

FBI Affidavit Exposes Capitalist Processes as Evidence of Crimes

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On November 9, 2007, FBI Special Agent Andrew Romagnuolo swore a 35-page [affidavit](http://www.libertydollar.org/legal/pdf/libertyaffidavit.pdf) (<http://www.libertydollar.org/legal/pdf/libertyaffidavit.pdf>) before Western District magistrate Dennis Howell. In the affidavit, supporting a request for a seizure warrant, SA Romagnuolo describes an FBI undercover investigation into Liberty Services, Inc./Liberty Dollar/Hawaii Dala and the Sunshine Mint. In writing the affidavit, SA Romagnuolo attempted to paint the production, marketing, and sale of Liberty Dollars as a violation of provisions of Title 18 of the US Code regarding making and uttering coins, money laundering, mail fraud, wire fraud, and conspiracy.

What SA Romagnuolo ended up with was a 35-page indictment of capitalism.

The Meat

In the 35 pages, SA Romagnuolo provides exactly one paragraph and four illustrations supporting the similarity of the American Liberty Dollar (ALD) to current coins minted by the US Mint. The similarities are all symbols and words, not weight, size, or material composition. These similarities (and the possible violations of Title 18, Section 489) are the subject of a civil suit brought in federal court by Liberty Services for the express purpose of having a neutral magistrate examine the evidence and validate either the DOJ's claim that ALDs are similar to US Mint coins, or Liberty Services' claim that they are not.

Why the FBI would intervene when the subject is before a federal judge is not clear.

One symbol used on the ALD and US mint \$1 coins that SA Romagnuolo apparently did not find similar is the "\$". Of course, since that symbol appears on coins minted world-wide by various countries and price tags on shelves throughout the United States, it would be quite a stretch to claim that the US government has a trademark on that symbol.

The Fluff

In the remainder of the 35 pages, SA Romagnuolo attempts to support all the other supposed violations of Title 18 (money laundering, mail and wire fraud, and conspiracy). In doing so, SA Romagnuolo necessarily exposes the capitalist processes of production, marketing, distribution, private property ownership, profits, and exchange markets. To make his case for the issuance of a seizure warrant SA Romagnuolo passively and actively promotes the socialist and anti-consumerist views that these processes are, by definition, evil.

There are humorous passages in the affidavit, describing the purchase of a t-shirt and the

"luxury automobile[s]" of the subjects (a '99 Cadillac De Ville and a '92 Volvo with non-functioning headlights) as well as a modest Asheville, NC home (the back house on the parcel) as evidence in a "scheme" to defraud and launder. As well, SA Romagnuolo uses a geocities.com definition of "patriot". On the balance, however, SA Romagnuolo describes a model company with strong leadership and marketing as well as laudable internal controls.

Distribution Structure

I suppose it was SA Romagnuolo's intention to paint Liberty Service's distribution structure as a multilevel marketing "scheme" (he uses "scheme" often in the affidavit). What the affidavit describes, however, is a well-organized distribution structure.

Liberty Services, Inc. vets and accepts applications from individuals to become Regional Currency Officers (RCO). RCOs must meet or exceed minimum net worth requirements, maintain a minimum liquid balance of US dollars (to exchange for ALDs), agree to a code of ethics, and agree to support Liberty Associates and merchants who accept ALDs. As the name implies, RCOs function as regional marketing and distribution centers.

Liberty Associates (LA) purchase a franchise to market, buy, and sell ALDs in a local area. Merchants who accept ALDs in exchange for the goods and services they provide are offered incentives (marketing materials and discounts) to both accept and make change in ALDs.

RCOs and LAs are given marketing materials and receive regular updates. They also are offered opportunities to attend training (Liberty University) and, apparently, purchase t-shirts.

SA Romagnuolo bases his contention that this is a "scheme" on various facts:

- RCOs and LAs purchase franchises
- RCOs and LAs pay to attend Liberty University
- Liberty Services, Inc. sells the product they produce, warehouse, market, and distribute at a profit
- Liberty Services, Inc. sells t-shirts and DVDs
- RCOs and LAs sell the product they warehouse, market, and distribute at a profit
- RCOs and LAs receive compensation for selling franchises

Under SA Romagnuolo's theory of violations of the money laundering, mail and wire fraud, and conspiracy statutes of Title 18, then, we can expect the FBI to request seizure warrants on the franchiser of every car dealership, grocery store, tax service, fast-food restaurant, temp agency, distributor, tanning salon, barber, bookstore, and mall vendor that operates as a franchisee.

MSRP

ALDs (both in medallion and warehouse receipt form) carry a denomination. This denomination is, in fact, the manufacturer's suggested retail price in US dollars (USD). This differs from the millions of products on store shelves throughout the country that have the MSRP stamped or printed by the manufacturer only in that the package and product of an ALD are one and the same.

As the label implies, MSRP is the manufacturer's suggestion to the retailer as to what the value of the product is to the consumer. Basic microeconomics, however, tells us that the actual value to the consumer can only be known by the consumer at the time of purchase. Even the

act of purchase does not reveal the true value to the consumer, but only that the consumer valued the product more than the price paid.

SA Romagnuolo, apparently not a student of even high-school economics, confuses the printed/stamped MSRP, the value of the product, and the value of the raw materials used to make the product in furthering his "scheme" theory.

SA Romagnuolo states that the warehouse receipt issued by Liberty Services, Inc. is marketed as "100% backed by silver". He then goes on to perform some simple math calculations proving, at least in his mind, that this claim is false. SA Romagnuolo, however, only succeeds in proving that he is apparently not a student of high-school algebra, either.

In basic algebra, it is important to consider the units used in calculation. SA Romagnuolo subtracts the spot price of silver on 11/08/07 (\$15.34 USD/troy oz of silver) from the MSRP of the warehouse receipt (\$20 USD/1 oz silver ALD medallion), to intimate a \$4.66 USD shortfall per certificate. The warehouse receipt is not for \$20 USD worth of silver at the current New York spot price, however; it is a receipt for a 1 oz silver ALD medallion. So, what SA Romagnuolo really shows is that the MSRP of a 1 oz silver ALD medallion is \$4.66 USD more than the price at which the raw materials used to produce the medallion could be purchased IF one held a seat on the New York Mercantile Exchange.

SA Romagnuolo does not contest the monthly independent audits of the warehouse which, in fact, are overly cautious, and add value to the warehouse receipt.

Under SA Romagnuolo's theory of violations of the money laundering, mail and wire fraud, and conspiracy statutes of Title 18, then, we can expect the FBI to request seizure warrants on every manufacturer who values finished inventories greater than the total spot price of the raw materials used in the production of those goods (no labor, no design, and no engineering values may be added). Additionally, we can expect the FBI to request seizure warrants on every broker and exchange that buys and sells utilizing a bid-ask spread and any warehouse facility that values the things warehoused any greater than the value of the raw materials used to produce those things.

Affidavit Conclusions

It is clear in the affidavit sworn to by SA Romagnuolo that he considers the capitalist processes of production, marketing, distribution, private property ownership, profits, and exchange markets evidence of crimes under Title 18 of the US Code. Indeed, in SA Romagnuolo's own words, the very use of Federal Reserve Notes "is simply a drain on the United States Government's monetary system for financial profit via fraudulent means."

On November 9, 2007 US Magistrate Judge Dennis Howell of the Western District of a nominally capitalist country issued a seizure warrant on evidence of the socialist theories that profits and use of currency as a medium of exchange are crimes.