Asia and awaiting direction from New York's COMEX. The worldwide equities markets sell-off began on Wall Street yesterday when NASDAQ shed almost 200 points and the Dow 120 points. Tokyo was down as much as 2.7% at one point yesterday before closing down 1.7%. Hong Kong, Singapore, Taipei, Sydney -- all followed suit. Europe didn't fare any better with Frankfurt down 1.6% and Paris down 1.9%. Technology stocks led the retreat with brokers worldwide complaining about a herd mentality at work. It seems that herds have this unpredictable tendency to run in either direction. "It's pretty crazy," said Louis Bernstone, European fund manager at Baring Asset Management Ltd. "Everyone's now saying, 'I don't know what's going on, but I'm going to sell it.' It's capitulation."

So far, we've had good volume at Centennial Precious Metals, as the stock market has weakened over the past 30 days, with many investors deciding to shore up their sagging portfolios with gold.

For months this website and others have implored investors to stay out of the gold paper markets -- options, futures and other derivatives -- so as not to serve as cannon fodder for the short-selling financial firms and hedge funds. It appears that this strategy is beginning to have an effect, not just because we and others have attuned investors, but because it has become apparent that something strange is going on in the gold market, and has been for some time.

Bridge News reports this morning that "Giant US managed futures fund John W. Henry & Company, which has around \$2 billion under management, said that its financial and metals portfolio has reduced gold exposure to 60% of average position size to address liquidity issues. It has also temporarily eliminated trading in silver since the market has seen lower trading opportunities and reduced liquidity." One doubts seriously that John W. Henry was long the gold and silver markets. Note the reference to "liquidity issues." One always needs someone to sell to in order to make a short position a reality -- thus the reference to lack of liquidity. In other words,

the gig is up.

On another subject, Bridge also runs this sketch on the Bank of England auction yesterday which elicited knowing chuckles in certain quarters:

"The Bank of England announced Tuesday that it sold 803,600 ounces of U.K. Treasury-auctioned gold at \$275.25 per ounce. The bank received bids for 2,134,400 ounces of gold but allotted only the expected 803,600 ounces, or around 25 tonnes, at the "lowest accepted price" as planned."

Good plan.

Only the Blair government could find solace in selling an important reserve asset at the "lowest accepted price." If Britain's plan had been in reality to sell its gold and put the proceeds into euros and dollars as it publicly announced, then they could have done it in one or two sales based on the heavy response from the first auction on (note yesterday's auction was nearly three times oversubscribed). But they have dragged it out for reasons only Gordon Brown and the rest of the Blair government truly understand. Eddie George, Governor of the Bank of England, clung to this near-ridiculous proposition yesterday endorsing the auctions as a "sensible portfolio diversification." What he failed to mention is that the euro has plummeted roughly 20% since the sales began and Britain began replacing gold with that currency for its reserves. During the same period the price of gold in pounds has risen comfortably as well -- so much for the "sensible portfolio diversification" argument.

The World Gold Council, known for its general equanimity as the gold wars rage on, uncharacteristically slammed the aurophobic UK government for the sales saying "[the policy] suggests a degree of arrogance on the part of the British government in that it is now clearly flying in the face of majority wishes." The Council points to polls that show only 12% of the British public supports the sales, and 48% are opposed.

Prominent gold analysts like Reg Howe of the Golden Sextant and John Hathaway at DeToqueville are researching the theoretical possibility that these recent central bank sales are little more than bail out operations for financial firms which have already defaulted de facto on gold loans and need the gold to pay back demanding creditors. With the British and Swiss sales, we are seeing to what lengths central banks are now willing to go in fulfilling their lender of last resort function. In simple terms the theory goes like this: If one of the commercial banks in your system is in trouble on gold loans, you are required to bail that bank out even if you can't print yellow metal. You are required to do that in order to forestall a rolling default which might cripple the entire national banking structure. So because you can't print gold, you raid the national treasury to provide the liquidity, the commercial bank is saved from default, the system limps on floating in a sea of paper derivatives hoping against hope a gold-buying herd running in the other direction doesn't overtake it, and make it impossible to rectify the situation.

Just as an aside: If you back to the Daily Market Reports written when the British first announced their auctions, the theory outlined above was offered then. The weakness in the theory is that all we

have is circumstantial evidence. We can smell the powder, but we don't have the gun. The strength of the theory is that it makes the most common sense under current market conditions, and that should be of value to current and prospective gold owners.

So what does all this mean for the ordinary gold owner?

It seems that creditors (both central bank and private) are fed up with running the risk of the gold carry trade. They have essentially been sold a bill of goods on gold loans. The argument that you can make a return on a moribund asset proffered by the bullion banks, does not hold water when you are in danger of losing your asset in a default because the speculating borrowers went overboard ala Long-Term Capital Management. The Washington Agreement is probably aligned to that realization.

As a result, it is unlikely that the lease pool will be growing any larger. Gold carry trade/forwarding departments are being closed down in financial firms around the world as reality sets it. It won't be long until investors small and large catch on that the greatest impediment to a rising gold price -- the gold carry/forward trade -- is in retrograde. Gold demand will increase markedly starting first with the big financiers who smell blood in the water and then spreading to the general public. The investor who gets in now by purchasing the physical metal itself without the trappings and dangers of leverage runs ahead of the crowd, and will be the most likely to benefit from the run-up when the carry trade is finally unwound.

The other side will not give up easily. The building positions at JP Morgan are just more evidence of that. Stay away from futures, options -- gold derivatives of any kind. Own physical. Sit back and watch the show. It won't be long until the JP Morgan portfolio committee will be looking at the same set of criteria which caused John W. Henry to close down its operation. It may take some more time but gold will have its revenge. As a Rothschild spokesman recently said, "Gold will take no prisoners." That applies to Morgan as much as anybody.

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