NORFED REPORT: VOL. 2 NO. 4 APRIL 2000

Welcome and an especially warm welcome if you are new to NORFED.

BIG NEWS: The new Silver Libertys 2000 design due out soon…Gold Promotion…Tour to the East Coast is in the planning state… "excrementalism economics" explained…

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PLEASE READ THE FIRST FOUR ARTICLES:

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1. Disappointed with people accepting the ALC?

DON'T BE. Unless you have not tried. Being on a national tour, I offer the New American Dollar at many, many places. Does everybody accept the New American Dollar? No. But a great many people DO accept it. Let us remember that a hundred years ago, when banks themselves brought out personal checking, that the people's reaction was, "You mean I can write this thing out and get money?! Forget it!" The prudent reaction was disbelief. And still today there are people who do not use checks. Then fifty years later, exactly in 1950 when Bloomingdale brought out his Diners Card, the first credit card, it was accepted by only one hotel and 24 restaurants. And in 1954 when Visa and MasterCard was launched, what was the people's reaction? , "You mean I can use this piece of plastic to buy things and get money?! Forget it!" The prudent reaction was again disbelief. In fact there was so much outright distrust that Visa and MasterCard hired droves to contact businesses to accept this "plastic money". So today, when NORFED supporter asks a merchant to accept the New American Dollar, we are well prepared to expect his prudent reaction of "You mean I can really get silver for this piece of paper?!" The people's reaction is the same as it was yes a hundred years ago and what it was fifty years ago and as it is today. It is a fact that innovation, more often than not, meets with prudent disbelief which only changes over time, that's called evolution.

2. The Tom Curtis Solution:

Tom Curtis, one of NORFED's more amazing supporters who had many successful stories of using the New American Dollar suggests we "turn the tables" in our offer of the currency to prospective businesses. Instead of asking if the merchant accepts the New American Dollar, simply request your change in the silver backed currency. When the merchant's jaw drops and he asks, "What is that? show the ALC's you have in your wallet. When he asks, "Where do you get them?" Answer, "I get them in change from merchants who accept them. I hope you will accept them so that when I come back, you can give them to me in change." In this way, the merchant is not put on the spot, and doesn't have to ask that awful question, "What do I do with them?"

So, in stead of asking, "do you take the New American Dollar." Or "Would you take a New American Dollar towards this bill?", Tom suggests you ask for your CHANGE in New American Dollars. So the next time you are handed a dreaded F*R*N*…just say, "No, no, no. Oh don't you have any of the New American Dollars backed by silver?" This is a wonderful new twist to creating "demand" by asking or demanding it for change. Thank you Tom for your tiredness efforts and this new proactive way to use the new currency.

3. Advantages of the ALC to non-believers

Often I am asked what the advantages of the ALC are to whose who do not interested in the political agenda of repealing the Federal Reserve (F*R*).

Please explain in the most simple of terms that a Gold & Silver backed Currency provides many useful advantages, including:

Inflation Proof Currency

A. Superior, long term economic stability
B. Safer storage of value
C. Greater financial privacy
D. Protection form "their" manipulated monetary system
E. Savings with volume discounts and referral fees
F. Deterrent to war

4. Clarifying costs of the Gold Certificates, etc.

There is no doubt that the gold is expensive. It's Gold! And it is "expensive", but in relative terms it is also VERY cheap. NORFED brought out the first Gold Certificate in 67 years because it nearly impossible to bring out such an instrument in a strong raging market. This instrument will only begin to function as the price of gold goes up. Meanwhile, take a brief look at the discount and the referral fees. On the silver both are 5% but on the gold Certificate it is 10% - $50 discount and $50 referral fees. When the price of gold goes above $300/oz. the discount and referral fees will change back to the 5% just like silver Why? First, you can not get gold coined and stored at the same price as silver. Second, since there is no margin to be made on the silver, everyone looks to the gold to get a fairer return. For these reasons, we continue to recommend Silver Libertys and Silver Certificates over gold as the best alternative to the dreaded F*R*N*.

5. Gold Promotion…

For those who have seen the new Gold Certificates, you know how beautiful they are. For those who have not, you now have a chance to see the Certificate and get a free "Specimen" with a purchase of a Gold Liberty. NORFED has put up ten (10) Gold Libertys at a reduced price of only $330 each with $10 shipping and handling. This is significantly less than the $375 when you buy five Libertys and closer to the spot plus 10% price when ten are purchased at $300 gold. So if you want to get a Gold Liberty and a Specimen for about the cost of the current depressed gold price, please call NORFED. Offer is good until ten are sold out or as long as gold is under $300/oz, which ever is first.

6. Silver Libertys dated 2000 available soon – order now!

The new Silver Liberty 2000 will be available in the next two weeks. I regret that we have not gotten the all new 2000 Reverse Design that is featured on the Gold Liberty up on the NORFED site. The new design is slightly different, yet still features the Liberty Torch. If you are interested in getting some of the first "gemies" please contact Sarah and her happy group at NORFED.

7. Honor the noble Redemption Centers who are candidates

As most of you know NORFED does not have much respect for the political process as it is practiced today. So it is with a certain chagrin that we lend our support and respect to Michael Heit who is running for state Congressman in Montana and Gail Lightfoot is running for state Senator in California. Please support their efforts and pray they win.

8. Hegelian Economics and "excrementalism".

As is mentioned in the new NORFED Brochure, the F*R* inflated the monetary supply by over ONE TRILLION in last eight weeks in 1999. Now we have higher gas prices. But wait, the price is coming down. That's right, but not all the way. Seems we have a new spin on the Hegelian practice of Problem/Reaction/Solution. I call it "economic excrementalism". The price is jacked up and comes down a little. Then it is on to another industry of problem/reaction/solution. It is a round-robin of robbery in reply to the higher prices and more inflation.

9. Tentative trip to the East Coast

Another quickie trip: I guess over time these will become more organized, but for now we take them as it comes. There is good reason that I will be doing the East Coast during the second half of April. IF YOU ARE INTERESTED IN SEEING ME OR WANT ME TO ADDRESS YOUR GROUP, THEN BY ALL MEANS, PLEASE CONTACT ME ASAP. ASAP. I will only have a week in the DC – NY area, so let me apologize up front to Fred and all our friends in Maine, Vermont and New Hampshire, as I will not be able to visit them quite yet. I will be starting from South Florida on approx. April 15th…

10. Freedom Train with Brent Johnson/American Sovereign

NORFED will participate in the Freedom Train that will leave San Francisco on July 4th and arrives in Washington DC on September 18. Any Redemption Center who wishes to participate when the "train" is in your area, please call Sarah at NORFED. Additional info and schedule is available at: 888.385.3733 and at http://www.americansovereign.com/freedombound/seminar.htm

11. Thanks to Peymon for Freedom Rally 2000 and the Award

Many thanks to Peymon Mottahedeh for the outstanding Freedom Rally 2000. It was an terrific event with many of the top speakers of our time. I was honored to be included with Ed Griffin, Richard Mack, Steve Cubby and others and received an award for the innovative American Liberty Currency.

12. Vintage 1966 Greenspan in support of gold and freedom

For those of you who have made it this far and still have time, enclosed for your reading pleasure is an article written by none other than Mr. Darth Vader (Alan Greenspan) for The Objectionist in 1966. This is a very interesting article and I encourage you read it if you have the time. Good luck.

13. *Forbes*

Well, there is not much to be said except that it happened. I just hope that Steve Forbes reads his own magazine as it flies in the face of what he is suppose to believe in. But then he is a politician and not one who is a Redemption Center…so who knows where he is. But he is not us and most certainly not US!

14. New Way for Redemption Centers to order on line

Now you can order online at: **https://secure.sitehosting.net/norfed/red-order.htm** Just fill out the order form and email to us. If you have any questions, just give us a call. Thanks for your continued support.

GOLD AND ECONOMIC FREEDOM
BY ALAN GREENSPAN

An almost hysterical antagonism toward the gold standard is one issue which unites statists of all persuasions. They seem to sense---perhaps more clearly and subtly than many consistent defenders of laissez-faire---that gold and economic freedom are inseparable, that the gold standard is an instrument of laissez-faire and that each implies and requires the other.

In order to understand the source of their antagonism, it is necessary first to understand the specific role of gold in a free society.

Money is the common denominator of all economic transactions. It is that commodity which serves as a medium of exchange, is universally acceptable to all participants in an exchange economy as payment for their goods or services, and can, therefore, be used as a standard of market value and as a store of value, i.e., as a means of saving.

The existence of such a commodity is a precondition of a division of labor economy. If men did not have some commodity of objective value which was generally acceptable as money, they would have to resort to primitive barter or be forced to live on self-sufficient farms and forgo the inestimable advantages of specialization. If men had no means to store value, i.e., to save, neither long-range planning nor exchange would be possible.

What medium of exchange will be acceptable to all participants in an economy is not determined arbitrarily. First, the medium of exchange should be durable. In a primitive society of meager wealth, wheat might be sufficiently durable to serve as a medium, since all exchanges would occur only during and immediately after the harvest, leaving no value-surplus to store. But where store-of-value considerations are important, as they are in richer, more civilized societies, the medium of exchange must be a durable commodity, usually a metal. A metal is generally chosen because it is homogeneous and divisible: every unit is the same as every other and it can be blended or formed in any quantity. Precious jewels, for example, are neither homogeneous nor divisible. More important, the commodity chosen as a medium must be a luxury. Human desires for luxuries are unlimited and, therefore, luxury goods are always in demand and will always be acceptable. Wheat is a luxury in underfed civilizations, but not in a prosperous society. Cigarettes ordinarily would not serve as money, but they did in post-World War II Europe where they were considered a luxury. The term "luxury good" implies scarcity and high unit value. Having a high unit value, such a good is easily portable; for instance, an ounce of gold is worth a half-ton of pig iron.

In the early stages of a developing money economy, several media of exchange might be used, since a wide variety of commodities would fulfill the foregoing conditions. However, one of the commodities will gradually displace all others, by being more widely acceptable. Preferences on what to hold as a store of value, will shift to the most widely acceptable commodity, which, in turn, will make it still more acceptable. The shift is progressive until that commodity becomes the sole medium of exchange. The use of a single medium is highly advantageous for the same reasons that a money economy is superior to a barter economy: it makes exchanges possible on an incalculably wider scale.

Whether the single medium is gold, silver, seashells, cattle, or tobacco is optional, depending on the context and development of a given economy. In fact, all have been employed, at various times, as media of exchange. Even in the present century, two major commodities, gold and silver, have been used as international media of exchange, with gold becoming the predominant one. Gold, having both artistic and functional uses and being relatively scarce, has always been considered a luxury good. it is durable, portable, homogeneous, divisible, and, therefore, has significant advantages over all other media of exchange. Since the beginning of World War I, it has been virtually the sole international standard of exchange. If all goods and services were to be paid for in gold, large payments would be difficult to execute, and this would tend to limit the extent of a society's division of labor and specialization.

Thus a logical extension of the creation of a medium of exchange is the development of a banking system and credit instruments (bank notes and deposits) which act as a substitute for, but are convertible into, gold.

A free banking system based on gold is able to extend and thus to create bank notes (currency) and deposits, according to the production requirements of the economy. Individual owners of gold are induced, by payments of interest, to deposit their gold in a bank (against which they can draw checks). But since it is rarely the case that all depositors want to withdraw all their gold at the same time, the banker -need keep only a fraction of his total deposits in gold as reserves. This enables the banker to loan out more than the amount of his gold deposits (which means that he holds claims to gold rather than gold as security for his deposits). But the amount of loans which he can afford to make is not arbitrary: he has to gauge it in relation to his reserves and to the status of his investments.

When banks loan money to finance productive and profitable endeavors, the loans are paid off rapidly and bank credit- 'continues to be generally available. But when the business ventures financed by bank credit are less profitable and slow to pay off, bankers soon find that their loans outstanding are excessive relative to their gold reserves, and they begin to curtail new lending, usually by charging higher interest rates. This tends to restrict the financing of new ventures and requires the existing borrowers to improve their profitability before they can obtain credit for further expansion. Thus, under the gold standard, a free banking system stands as the protector of an economy's stability and balanced growth. When gold is accepted as the medium of exchange by most or all nations, an unhampered free international gold standard serves to foster a world-wide division of labor and the broadest international trade. Even though the units of exchange (the dollar, the pound, the franc, etc.) differ from country to country, when all are defined in terms of gold the economies of the different countries act as one-so long as there are no restraints on trade or on the movement of capital. Credit, interest rates, and prices tend to follow similar patterns in all countries. For example, if banks in one country extend credit too liberally, interest rates in that country will tend to fall, inducing depositors to shift their gold to higher-interest paying banks in other countries. This will immediately cause a shortage of bank reserves in the "easy money" country, inducing tighter credit standards and a return to competitively higher interest rates again.

A fully free banking system and fully consistent gold standard have not as yet been achieved. But prior to World War I, the banking system in the United States (and in most of the world) was based on gold, and even though governments intervened occasionally, banking was more free than controlled. Periodically, as a result of overly rapid credit expansion, banks became loaned up to the limit of their gold -reserves, interest rates rose sharply, new credit was cut off, and the economy went into a sharp, but short-lived recession. (Compared with the depressions of 1920 and 1932, the pre -World War I business declines were mild indeed.) It was limited gold reserves that stopped the unbalanced expansions of business activity, before they could develop into the post-World War I type of disaster. The readjustment periods were short and the economies quickly re-established a sound basis to resume expansion.
But the process of cure was misdiagnosed as the disease: if shortage of bank reserves was causing a business decline-argued economic interventionists-why not find a way of supplying increased reserves to the banks so they never need be short! If banks can continue to loan money indefinitely-it was claimed-there need never be any slumps in business. And so the Federal Reserve System was organized in 1913. It consisted of twelve regional Federal Reserve banks nominally owned by

private bankers, but in fact government sponsored, controlled, and supported. Credit extended by these banks is in practice (though not legally) backed by the taxing power of the federal government.

Technically, we remained on the gold standard; individuals were still free to own gold, and gold continued to be used as bank reserves. But now, in addition to gold, credit extended by the Federal Reserve banks ("paper" reserves) could serve as legal tender to pay depositors.
When business in the United States underwent a mild contraction in 1927, the Federal Reserve created more paper reserves in the hope of forestalling any possible bank reserve shortage. More disastrous, however, was the Federal Reserve's attempt to assist Great Britain who had been losing gold to us because the Bank of England refused to allow interest rates to rise when market forces dictated (it was politically unpalatable). The reasoning of the authorities involved was as follows: if the Federal Reserve pumped excessive paper reserves into American banks, interest rates in the United States would fall to a level comparable with those Great Britain; this would act to stop Britain's gold loss avoid the political embarrassment of having to raise interest rates.

"Fed" succeeded: it stopped the gold loss, but it nearly destroyed the economies of the world, in the process. The excess credit which the Fed pumped into the economy spilled over into the stock market---triggering a fantastic speculative boom. Belatedly, Federal Reserve officials attempted to sop up the excess reserves and finally succeeded in braking the boom. But it was too late: by 1929 the speculative imbalances had become so overwhelming that the attempt precipitated a sharp retrenching and a consequent demoralizing of business confidence. As a result, the American economy collapsed. Great Britain fared even worse, and rather than absorb the full consequences of - her previous folly, she abandoned the gold standard completely in 1931, tearing asunder what remained of the fabric of confidence and inducing a world-wide series of bank failures. The world economies plunged into the Great Depression of the 1930's.

With a logic reminiscent of a generation earlier, statists argued that the gold standard was largely to blame for the credit debacle which led to the Great Depression. If the gold standard had not existed, they argued, Britain's abandonment of gold payments in 1931 would not have caused the failure of banks all over the world. (The irony was that since 1913, we bad been, not on a gold standard, but on what may be -. termed "a mixed gold standard"; yet it is gold that took the blame.)
But the opposition to the gold standard in any form-from a growing number of welfare-state advocates-was prompted by a much subtler insight: the realization that the gold standard is incompatible with chronic deficit spending (the hallmark of the welfare state). Stripped of its academic jargon, the welfare state is nothing more than a mechanism by which governments confiscate the wealth of the productive members of a society to support a wide variety of welfare schemes. A substantial part of the confiscation is effected by taxation. But the welfare statists were quick to recognize that if they wished to retain political power, the amount of taxation had to be limited and they had to resort to programs of massive deficit spending, i.e., they had to borrow money, by issuing government bonds, to finance welfare expenditures on a large scale. Under a gold standard, the amount of credit that an economy can support is determined by the economy's tangible assets, since every credit instrument is ultimately a claim on some tangible asset. But government bonds are not

-backed by tangible wealth, only by the government's promise to pay out of future tax revenues, and cannot easily be absorbed by the financial markets. A large volume of new government bonds can be sold to the public only at progressively higher interest rates. Thus, government deficit spending under a gold standard is severely limited.

The abandonment of the gold standard made it possible for the welfare statists to use the banking system as a means to an unlimited expansion of credit. They have created paper reserves in the form of government bonds which-through a complex series of steps-the banks accept in place of tangible* assets and treat as if they were an actual deposit, i.e., as the equivalent of what was formerly a deposit of gold. The holder of a government bond or of a bank deposit created by paper reserves believes that he has a valid claim on a real asset. But the fact is that there are now more claims outstanding than real assets.
The law of supply and demand is not to be conned. As the supply of money (of claims) increases relative to the supply of tangible assets in the economy, prices must eventually rise. - -Thus the earnings saved by the productive members of the society lose value in terms of goods. When the economy's books are finally balanced, one finds that this loss in value represents the goods purchased by the government for welfare or other purposes with the money proceeds of the government bonds financed by bank credit expansion.

In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value. If there were, the government would have to make its holding illegal, as was done in the case of gold. If everyone decided, for example, to convert all his bank deposits to silver or copper or any other good, and thereafter declined to accept checks as payment for goods, bank deposits would lose their purchasing power and government created bank credit would be worthless as a claim on goods. The financial policy of the welfare state requires that there be no way for the owners of wealth to protect themselves.

This is the shabby secret of the welfare statists* tirades against gold. Deficit spending is simply a scheme for the "hidden" confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasps this, one has no difficulty in understanding the statists' antagonism toward the gold standard.

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The Objectivist, July 1966.

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

That's it. Wishing you a great day.