

4 Rivendell

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From: skintner@on-ramp.i or. com (Steve T. Kintner)

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While Guy Berliner is the original author of this text, I am posting the original "text" of his manifesto with my own signature to certify my agreement with the contents of "A Cryptyevangelical Manifesto (tentative)".

A Cryptevangelical Manifesto (tentative)

- ~~~~~
- 1.) Use of strong encryption is an overt and inherently political exercise of free speech.
 - 2.) Use of strong encryption makes a categorical assertion of your right to privacy in your communications, and of your right to refuse to facilitate government invasion of that privacy.
 - 3.) So long as government has reasonable alternatives to imposing a priori limitations on a citizen's free speech rights, it must resort exclusively to them and refrain from limitations imposed on the citizen.
 - 4.) Use of strong encryption makes a categorical statement that you, the user, assert your right to communicate as you choose, free from burdensome and unreasonable limitations imposed by government.
 - 5.) Use of strong encryption by greater numbers of citizens is essential if the right to use such is to be preserved. Those who fail to vigorously exercise their rights will soon find those rights abridged and denied by a government intent on such denial.

Guy Berliner

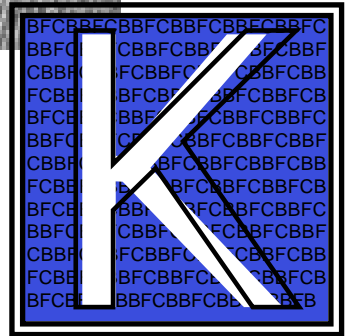
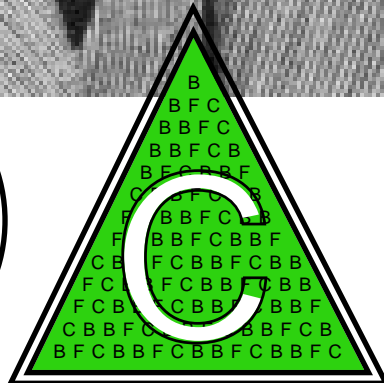
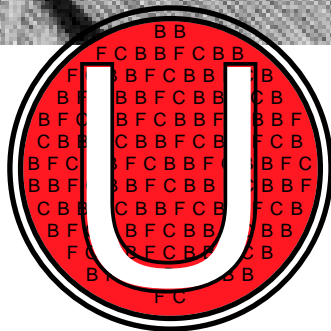
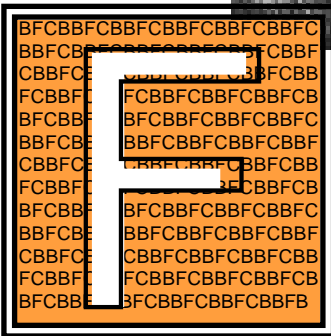
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dogman@net-works.com	"we are watching, Big
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pgp public key available	"Freeda people now! Do it, do it, do it, NOW"
	(john lennon- "Bring on da lucie")
	keep the memory alive

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The British Board Of Film Censors.

Mail order your video tapes from the USA, and get them converted from NTSC to PAL at your local TV store. Watch 'banned' and censored films in your own home, and copy them for your friends. It's fun!!

The (Non-Monetary) Value of Cash

The Fall of the Free Commerce Empire. The (Non-Monetary) Value of Cash.

Occasionally I notice that many disparate concepts are actually part of a whole. There is an epiphanic quality to this sort of discovery; a revelation of grand proportions that brings with it a sense of joy, even exhalation. This discovery differs. For me there is only sorrow and pessimism attached to the connection and interrelation of the concepts and events I am about to relay. Almost as if someone told me that the tooth ferry was a fraud after years of blissful ignorance. (While this article is long, and appears at first non-crypto, I hope the list will be patient, and read to the end where I believe very important implications for anonymous banking and crypto are exposed).

Let me begin with me. Some of you know me only by my postings, others from long running debates with me, a few of you have met me, and a very few have something of a personal relationship with me. I am on cypher-punks mostly because I love cash. Not money mind you; cash. Cash clarifies, it is clean, it lacks strings, it does not impute a dependence on institutions, or, to a great extent, on government. Cash is freedom, the ultimate expression of the universality of value, almost worldwide. Ann Rand has some wonderful descriptions of cash as power. The beauty of cash is its immense negotiability, its infinite liquidity, and its prospect for universal acceptance. If you doubt the value of currency or the premium placed on it by society, just look back through the history of printed money, and even the physical manifestation of the Dollar today. The finest artisans are recruited to design national currency. The finest paper is employed for its use. The artwork on a bill is the stuff of a nation. Look at the U.S. Dollar. The twenty Dollar bill is a magnificent work of representation. The likeness of Andrew Jackson is etched on the front of some of the most expensive paper in the world (manufactured by Crane's) with immense skill and care. The phrase "The United States of America" is written thirteen times on the front, once on the back. The branch of the federal reserve bank is printed on the bill along with the state-

ment: "Federal Reserve Note" atop. The rear bears the likeness of the White House, (The first tree to the left of center was planted by Andrew Jackson I believe, it's the one that the plane crashed into.) Above the President's residence are the words "In God we trust." Consider the secret lore associated with paper money. Ever hear of the secret Owl above and to the left of the "1" in the upper right hand corner of a one dollar bill? Some people claim it's a spider. The old German twenty Mark notes could be folded just so against a mirror to reveal a rather perverse depiction. Need I even mention the illuminati reference? What are the currency markets but the quantitative description of the value of a country? The stockmarket of nations in effect. They reflect judgments on the policies, economy, stability, and power of a nation. They cover all the hallmarks of investment. What a gauge. Currency and pseudo-currency (postage for example) are the absolute expressions of sovereignty for a nation. The stink Britain made about joining the European Union at first? Monetary sovereignty. Think of all the information an alien anthropologist could glean from simply looking at

capital, rather than leveraged cash, I never spend myself into debt. There is no balancing of one's "cashbook," cash does that all by itself. I still marvel at the fact that I can walk into a store, and if I have the cash, I just hand it, push it, drop it, or send it over, and I can leave with something I didn't have moments ago. Ah, what freedom is cash.

Well last week I went to Bloomingdale's. It's thinking about getting cold here in D.C. Not quite there yet, but it's thinking about it. Leaves are turning. We are about to turn the clock back. Cold's coming. Well I got it into my head that I should buy a trench coat. Something nice and warm with a lining and at least the suggestion of water resistance. I did what any good consumer would do, I shopped around. I looked downtown, went to Burberrys (the company that invented the trench coat in World War I and now sells it by license from the crown) and poked around. It still amazes me that I could walk into a place dedicated to nothing but trench coats and carry the means to buy one, or fifty, in a pocket. Well I elected to try Bloomies before I made up my mind. I drove to Tyson's Corner, walked into Bloomingdale's and spotted the same Burberrys coat that was listed for \$850 at a mere \$750. Perfect. I told the clerk I wanted the coat in a 40 Long. None were available. But the clerk



the currency of a nation. I'll tell you one thing that would be obvious. We're all liars. There is a bald face lie on every U.S. bill in common circulation. If you take a close look, you can find it. Right on every bill, just in the upper right hand corner lie the words "This note is legal tender for all debts, public and private." Not anymore it's not. The Cash is Dead...

I like to spend cash. Not just because it's private, and anonymous, which it basically is, but because it's free of ties. I don't have to pay interest on it, I don't have to pay someone a yearly fee to spend it, I don't have to wait for a machine to tell me if I am allowed to spend a particular amount, and if I spend

insisted, "I can get it from the other store and have it sent to you tomorrow." Sure, why not. "Ok, let me have your account number." "No, I'll pay cash". Hold the phone. Bloomingdale's does not accept cash for purchases requiring an order. No cash, no COD's. They wouldn't even order the coat, and allow me to return the next day to pick it up. Why you ask? Because they have to get the coat from a distributor somewhere? Are there other parties involved? Nope. Bloomingdale's was going to call up the White Flint Mall Bloomies in Maryland and have them send one over. Somehow this means that they cannot accept cash. Somehow an intercorporate, an interREGIONAL, transfer mandates a credit purchase.

Now I should mention that I have very nice credit. I carry only American Express and have been a member for many years. (Actually I have a Visa, but I never use the thing except the required three times a year to waive the yearly fee). While Bloomies would have taken the card, I was irritated. No longer do I dictate the terms of my purchase, but I must pay a credit or debit card company for the pleasure of doing business with Bloomies. No thanks. "You could apply for our Bloomingdale's credit card." Is sucker written on my forehead?" That's quite all right. Feeling particularly obnoxious about it, I drove all the way up to the Maryland store just so I could pay cash. Petty, yes? Perhaps so.

Consider this: Earlier this month I was in the market for a new car. I went to an Acura dealer in Virginia. A friend of mine had purchased his car through this dealer (which I will not name except to say that it's Brown's Honda and Acura in Alexandria) and was quite happy with their service and the friendly Virginia attitude about repair and customers. Virginia, where the air is cleaner, and you're closer to God. Apparently, as you will see, you better be closer to the financial institutions as well. I arrived at said dealership and proceeded to look at the automobiles, price them out and maybe even buy one. On the front door was a large sign that read "Drug dealers most unwelcome." I suppose I should have taken note. Not that I really care one way or the other, but only because it seemed to betray a rather radical right attitude. I ignored the sign, walked into the showroom and began to play the negotiations game with a sales person. After finding a car on the lot I fell in love with, I told them I would like to drive it home as soon as they could prep it. "Absolutely. Let's go in here and work out the details."

All seemed to go fine until we got to the financing part. Would I fill out this credit form and sign the credit information waiver so my financial arrangements could be checked. No, not necessary since I will be paying cash. Stop the music. Now I realize that not everyone pays for cars in cash. I tend to. Not that I walk into the dealership with a suitcase filled with bills, but when I find what I like, a quick trip to the bank is all that's required. I pay cash for this reason exactly. I pay cash because I don't want to deal with the headache of finance, leases, payments, loans, and because I can. I particularly LIKE paying cash for

such purposes because it is:

- 1> Cheaper in states with the right sales tax structures.
- 2> Certainly cheaper than financing.
- 3> Simpler than leasing. Often cheaper too after all the fine print in most leases
- 4> Quicker than any paperwork required for any other transaction.
- 5> Non-intrusive to my privacy.

I do not use cash purchases of automobiles to evade taxes. I also like the con-



cept of buying what you have the money for that day. Buying a car with money you saved is much nicer than buying a car with money you have to pay back. I dislike leveraged purchases without a liquidation following hard upon. I also frown on cashiers checks. Why pay for what I can have free? Well the salesman's eyes got rather wide. He made some more notes and told me he'd be right back, he was going to speak with the manager. After about five minutes, he came back all smiles and led me back to "Go over the automobile." He was really quite nice for the next fifteen minutes or so, commenting on why I would love the car, showing me some of the more obscure features, etc. I figured my friend had been right on. How nice of these people to spend so much time with a person who had obviously already made his mind up. Ah, Virginia, perhaps I should consider relocating?

That was before the cops arrived. No kidding. The manager called the cops. I should mention that I was quite well dressed. I had a meeting earlier that morning, and was in suit and tie. You can imagine my irritation at being the subject of an absolutely fabricated potential charge. The police asked to see identification. (I produced a passport) Didn't I have a driver's license? (I produced an international driving permit) Why didn't I have a Virginia license? (I don't live in Virginia) They asked the nature of my employment. (I produced a Bar card) They asked if I always purchased my cars in cash. (Yes) Why did I have a hand portable cellular phone? (So I don't have to carry a payphone strapped to my back) They asked if they

could search the car I arrived in. (Sure, if you have a warrant) Why was I refusing to let them search unless I was hiding something? (Same reason I pay cash, because I can) Well then, they would just get a warrant. If I made them go through all this trouble, boy will they be mad if they find anything. Am I sure I don't want to come clean right now? (Thanks, I'll wait) I was just making things difficult on myself. (Well, then you better

arrest me for buying a car and having a cellular phone). More police arrive. [Legal note: The police are now conducting an investigation. While I believe their probable cause is entirely lacking, there isn't a whole lot I can do, if they wish to keep me in "custody," until after the fact.] Sure enough, a canine unit arrived and sniffed at my locked car. Getting no hit, I waited two more hours while

they applied for an "instant" search warrant. The warrant arrived, and after my inspection the police had me open the doors and the trunk of the auto, where they found exactly nothing. (The dog slobbered all over my dashboard). The police declined to search an attache case which was in my trunk after I pointed out (in a particularly threatening way) that the case contained documents protected by attorney client confidentiality. (The attache case indeed had an assortment of legal documents, some of which were actually confidential) The dog was, however, allowed to sniff at it. [Legal note 2: Because I was not under arrest, because I was not driving the auto, and because their probable cause was limited at best, the police were wise to ask for consent, and to obtain a warrant before searching my automobile. Were I arrested, the car impounded, or had they had any real probable cause to believe drugs or whatever were in the automobile, no warrant would have been required. Had the dog "hit" on my car, no warrant would have been required. Had my car been impounded, the police would be free to "inventory" the automobile without a warrant.] The police were pretty docile AFTER I produced a bar card and made some suggestive comments about the legal status of their "investigation" and the relevant case law thereon. I highly doubt someone without a bar card and an expensive suit would have fared so well, or that the police would have even bothered with a warrant. They finally left, and after assuring the manager that I would never consider doing business with him or his establishment again, I also left.

over →

Long Live the King.

What does it mean to live in a society where cash is less and less a liquid asset, and actually draws suspicion to the user? What does it mean in the context of other regulation? The regulation of crypto? First, it means total exposure for all citizens. If cash as a strictly cash transaction is impossible or very difficult to use, the citizenry become reliant on checking accounts, debit and credit cards and retail credit. The result is that with a minimum of effort every citizen is easy to track by paper trails left behind. How many times have you heard that so and so was found through ATM transaction or credit card records? More sinister, no citizen can endeavor to hide these trails without falling into one of the four horseman categories so often discussed on this list. Cash already triggers the Drug Lord horseman today in the right circumstances. Many banks have almost offensive rules about large cash withdrawals and delays, some banks simply do not allow large cash withdrawals in the same day over a certain ceiling amount. "But won't the banking industry save us? They are pretty conservative after all." No. The United States banking industry right now is besieged by a new and highly intrusive, but very sly, program of regulation. Amazingly, most industry analysts fail to recognize this in its context. Here's why:

1> The Interstate Banking Bill. I mentioned before that the interstate banking bill was passed into law recently. It opens the way for banks to break through the geographic restrictions set on them in the 1930's, most obviously preventing branching across state lines, and today most clearly manifest in the inability of out of state ATM's to take deposits for your institution. The bill lifts the restrictions.

2> The Community Reinvestment Act. The Community Reinvestment Act, in brief, requires banks to declare their "community" of operation, and then service this community equally without respect to race or geographical distribution. The concept is designed to prevent "redlining," or discrimination in effect by refusing to, or preventing loans from being granted to low income areas or minorities.

3> The Justice Department. The Justice Department has begun to become involved in the enforcement of CRA

(most notably in the Chevy Chase case of late) and there has been discussion of denying federal perks to banks (FDIC and the like) that do not meet the regulations set down by the CRA. The Interstate Banking Bill opens the way for preemption of most if not all of the major banks in this country by the Federal Government. Many banks now can operate with little federal government intervention, and instead be subject to only state regulations, or almost only. These banks could never be competitive with interstate banks except in very small and limited areas. The result is to place the bulk of banking in the nation under stricter Federal Control. Unfortunately the large banking contingents, which really set the agenda for the industry, are all too happy to have an advantage to compete with the non-banking lenders now that restrictions specific to banks are lifted. They are blinded by the light so to speak.

Meanwhile, around the corner is sneaking the Community Reinvestment Act and the Justice Department as an enforcement mechanism. I spoke this week with Paul Hancock, Chief of the Housing Section of the Civil Rights Division of the Justice



Department. What does the Justice Department, especially the housing department have to do with banking regulation? Good question. The Justice Department is using the Fair Lending Act to enforce Community Reinvestment provisions by bringing actions against offending financial institutions. Mr. Hancock was intimately involved in prosecuting the case against Chevy Chase, and while it settled, the Justice Department will be "much more actively involved in such cases in future." And the relationship between the Justice Department and the Fed? "Cozy." The upshot is that the Justice Department and the CRA can set the guidelines for banking operation on a STRUCTURAL level. This goes so far as to require banks to open branches here or there. There are obvious merits to the goals of the program, but the prospect for socializing the banking system is very disturbing, espe-

cially with a continued involvement from the Justice Department. Now the trend is becoming withholding the largess given to banks in the form of FDIC and the Fed authorizations for mergers and branching. Add all this up and you have a Justice Department and a Fed, prosecuting and holding back permission to merge and conduct normal banking business on the basis of regulations to be determined by the same arms. This is in the context of a highly federalized banking system after the Interstate Banking Act kicks in (1996). Banks are not going to be in a position to make waves, just as states cannot resist congressional suggestions of speed limits because they withholding of federal highway funds would ruin them. Government largess at work my friends. "But won't the Cypherpunks save the day by employing more libertarian applications of digital cash and DC nets?" I hope so Johnny, but it's an uphill battle. Here's why:

1> DigiTel. Just like the interstate banking bill, digital preempts another private sector. I won't go into details about digital, it's been rehashed here many a time. Suffice it to say, the Federal Government is in the telephone business.

2> Clipper. Clipper is the next major problem. Again, I won't rehash the problems and arguments here, suffice it to say, the Federal Government wants to be in the encryption business again, as a monopoly.

3> The ABS generation and alternative (crippled) digital cash. Citibank's digital purse, and all the other upshot fancy debit systems are not true digital cash.

Unfortunately the market for true digital cash will be a limited one because of the technology culture in this country. People here want what I label "idiot boxes." Americans as a whole (the list excepted, especially the foreigners) want to press a button and make a transaction. They want to press the brake pedal and have the car stop perfectly on glaze ice. They want to floor the accelerator and have the automatic traction control system figure out what to do. There is no desire to know the function or the process of the idiot box, only the form, the result of pressing the button, the brake pedal, the accelerator. No one cares if the supermarket uses American Express or the new national debit card, so long as the transaction is quick and painless. They could care less if a blind signature or an on-line cash system is used over an in-the-clear modem connection to a bank. If the approval code

comes up, end of story. Look at Riggs bank in Washington. Call up the "telephone banking" line and dial in your account number and your ATM PIN NUMBER and you get your balance. All it takes is a tap of one kind or another and a DTMF reader and you have account numbers matched with pins. No one even THOUGHT to take any precautions. Just don't use your cellular phone to do your telephone banking. Of course if someone rips off Riggs this way, they'll just ban cellular phones or something.

Considering the advent of TeleCheck, the Digital Purse and everything else, not only do Americans have no incentive to pursue real digital cash, but they now have no excuse to want cash at all. Why do you need the green paper if you can do the same thing with TeleCheck, you're NYCE card or a credit/debit card? How many people do you honestly think will point out that you cannot do exactly the same things? That these systems are not anonymous. How do you think this will be received? Probably about like I was at the Acura dealer.

4> Freeh. This is also a big problem. Freeh is dangerous because he satisfies the need to look tough on crime for any member of congress who is afraid to look liberal. Consider the climate today, and tell me how many of these there are.

The ban on crypto, which we all knew was coming, is on the way. We all know clipper will fail basically. I know I won't use it, I'll use PGP. I know many others of you will too. Technically it cannot succeed, practically it probably won't either, for reasons I won't go into. Suffice it to say, it's a defective product and there are no guns to anyone's head... yet. It will never gain widespread acceptance as the program now stands. If Freeh makes good and "bans" crypto what have you got? A very centralized and even socialized federal banking system with no prospect for an electronic commercial system outside of "hands on" government control, no "legitimate" use for cash, and a population suspicious of anonymous type transactions and private communications at all. I don't see the government as the sole party responsible here. The citizenry is just not interested. If Digital is any example, there is little to stand in the way of a complete or near complete preemption of all transactions within the bounds of this country in the next 15 years.

The Cash is Dead... Long Live the King!

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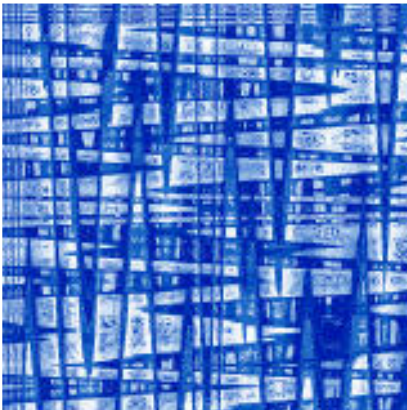


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