

CONFIDENTIAL GOLD WARNING  
**SPECIAL REPORT**



**The 7 Critical Facts You Need To Know  
Before The Coming Global Financial Crash**

**Written by David MacGregor**

**This eReport is Brought to You by**

**...DerekBowler  
[Visit My Web Site](#)**

All Rights Reserved - Copyright 2007

# Introduction

We live in a time of significant geopolitical seismic **shifts**. Everything is changing. Trouble is, from our personal constrained viewpoint, such shifts can be hard to detect - especially in the time scale of our own relatively short lives.

We also live within a paradigm of the “given” - accepting as reality that which we are used to, that which we have grown up with, and that which we have been taught - by parents, school teachers, churches, the media and the government.

We are prisoners of the “now” - and feel ourselves not beholden to **history** or the lessons to be learned from it. We live our lives in the mistaken sense that those before us were somehow different from us - less educated, less intelligent, less advanced - and consider ourselves somehow superior.

But the truth is human nature has **not** changed, and does not change. And the experiences of those before us - in life, love, happiness, sadness, war, peace and death - are just as valid today as they were back then.

Sure, we are more technologically advanced, but at a more fundamental level - in our morality, our passions, our thinking - we have not advanced at all. And because of that, we are prone to fall into the same traps and make the same mistakes as those who've gone before us. And contrary to accepted wisdom, it appears we **don't** learn the lessons of history - but are destined to re-live them over and over.

One such lesson is the subject of this special report - the truth about **fiat money** and why **gold** is the only **real** money available to us today.

I have identified **seven critical facts** you need to know and understand - in order that you can be fully prepared for what must come to pass. Fortunes will be made and lost in the financial and economic turmoil ahead. And by being informed and prepared, you can be a **winner** rather than a loser.

## Fact 1. The Fiat Money Fraud

First I should define the term "fiat". From dictionary.com comes the following definition:

1. An arbitrary order or decree
2. Authorisation or sanction: government fiat

So, fiat money is that which is **declared** to be money by the arbitrary order or decree of government. Government fiat money is the end result of an evolution of money as we know it. And it can be summarised briefly as follows:

Historically, various commodities have functioned as money - that is, as a means of **exchange**. Some of these commodities have included unique items of special value to certain cultures and conditions, like salt or tobacco. However, historically, only two commodities stand out as having passed the test of time - **gold** and **silver**. The reason is quite simple. Both of these metals have a long history of being accepted as a store of value (due to their inherent physical properties) and cannot be counterfeited or manufactured at will. So throughout history gold and silver have functioned as **money**.

As commerce became more sophisticated, various means of dealing with gold came into being. One such way was to pass on gold **receipts** as negotiable financial instruments. The process was simple. You stored your gold with a goldsmith, who issued you with a receipt for the same. Now you could pass on that receipt to another - who now had the claim to your gold.

In this way gold became the **commodity** backing for such receipts - allowing for the easy carrying and transferring of value - i.e. the value of gold as determined by the receipts. Of course, gold coins were also common - like the cash of today. This process of privately issuing gold receipts became the basis for what is known today as 'banking'. A bank became a repository for gold and issued bank notes which were **redeemable** in gold.

In the "good old days" a bank note was a **promise** to pay - a promise to pay a certain amount of gold (or silver) on demand. And we are reminded of that historical fact when we hear or use the term "pound sterling", when referring to the UK unit of currency - the pound. As you can easily guess, it originally referred to the pound's **value** - one pound Tower weight of silver - sterling silver.

Today we still have bank notes - but they are mostly issued by the state or state-mandated central banks, and they have no redeemable value, other than in exchange for another similar bank note.

The link between gold and bank notes was finally broken with the abolition of the **gold standard**. The USA abolished it in 1933 and Great Britain abolished it in 1931.

The paper money we have today is a ghost of its former self. And if you walk into a bank now and ask to exchange it for something **other** than another note (i.e. gold or silver), I'm sure you'll get a very strange look!

As I write this report I have four different national fiat currency notes in my hand. One is a five pound note from the Bank of England and it says, *"I promise to pay the bearer on demand the sum of five pounds"*. Another is a note for 20 Hong Kong dollars - which carries virtually the same phrase. I also have US and Australian dollars which don't even "promise to pay" anything, but carry the term *"this note is legal tender .... etc."*.

So, there you have it. The value of the notes you use every day is arbitrarily determined by the state (or its mandated central banking authority), and by its capacity to disallow any monetary competition. It is this **monopoly** on the issuance of what we use as money, and the state's ability to determine the value of it, which is at the heart of the state's power.

With this power, the state can literally **manipulate** the money supply for its own ends. It can "cook the books" in a way that a private company or individual could never do. It can use this power to ensure it stays in power. And it can even steal the money you have saved, after it has already stolen the money you've earned (tax), by **inflating** the currency - i.e. by lowering its value over time.

It does this by creating money out of literally nothing, then using this money to bribe segments of the population - to buy their votes - by various welfare and money redistribution schemes.

## Fact 2. The Bank Vault is Empty

The money we use in everyday life has only a mandated (fiat) value, which is maintained by its function as **legal tender**. We believe in this money because we're told to **trust** it. And as long as everyone is happy to accept it as payment for the things we need and want in life, then everything seems to work out fine.

The only time reality pokes its nose in, is in times of financial **panic** - as in the **1929 Great Depression** - when confidence in the money, the banking system, or the wider economy in general begins to falter. And it is in these circumstances the essential insolvency of the fractional reserve banking system is laid bare for all to see. For when everybody turns up at the bank to withdraw their funds, they find an unpalatable truth confronting them - the bank does not have enough money to honour all its obligations to its depositors.

It was this form of panic that lead politicians to devise ways of averting such in the future - by setting up "banks of last resort" - i.e. Central Banks which would manage the money supply in order to maintain **confidence** in the banking system.

Before, when everyone rushed to the bank to withdraw their funds, banks collapsed. But in the brave new world the Central Bank need only print more cash to keep the banks in "stock", and ward off the panic by ensuring they have enough cash on hand to meet their customers' demands. In this way bank panics have largely become a thing of the past - by bolstering public confidence in the banks' ability to meet any possible future demand.

However, this has not changed the reality of the situation - that fiat money is only worth something because of government edict and public confidence. And that if things were to turn ugly and this confidence were to evaporate, this reality would become as apparent as the sun rising each day.

All that has changed is the capacity of the State, via its central banking arm, to beat off panic by **printing** more money. However, in printing or digitally creating more money they are opening yet another Pandora's Box - **inflation**.

## Fact 3. The Inflation Stealth Tax

Price **fluctuation** is easy enough to explain. It's when too many people chase too few goods (prices rise), or too many goods chase too few people (prices fall). You can experience this first hand in the grocery department of your local supermarket - in the way prices of perishable fruit and vegetables rise and fall on a daily basis. When supply of tomatoes goes up, then the auction mechanism (by which most produce is brought to market) automatically drops the price - as more sellers of tomatoes are needing to quit their stock to the same number of buyers. And conversely, when tomatoes are in short supply, the "over supply" of buyers bids the prices up.

Now, while price fluctuation is normal in the free market - especially with regards to perishable or short-supply goods - **inflation** of the general price level is not, not unless the amount of money in circulation is going up without any corresponding increase in the supply of goods and services available. Which is exactly what can happen when the Central Bank injects more cash into the system. This new money, if not backed by any increase in goods and services, will simply push up prices across the board. And "voila", you have inflation - or to put it another way, diminished purchasing power.

On the face of it, inflation may not seem that harmful. And some would even say it's mildly beneficial, as it can stimulate industry and economic activity. However, it has a **hidden** and much more harmful impact - that is to **depreciate** the currency over time.

If inflation is currently running at say 4% in your country, then that equates with a 4% depreciation in the actual value of your national currency. So if you had \$100,000 in the bank, then the real value of your cash (the purchasing power) would have declined by \$4,000. That \$4,000 loss is in effect a hidden **tax** on your assets. So apart from paying tax on your earnings, you are also paying tax on your savings - via the hidden tax of inflation.

Of course 4% doesn't sound very much, and if you only have \$10,000 in the bank, then your personal loss may not seem severe. But what if the inflation rate was 20%? Don't be shocked, as much of the developed world experienced this during the 1970s and early 80s - when inflation in many western countries was running at 15%-20%.

*“But what’s the harm of a little inflation?”*, you may be tempted to say. The “harm” is that there is nothing to stop a modest inflation turning into a **hyper-inflation** - if the creation of fiat money gets out of hand, as historical experience has proven.

Perhaps the most well known hyper-inflation in “modern” times was in **Germany** after **World War I**. And I’m sure you’ve all heard the stories of people pushing wheelbarrow loads of German marks down to the shop to purchase just a loaf of bread. Sounds amazing and almost unbelievable - but it happened. And it’s still happening.

As I write this report, **Zimbabwe** has been suffering from massive inflation. It has progressively moved from 1,000% per annum in May 2006, to 2,700% in May 2007 - just in the space of one year. This level of inflation is now threatening to tip the country into total financial, economic and political collapse. And it’s all because of one thing - using the printing presses and credit creation mechanisms to churn out more and more money.

Inflation **steals** your money - the results of your life’s efforts. Inflation destroys the savings of those who are prudent, while rewarding those who are not. Inflation ultimately undermines the whole social fabric and creates economic ruination. And all because of one simple thing - the money which people have been told is “okay” and “sound” is in fact only as strong as the **faith** people have in it. When that faith is gone - the belief that the money you have is worth something - you may as well use your paper money as toilet paper!

The most important thing to remember is that inflation of the fiat money supply is entirely **man-made**. It’s the result of creating money out of nothing - in quantities far in excess of the aggregate amount of goods and services available.

Every past experiment with paper fiat money has ended in disaster. And today is no different - even though most money in circulation is digital. It’s bit like being a drug addict. The more you use it, the more you want - and the worse off you get.

## Fact 4. The Geopolitical Earthquake

While not obvious to the casual observer, there are fundamental **shifts** in global power and influence that are well under way. However, we've become so used to the status quo that many of these significant changes are escaping our attention.

The US Dollar holds a special place in the global order of fiat currencies - as it is the **reserve currency** for global economic transactions, as well as the currency of choice for national foreign currency reserves.

This status has given the USA a particularly useful **advantage** - the ability to buy goods on the world market, and pay for them in USD - a paper currency which it can freely print. Bankers call this advantage **seignorage** - which can be defined as "The amount of real purchasing power that a government can extract from the public by printing money."

In the case of the USA, it has been able to extract real purchasing power from the global public - which has always willingly accepted the USD.

But that is all changing. The USD as the world's reserve currency is seriously under threat. And one of the major reasons is the increasing **weakness** of the US economy. As the US economy weakens further, and the US dollar depreciates in lock-step, the appeal of the USD as a reserve currency is also diminished.

The only reason it hasn't been displaced is because there is no real **alternative** on the world scene at present. Sure, there's the Euro - but as a political fiat money it suffers all the inherent weaknesses of the USD. And besides, the USD has a lot of history on its side, making it difficult for people to consider dumping it.

However, dumping it is certainly on the cards, and in fact is already in gradual progression. **China**, as the world's largest creditor nation, is the largest holder of USD reserves, and as such has a **symbiotic** relationship with the USA (the world's largest debtor nation). And while they obviously would not want a catastrophic drop in the value of the USD (which would undermine the value of their currency reserves), they are consciously moving in an orderly way **out** of USD foreign exchange holdings.

One way they are doing this is to create state investment corporations, which are charged with sourcing and investing in major global enterprises. In other words, the Chinese are gradually moving a portion of their huge reserves from cash (US Treasury Bonds) to profit-generating business assets.

While China is doing this, there are other thorns in the side of US dollar hegemony - one being the **Middle East** and the pricing of **oil**. There is good evidence to suggest that one of the reasons for the attack on Iraq (and the probable pending attack on Iran) is the fact that both Iraq (before the invasion) and Iran considered moving their oil transactions out of USD in favour of the EUR. Such a move would send shock waves throughout the global financial community and also sound a death knell for the USD as a global reserve currency. The pricing of oil in USD is a major bulwark of its reserve status.

All of these potential shifts can be traced to single fundamental one - the **decline** of the USA as the major economic and political power it has been. Of course, the USA will remain a major player on the global stage, but a cursory glance at its “fundamentals” reveals that its status as the pre-eminent world power is definitely on the wane.

And it's not hard to see where the power is shifting to. It's shifting to **Asia** - and in particular **China**. Just as the USA became a great power on the back of its industrial innovation and productivity, so China is rising into that role - as the world's future leading economic power.

One thing is certain. Whichever country gains number one place in the economic power stakes, will also rise to wield considerable political clout. And such a situation is a direct threat to the existing (USA-centric) order. And given this reality, it can be expected that the USA will mount a rear guard action - to ward off the decline of its own Empire. But history is not kind. Empires come and go - and present company is not excepted.

The downside to this geopolitical reality is that the USA is likely to act in various **irrational** ways - while attempting to fend off contenders to its “throne”. And in so doing, threaten the international political and financial order. We are witnessing this already, with the “war on terror” - the attempt to create a new international pariah “bogeyman” - in order to sustain the military-industrial complex.

## Fact 5. The Global Economic Storm

Just as predicting the weather is an inexact science - so is predicting with any accuracy the movement of markets, the economic health of the global economy, or the interest rates next year. But one can look at **fundamentals**. And although timing is hard to predict, the end result is not.

The fundamentals of the global economy are **not** good - for all the reasons already mentioned: the continued existence and abuse of fiat money; the need to inflate the money supply to fend off financial crisis; the shifting alliances of the global main players; the economic weakness of the USD; the uncertainty of the USD as a global reserve currency; the rapid rise of China and the Asia bloc as major economic players; the economics (and politics) of oil; the economic and political deterioration of the so-called democratic countries; the increasing risk of major wars. And more besides.

All of these point to systemic problem with the global economy. And it is in such uncertain times that people start looking for a **safe haven** for their money. The trouble is, given the global economy is now so interdependent, where is such a safe haven to be found?

Will you rush to change your USD into EUR? Or perhaps JPY or CHF? Certainly, in the short term it may be wise to **diversify** your currency holdings - to ward off unexpected fluctuations in the value of the cash you're holding. But all these currencies still share the same fundamental problem - they are **fiat** currencies, not backed by anything of value.

If you want to get ahead of the trend, then just look at what the Chinese, other Asians, and Indians are doing - in the face of this reality. They are buying **gold**. Why? Because gold (and silver to a lesser extent) holds a unique position in the human psyche - that of money of last resort. When the going gets tough financially, people always flee to gold.

Gold is, after all, the only **real** money. It's the money that has stood the test of time. It's the money that cannot be created out of thin air, or counterfeited. It's the money with a long-accepted **value** across both time and culture. Gold is unique in this - in that no matter what happens, it can never become worthless.

## Fact 6. The Only Real Money is Gold

If the world's economies crash aka 1929 - or worse - you can assume that the value of paper money will crash with it. You can also assume there will be a fire sale of all sorts of assets - as those who now own them under financial **lien**, will be forced to sell at bargain prices. And in this way financial turmoil produces both losers and winners.

One way to reduce the risk of personal financial disaster is to reduce, or preferably eliminate, all your personal **debts**. This is a hugely important advantage - if you can manage it. Why? Because in any severe monetary contraction (like the banks calling in loans), the first to suffer are those on the knife-edge of financial security - those whose incomes are eaten up with a mortgage or secondary financial debt.

To have your own home debt-free is a major security advantage if the economy falters. Without debt you need a lot less money to survive. And if you have a roof over your head, without crippling outgoings, then you are in a much more sound position.

An important question you need to ask yourself is, *"How long can I survive on the money I already have - if I lose my job?"* And if you're like most people, you'll find the answer rather unsettling, if not downright shocking. So the first order of the day should always be to eliminate, as much as possible, your debts.

The second strategy for financial survival would be to ensure you have a good portion of your existing cash converted into **gold**. For as already explained, although it's impossible to predict the future, two things are certain. The value of paper fiat money is entirely dependent on public **confidence** - and it would likely **lose** a lot of its purchasing power in a major financial crash.

Gold, on the other hand, is historically **sound** money - and what's more, is likely to **rise** rapidly in value under such a "financial crash" scenario.

"Gold Bugs" are often seen as doom-sayers - constantly predicting the end of the world and the impending surge in the value of gold. And of course, there are many things that could transpire to ward off the ultimate financial end game. However, being prudent is certainly recommended. And even though some predictions of gold rising to over \$2,000 an ounce may seem hard to believe right now - even **conservative** investment advisors are

predicting that gold can only go **up**, and that it is in a major **Bull** market which has a long way to go.

So the question becomes, *“How do I get my hands on this **real** money?”*. Traditionally, the answer was easy enough. Buy some gold coins or bullion and get them stored in a safe place. Many people are still avid proponents of the “physical possession of gold” strategy.

But what if things take a turn for the worse. What if your country **bans** gold, and forces everyone to hand it over - as the USA has done before? How would you feel if you had taken the precaution of stashing a few thousand dollar’s worth of gold at home in your safe, or in the vault of your local bank, only to find the government is demanding you hand it over (for much less than market value compensation)?

This is a real **fear** amongst those who think seriously about gold. Who knows what some run-amok government may do if faced with a run on its own fiat money - while people are deserting it in favour of gold? My own thinking is that any government will not want to tolerate such a attack on its financial sovereignty and control, and is quite likely to seek to **confiscate** the rogue gold from its citizens.

So it’s not enough just to secure your own supply of gold. You need to think very carefully about exactly how you will acquire it, and how you will store it, and more importantly, **where**. These are important questions, because the scenario that could cause gold to be the only secure means of holding your assets, could also mean the most risky to such holdings.

## 7. The Need For a Safe Haven

Okay, you want to buy gold. Where do you start? What do you do? Where do you buy it? Who can you trust? How do you store it? Where do you store it? To answer those questions, here are some pointers to set you on the right path:

1. Like all worthwhile strategies, it pays to be well informed. If you're not already familiar with the gold market, then a couple of good places to hang out, and to pick up information and the latest news, is [Gold Eagle](#) and [Kitco](#).
2. You can delve quickly into the gold market by purchasing it in **digital** form, and also transacting in gold, from such services as [E-Gold](#), [E-Bullion](#), [GoldMoney](#) and [Pecunix](#). My personal picks would be [GoldMoney](#) and [Pecunix](#), which both offer robust and secure systems - and an **offshore** location for the storage of your gold.
3. You can purchase a manageable amount of gold bullion **coins** for physical delivery from any reputable gold bullion dealer (just do a "Google" search and you'll come up with plenty). These coins are usually obtainable in 1 oz denomination - and come in such notable issues as the American Gold Eagle, Canadian Maple Leaf, South African Krugrand - as well as from such places as the Isle of Man, Australia and even China. Up to 10 of these 1 oz coins in your personal possession will give you some serious "cash" - should the need arise.
4. You can purchase gold certificates from the [Perth Mint](#) - which is guaranteed by the government of **Western Australia**. The Perth Mint Certificate programme is perhaps the world's best means of owning gold remotely - in that it gives you either allocated or unallocated ownership of gold, without having to take possession of it. And it also offers quick and reliable liquidity, should you need to sell such certificates. Australia is a major gold producing nation, and as such has a national interest in maintaining and honouring any contracts or agreements pertaining to gold. Perth Mint Certificates are ideal for holding larger amounts of gold - somewhere other than in your home country (that is, if you're not Australian!). A good agent service to get you started, and where you can download the various forms, is [Asset Strategies International](#).

5. You can purchase gold and have it stored in **New York, London** or **Zurich** using the gold trading market set up by **BullionVault**. This innovative service gives you access to the best prices, instant liquidity, high security - and the ability to buy even small quantities. Better still, you get to choose the location of your preferred vault, and have full legal ownership of the gold in question. For obvious reasons, security-minded people will likely opt for storage in Zurich, Switzerland - as that country has perhaps the best reputation for managing people's financial affairs, and is well placed as a location to secure your gold. **BullionVault** provides a comprehensive trading information, live charting and a live market for buying and selling. They even give you a free gram of gold when you open a **new account**. Highly recommended.

Is there anything else you can do to prepare yourself for any worst-case scenario, or general downturn in the global economy?

The answer is a resounding "yes". There are many things you can do - besides purchasing and storing gold. Of course you could also diversify into **silver** - which has historically been the world's second choice in real money.

However, there are also strategies you can employ using the fiat money you already have. And that would be to **diversify** your cash holdings into more than just one national currency. This strategy would be particularly useful for US citizens and residents, as the long term trend for the USD continues downwards.

A straightforward method is to open bank accounts in different currencies - as a **hedge** against any particular one moving in an unprofitable direction. If you're in the USA, one bank even offers a quick and easy way to diversify the cash you have on hand with CDs in 15 different national currencies. See **EverBank** for more details. Most major **offshore** banks also offer the ability to open accounts in all the major currencies.

Another, more comprehensive way to protect your assets and hedge yourself against any global economic downturn, is to become familiar with the world of **offshore banking** and **asset protection**. Learning how to bank, invest, do business and protect your assets in offshore jurisdictions is highly recommended for those with a **serious** intent to protect both their personal and financial freedom.

I've put together a **free** 7 part **eCourse** called the **FreedomShift** - which provides a good introduction to, and overview of, the **offshore financial world** and how it can benefit you.

If you've ever wanted to know more about the options available offshore, then I certainly recommend that you subscribe to it by going [HERE](#).

I trust you have found this report useful, and perhaps it will act as a catalyst to you doing something positive in regard to your own financial security.

Remember, the **mob** is never logical. By the time the mob catches on to gold it will be far too expensive to benefit from it in the way you can if you purchase it **now** - before it marches upwards in value. If you wait until everybody is heading off to their local gold dealer, you will know it's too late.

Don't be one of the sheep. Do some research. Check out your options. Read up on the links provided in this report - and make your own reasoned decision.

Certainly I wish you all the best in your personal quest for financial security and freedom.

Yours in freedom

**David MacGregor**

***About the Author:** David MacGregor has been working full time on the internet since 1998, and is what is known as a "PT" - a perpetual traveler - named after the international living strategy devised by Harry Schultz, the famous investment newsletter writer. David spends his time between various countries and operates a private offshore club and advisory service called [SovereignLife](#). Those seriously interested in maximising their personal and financial freedom using offshore strategies are invited to check it out.*