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# ANTI SHYSTER

## NEWS MAGAZINE

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Creator, Editor & Publisher  
Alfred Norman Adask

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rather an irate, tireless minority keen to  
set brush fires in people's minds."  
- Samuel Adams*

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# Corporations vs. Creators

by Alfred Adask

I recently watched a TV documentary about a colony of sea birds. The birds build stony nests on the beach in a massive cluster of “pot holes”. Each nest is barely separated from adjacent nests by just the length of the birds’ necks and beaks. Any bird that crosses the “beak-line” onto a neighboring bird’s nest territory was vigorously scolded and pecked. It seemed comical that birds so determined to fight among themselves would still choose to nest so closely together.

But the comedy turned bizarre when two birds fighting for possession of a nest site simply watched as a lizard sauntered in, took an egg from one of their nests and sauntered off. Either one of the squabbling birds was big enough to drive that lizard off with some serious pecking. And there were hundreds of large adult birds in that colony, more than enough to kill the lizard. And yet, the birds which were so dedicated to fighting each other over scraps of sand, did nothing to protect their eggs.

The birds weren’t afraid of the lizard. Instead, they simply couldn’t “see” it. Although the birds’ instinct to fight each other over territory was powerful, they had no instinctive ability to fight or even perceive the lizard tak-

ing their eggs. Thus, the lizard was virtually invisible to the birds and could stroll in whenever it liked, grab an egg and have lunch.

I suspect people are somewhat like those birds when it comes to “perceiving” the threat posed by corporations. We’ll fight or kill each other over trivial trespasses, and yet we seem almost incapable of “seeing” (let alone resisting) the threats posed by corporations. While you and I squabble endlessly over bits of territory, the corporations are stealing our eggs.

Do we mind? Do we even notice? Not much. Conditioned by genetics or society, we can see each other’s betrayals and trespasses vividly, but we’re strangely blind to the offenses committed by our “invisible” artificial entities.

Since ancient times, virtually all societies have been designed to structure increasingly complex relationships between growing numbers of natural, flesh-and-blood people. Over time, we’ve developed a powerful love-hate relationship with our societies. We’ll fight and kill “outsiders” to protect our society; we’ll fight and sometimes kill “insiders” to escape it. (Society – you can’t live with it and your

can’t live without it.)

However, in the last few centuries man has begun to further complicate our individual/social relationships by creating “artificial entities” (like trusts and corporations) and recognizing them as “legal” (not flesh and blood) “persons”.

According to *Black’s Law Dictionary*, “artificial persons” are “Persons created and devised by human laws for the purposes of society and government, as distinguished from natural persons. Corporations are examples of artificial persons.”

Corporations were ostensibly created to accumulate and protect large amounts of capital and assets necessary to accomplish tasks beyond the range of individual proprietorships, partnerships, and similar less sophisticated business entities. Initially, the corporations’ peculiar powers (they’re amoral, potentially immortal, and bestow the privilege of limited liability) were intended to serve the public interest. But over time (just as we’ve been warned by the cliché about the corrupting influence of power) corporate power has come to serve corporations themselves, often at public expense.

As corporations “evolved” to become overtly self-serving, a strange “Darwinian” competi-

tion sprung up between man and his corporate creations. Unlike the ancient individual vs. society competitions (which were always between natural, flesh-and-blood people), we now compete with artificial entities, invisible “fictions of law” that exist only in our imagination.

The result is somewhat surreal. While we are instinctively equipped to compete with each other (over food, shelter, status and sex), we not only lack a natural ability to compete with our corporate creations, we even lack the ability to clearly see such competition is taking place. With the advent of artificial entities, our ancient bipolar individual/social schizophrenia has become an unnatural, almost maddening “tri-polar” competition between natural individuals, groups, and artificial entities.

**T**he creator-creation conflict is ancient and persistent theme. The stories of Satan, Oedipus, Frankenstein and “Hal the computer” (from Arthur C. Clark’s “2001 – A Space Odyssey”) all explore the horror of a creation rebelling against its creator – and the creator’s peculiar inability to deal effectively with that rebellion.

This issue of the *AntiShyster* will primarily explore the conflict between man and his corporations. We’ll glimpse clues to the corporate “instinct” for self-preservation and indifference to human sacrifice. We’ll vaguely sense a “Darwinian” competition between ourselves and our own creations (artificial entities) – but not to determine who will survive, but rather who (or what) will serve and who (or what) will rule. Natural man or artificial entity? Creator or creation?

In the end, will this nation be of, by and for the *People* – or the corporations?

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# Understanding Corporations

by Attorney David C. Grossack

“Do men make their own gods? Yes, but they’re not gods.”  
Jeremiah 16:20 (NIV)

Here’s an introduction to the fundamentals of corporate creation, obligations and benefits.

The role, status, and formation of the corporation has evolved considerably since the 17th century in England when royalty would issue revocable charters for special business and/or political purposes called “franchises.” One legal commentator of the time declared: “A corporation is a franchise created by the King.” Originally, these Royal Charters were strict and narrow. Companies that acted beyond their charter limits were disciplined with heavy fines.

However, in the New World, American states revolutionized the process of incorporation. Legislatures created corporations as “artificial persons” which enjoyed great operational flexibility. States hungry for incorporation fees made the formation of companies simple. As a result, today’s corporations are autonomous and so egalitarian

that virtually anyone can have one – without petition to royalty.

## Forming a corporation

The document that creates a corporation is usually called the “Articles of Incorporation”. These Articles are executed by the “incorporators” (people organizing the company) and approved by the Secretary of State. Typically, Articles of Incorporation identify the names of the corporation, the incorporators and the organization’s first “officers” and “directors”. The Articles of Incorporation also state the date of the annual meeting, special provisions for governance of the corporation and the classes of stock available to shareholders. Even a corporate “purpose” (which may be very broad) may be given.

A separate document (not filed with the state) is called the “Bylaws”. These Bylaws are adopted by the Board of Directors and set forth the rules of Corporate self-government. Well drafted Bylaws may include:

- Provisions for the election of officers and their terms of office.
- Notice provisions for meetings of directors and shareholders.
- Duties of officers.

- Indemnification of officers and directors; and other corporate activity.

Corporations must register in any state where they do business, own or lease real estate and even where they own automobiles, boats and planes. Thus a corporation can be registered in many localities in addition to its state of incorporation.

Most, if not all, states require a “resident agent” (a local person) to receive official notices and court pleadings. This includes both states of incorporation and states in which the corporation is registered to do business.

Corporations have the inherent power to merge, swap stock, engage in partnerships, engage in joint ventures, and participate in similar activities as provided by statute. Nevertheless, it’s a good idea to expressly declare your corporation reserves these powers in its Articles of Incorporation.

## Obligations

By accepting a legislative franchise, a corporation is required to comply with the state’s

entire regulatory framework for corporations. Not only may there be tax and annual fee requirements, the corporation is required to have workman's compensation insurance, engage in tax and social security withholding, pay a special unemployment tax contribution.

The ultimate question of whether a regulatory scheme applies is determined by both state and federal law. Therefore, income on corporate profit is taxed differently from state to state and some enlightened jurisdictions impose no tax on corporations.

### Constitutional corporate rights?

Although corporations are imaginary "artificial entities," they are nevertheless "legal persons". As a result, there is an ongoing debate as to whether corporations have constitutional rights. Those who draft a corporation's Articles of Incorporation should consider inserting provisions reserving constitutional protections of privacy, right to avoid self-incrimination and protection from unreasonable search and seizure, as well as other rights expressed in state and federal constitutions. Although no test cases have been located, including such provisions may create a strong foundation for rebutting any regulator or police authority who later argue that a corporation waived

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certain protections by accepting a legislative privilege.

Nevertheless, once a corporation has been formed, management must adhere to corporate formalities and other guidelines to bolster the company's ability to withstand attempts to pierce the veil. For example:

- The finances of the corporation should not be intermingled with those of individuals or other companies.
- Meetings should be called regularly according to the notice requirements of the By-laws. Minutes should be taken of every meeting and kept in an organized form.
- Corporate resolutions, certificates of corporate vote and shareholder votes, as well as all director's meetings, should be recorded and filed in an easy to retrieve system.
- Annual statements of condition must be filed regularly with your state's corporations office.
- Failing to pay annual re-

port fees for three consecutive years can result in a corporation being dissolved and losing its shield from liability. However, in many states, even a corporation that's been dissolved by operation of law may still sue, be sued and carry on certain business activities for the purpose of winding up its affairs. Some states also allow the revival of dormant corporations within limited time periods.

However, so long as corporations pay their annual fees, they exist until management decides to dissolve. Otherwise, their existence is permanent. As such, corporations are theoretically "immortal".

### Corporate benefits

What benefits might be available to the corporation's officers, directors and shareholders as a result of incorporation?

The fundamental benefit of incorporation is *limited liability* for shareholders and corporate personnel from exposure for claims for breach of contract and negligence, as well as many other causes of action. As a result, it's often very difficult for claimants to "pierce the corporate veil" for the purpose of holding corporate actors *personally* responsible (see the 1999 movie *A Civil Action*).

As a result, corporate officers and shareholders enjoy substantial legal immunity – even if they are clearly responsible for negligent acts. Of

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course, when shareholders become corporate “control persons” (officers) who violate certain laws, or when officers and directors engage in certain prohibited activities, the “corporate veil” may be pierced. But even then, the “practical” immunity provided by the corporate structure is difficult to overcome.

The second major benefit of incorporation (flows from the first benefit – limited liability) is easy credit formation. That is, without the promise of limited liability, investors would be extremely reluctant to purchase corporate stock. Would you want to invest *your* money in a strange corporation that could be easily sued and thereby lose your investment? Of course not. However, because corporations enjoy certain legal immunities, your stock investment is almost as safe from loss to lawsuit as money in the bank – but unlike bank accounts, stocks offer a chance for substantial increases in wealth.

The issuance of stock by corporations has given rise to a subspecialty of corporate law: “securities regulation”. A security has been defined as “an investment contract or scheme for the placing of capital or laying out of money in a way intended to secure income or profit from its employment.” Limited partnerships, corporate stocks and bonds, beneficial interests in trusts and other certain types of contract rights may all be subject to securities regulations.

Corporate stock (which symbolizes equity interest or ownership of the corporation) can be sold to finance corporate activity or obtain liquidity (cash) for the founders or other shareholders. Some states allow hundreds of millions of shares of stock to be issued at a very nominal price. Others make it very expensive. In any case, the easy trans-

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ferability of corporate equity has been a major factor in the growth of all modern capital (stock) markets.

Finally, corporations have the same powers as other “natural” persons to enter into contracts; sue and to be sued; own, pledge and convey real property and chattels; and engage in other business transaction.

Ultimately, the legal structure of a business can only help it so much. In the final analysis, shrewd planning, careful use of resources, and effective management and marketing will make a company successful. However, a careful understanding of the law of corporations is required for management to fully exploit the benefits of a corporation and avoid the pitfalls.

David Grossack is the principal behind the “Patriot Caucus” – a small, unfunded organization that makes waves with little or no money. (The last time he picketed in Washington, he gained national media exposure by bringing an exorcist to the steps of Congress.) Mr. Grossack’s website ([patriotcaucus.com](http://patriotcaucus.com)) promotes American freedom and legislation to place pro-se reading rooms in every courthouse. He’s also produced the “Cults of the New World Order” videotape.

Attorney Grossack reports wanting “to picket that accursed Southern Poverty Law Center and similar groups and get a bus or two for a national caravan to picket the UN in New York and/or Congress in D.C.” Those of you wishing to support his efforts can reach Mr. Grossack at Citizens Law Digest, POB 90, Hull, Mass. 02045-0090. ■

  
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## A Civil Action

by Uri Dowbenko Copyright 1999

As outlined in the previous article, the benefits and powers of incorporation are attractive. But like all powers, they are subject to abuse. Here's a movie review that illustrates America's growing uneasiness with the corporate powers.

The corporate criminals win in the movie, "A Civil Action" starring John Travolta. When multinational conglomerates, W.R. Grace and Beatrice Foods, are sued on behalf of parents who've lost their children to leukemia, the outcome is brutal.

Based on a real-life lawsuit, "A Civil Action" is the anatomy of an environmental crime, and writer-director Steven Zaillian (who wrote the screenplay for "Schindler's List" and directed "Searching for Bobby Fischer") has created a powerful drama about human loss, suffering – and incidentally – the absence of justice in America.

Jan Schlichtmann (John Travolta) is a hotshot personal injury lawyer. He and his two partners own a boutique law firm in Boston. A group of parents from the town of Woburn, Mas-

sachusetts, ask Schlichtmann for help in a complex environmental case about toxic dumping. The parents suspect (but can't prove) that chemicals have poisoned the town's drinking water. "Twelve deaths over fifteen years. Eight of the children had leukemia." The contaminants? "Trichloroethylene which FDA describes as a 'probable' carcinogen." The problem is that "to prove it you need *new* medical evidence."

At attorney Schlichtmann's first meeting with the parents, Anne Anderson (Kathleen Quinlan) tells him, "We don't want money. We want to know what happened." She knows that no amount of money will bring back her child, but pleads

for some kind of accountability: "We just want someone to say they're sorry."

But Schlichtmann replies, "You want an apology. But who will apologize to you – *and* pay me?" Seeing no "deep pockets," he declines the case and drives off in his black Porsche. However, when he's stopped for speeding on the way out of Woburn, Schlichtmann looks at the local river, walks down the railroad tracks and sees some effluent discharging from a pipe into the river and a cargo container labelled "Grace". The culprit is a tannery that's a subsidiary of Beatrice Foods. Schlichtmann's found his "deep pockets" adversaries.

Later, he tells his partners,

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“Beatrice and Grace made \$634 million net. . . this is a goldmine!” True to his ambulance-chasing self, he also admits appreciating “the theatrical value of several dead kids.”

In a voiceover, Travolta explains, “It begins with a declaration of war – the complaint.” Then we see the actual lawsuit. Cause of Action. Wrongful Death. Negligence. Pain and Suffering. “We have to show how toxic solvents leaked into the water supply.” And thus begin the endless depositions.

The opposing lawyer played by Robert Duvall vows that the parents will never reach the courtroom because their testimony is too devastating. His eccentricities hide a cunning legal mind that knows the odds (as in gambling) and the tactics (as in chess) that are necessary to win at any cost.

One film highlight is the darkly comic scene when Grace Vice President tells Schlichtmann, “Let’s be honest. I can afford to pay . . .” But he won’t because other lawyers will perceive the payoff as a sign of weakness and therefore sue Grace for other perceived damages.

The case moves on, consuming more time and money until, after spending almost two million dollars preparing the case, hiring consultants, engineers, geologists, and doctors, Schlichtmann’s firm goes broke. Near the end, awaiting the jury’s verdict, Travolta and Duvall meet in a casual encounter in the court’s hallway. Duvall mocks Travolta’s search for truth saying, “If you’re looking for truth, Jan, look where it is, at the bottom of the bottomless pit.” Truth and justice are simply not the products of a court of law.

Finally, the case is sabotaged by Judge Skinner (John Lithgow) whose actions prove Dante’s Inferno must reserve a special ring



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Schlichtmann loses. He and his partners are bankrupted. The parents of the twelve dead children receive nothing. Eventually, Schlichtmann abandons the case and ships his truckload of depositions, evidence, and exhibits to the Environmental Protection Agency with a letter expressing his hope that they do better in court than he did.

In fact, the EPA takes the case and does do better. The movie’s postscript explains that W.R. Grace was indicted and forced to pay \$69.4 million in cleanup costs. But Schlichtmann and the parents still received nothing. In this David v. Goliath legal battle, who wants to see David get stomped? The film remains emotionally unsatisfying and even discouraging.

So why would anyone want to make a movie like “A Civil Action?” The only reason would be to show the futility of suing a corporate giant. The movie’s im-

plicit message is stark and undeniable. If you take on Big Business in a court of law, don’t expect to win. Don’t even expect to survive.

This true story illustrates that while common people have little chance to defeat massive corporations in court, those corporations are still vulnerable to their creator – the government. The EPA achieved what “We the People” could not.

But considered carefully, the fact that corporations are vulnerable to government – but not to People – raises serious questions about who or what is truly “sovereign” in the U.S.A. – natural people or artificial entities? Is America still a nation “of, by and for” the People – or the corporations?

Uri Dowbenko is CEO of New Improved Entertainment Corp. He can be reached at Box 43, Pray, Montana 59065 or by e-mail at [u.dowbenko@mailcity.com](mailto:u.dowbenko@mailcity.com) ■

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# Boeing Goes To Prison

by Paul Wright

Since 1980, we've paid for a nationwide prison construction program that now allows government to jail a higher percentage of Americans than any other nation on the face of this earth – more than Red China, South Africa the former Soviet Union, or every other political regime that's variously described by government or mainstream media as “repressive,” “fascist,” “communist,” “tyrannical,” or even “Evil”.

Why? Because 1) our politicians exaggerated our fear of crime for almost two decades; 2) they exploited that fear to win elections; and 3) a host of special, corporate and bureaucratic interests profit handsomely from America's fear.

There are pockets of serious crime in various urban communities – especially among those addicted to government handouts. But nationally, our crime rate has been declining since 1973 and would be almost trivial today except that our legislative law-mills are constantly “criminalizing” more varieties of human activity that were otherwise legal for at least 150 years. Americans are increasingly subject to incarceration, not for “constitutional” crimes (damage to another person or property), but for “victimless” (political) offenses in which no one is hurt,

but the perpetrator has committed an act which our legislators regard as not only politically incorrect, but politically unrighteous. Thus, much of the “rising crime rate” reported from 1980 to 1997 was really a “rising *political* crime rate.”

Why is this happening?

Part of the explanation involves “free trade” agreements like NAFTA and GATT which opened our borders. As Ross Perot predicted in 1992, these free trade agreements have caused a “giant sucking sound” as former American corporations “emigrated” to foreign countries with low wage scales for laborers.

However, some corporations (especially those tied directly to “patriotic” concepts like national defense) cannot easily relocate abroad since the political furor over having American tanks built in Thailand is too great for even President Clinton to overcome. On the other hand, if our defense contractors (once described by President Eisenhower as the part of the “military-industrial complex”) can't relocate overseas, how can they compete with armaments produced in low-wage countries? One solution might be to create “low wage” (high profit) areas within the U.S. so we can continue to “buy American”

– even though the product is built by American laborers paid Third World wages.

Hmm. So how could we create “third-world labor zones” right here within the USA? Obviously, no American will voluntarily work for third-world wages. But what if they didn't volunteer? What if they were deprived of their rights, forced to work, and virtually enslaved?

Is that possible in the “land of the Free”? Of course. We call it prison.

Follow the money trail for a glimpse of the profits of incarceration:

Currently more than 90,000 state and federal convicts work in a variety of public and private enterprises while serving time.<sup>1</sup> The majority are employed in state owned enterprises such as making license plates or furniture for government offices. Increasingly though, private businesses have contracted with at least 25 states to set up businesses inside prison walls to take advantage of state-supplied facilities and low wage nonunion workers. Recently, sales from private corporate industries within prisons totaled \$83 million – a relatively small but growing addition to the \$821 million gen-

erated from sales of state agency industries products and services.<sup>2</sup>

However, with the repeal of welfare, some political opportunists and right-wing pundits are turning their sights on questions of law and order in general, and prison “reform” in particular. They are pushing Congress to impose the same solution on prisoners as on welfare recipients: force them to work. In September, 1996, candidate Bob Dole promised that if elected president, he would issue an executive order requiring every able-bodied federal prisoner to work a 40-hour week to earn money to compensate victims. According to the *Atlanta Journal and Constitution*, “Taking a portion of prisoners’ earnings to pay their upkeep or reimburse their victims also seems appropriate to many Americans.”<sup>3</sup>

Knut Rostad, head of the right-wing Enterprise Prison Institute is trying to rally support for the scheme. Rostad told a Congressional committee that “the American public believes the greatest failure of government on a national level – other than welfare – involves crime and punishment.” Focus groups, “reveal a negative emotional response to the prison system which is unlike anything he has seen in recent years. . . . The bottom line is that the state prison system should be changed from the ground up, and that inmate work programs should drive this change.”<sup>4</sup>

Those who advocate the expansion of private industry into prisons argue that “legal restrictions, aided by bureaucratic inertia and labor union sensitivities continue to hamper progress.”<sup>5</sup> They propose repealing laws that protect prisoner laborers from the worst exploitation and shield free labor from unfair competition. In a *Wall Street Journal* editorial, former Attorney General Edwin Meese

proposed repealing depression era laws that require prison workers making goods transported in interstate commerce be paid at least the minimum wage.<sup>6</sup> Part of his argument rests on the assertion that if the labor market is opened up for them, prisoners can help pay the costs of their incarceration. This argument is illogical since if the state really wanted to profit from a portion of the prisoners’ wages, it should push for *higher* wages, not lower. However, while lower prisoner wages will not help compensate victims or defray prison costs, they will increase profits for *corporations* that employ prisoner labor.

Testifying before Congress, Morgan Reynolds, director of the Criminal Justice Center, National Center for Policy Analysis, was not so circumspect: “State and federal prison systems control a *huge asset* – convict labor – and largely waste its productive potential.” He advocated changing the law to, “Allow *private* prison operators to profit from the gainful employment of convict labor. Encourage and publicize private sector proposals for enterprise prisons. Set up procedures for competitive bidding for prison labor. Diminish prisoner litigation against prison work by repealing the Civil Rights of Institutionalized Persons Act and the federal habeas corpus procedure.”<sup>7</sup>

## Prison industries make out like Chinese bandits

Former Attorney General Meese touts Washington state as a model for prison industries. In one Washington prison, Boeing Corp., headquartered in Seattle, is discovering the benefits of a captive work force. In 1995, while the world’s largest civil aviation manufacturer made more planes and *more money* than ever before, it *cut* the number of employees on its US payroll.<sup>8</sup> Like most corporations, Boeing has been cutting costs and countering organized labor’s threat to its bottom line by moving factories abroad and outsourcing to non-union subcontractors. Its search for workers unable to unionize or demand decent wages took it to two divergent, yet strangely similar places: China and the Washington State Reformatory (WSR) in Monroe, Washington.

In China, where Boeing sold ten percent of its planes between 1993 and 1995,<sup>9</sup> the company operates at a fraction of its US costs. According to the *Seattle Times*, “Employees live mostly in or next to the factory premises. Workers receive a salary of about \$50 a month. They are forbidden to form independent trade unions. For those who step out of line on the shop floors in China, there is the notorious Lao Gai ‘reeducation through labor’ prison work camps.”<sup>10</sup>

The *Seattle Times* could have



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written almost the same story by traveling 25 miles to the Washington State Reformatory where MicroJet employs prison labor to make aircraft components.<sup>11</sup> Among the recently formed company's customers is Boeing. MicroJet lists its address as the same address as the prison and currently employs eight prisoners. They train at minimum wage and (unlike those pesky machinists at Boeing's Everett plant who earn up to \$30 an hour for the same work) eventually progress to \$7 an hour.<sup>12</sup> Like all companies employing prison labor, MicroJet also saves by not paying benefits such as health insurance, unemployment, workers' compensation, etc. Even if a prisoner worker is seriously injured, the prison (i.e., taxpayers) picks up the tab.

Prison industries also enjoy subsidized overhead. MicroJet's *rent-free* factory is in a 56,000 square foot industrial building built and maintained by Washington state.<sup>13</sup> The arrangement offers a "just-in-time" inventory of labor: Prisoner workers can be simply left in their cells for weeks on end if there is no work, then be called in on short notice. Outside competitors, on the other hand, have to pay overhead and workers even if no production is taking place and have to maintain a steady production line even when demand drops. Further, any attempt at labor organizing in prison meets immediate and

harsh repression which generates even less negative publicity than similar moves in China.

Not a bad deal; not for MicroJet anyway. Nor for the other private employers at the Washington reformatory including Redwood Outdoors, a garment-making sweatshop that makes clothes for Eddie Bauer, Kelly Hanson, Planet Hollywood, Union Bay, and other brands; Elliot Bay, a metals manufacturing company that makes crab pots and fishing industry equipment; A&I Manufacturing, which makes blinds; and Washington Marketing Group, a telemarketing company that's been used to campaign for Republican congressional candidates among others.

With these competitive advantages, prison industries can easily underbid any US competitor. The real losers, are the free workers, machinists in particular, whose jobs have gone to prisoner slave laborers or Chinese workers.

### Wage slave or chattel?

In prison, the term "wage slavery" takes on a new meaning since prisoners are confined to their cells for much of the day. An industry job "consumes virtually all of your out-of-cell time," said Chris St. Pierre, who is serving a life sentence at WSR, "making you a virtual slave where all your time is spent at work or locked in your cell. This limits your ability to visit with your family and attorneys, do legal research, go to school, exercise, etc."

But while a \$7 an hour wage clearly puts prison workers at a competitive advantage, it does not at first seem to exploit them. In fact, prisoners hired by MicroJet take home only a small fraction of their earnings. Right off the top, the state takes 20% for "cost of corrections"; 10% goes into a mandatory savings fund controlled by the Department of Corrections (DOC); and 5% to a crime victim compensation fund (that's actually used to fund DOC victim notification and awareness programs).<sup>15</sup> In addition, the prisoner pays state and federal taxes, social security, and up to 20 percent more to pay off any victim restitution, child support, trial costs, and other court ordered financial obligations.<sup>16</sup> After Albert Delp works 40 hours a week for Omega Pacific at \$6 an hour his gross weekly pay is \$240. After three quarters of that is eaten up by

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deductions, he takes “home” \$60.<sup>17</sup>

“It’s not really slave labor because that implies it is compelled,” argues a former Redwood Industries employee “It’s more like serfdom, [or being] a domesticated animal.”<sup>19</sup>

Even so, few prisoners are willing to speak publicly against the program for fear of losing their industry jobs, being black-listed by prison industry employers, or incurring retaliation from prison officials. In any case, most of Washington state’s 12,800 prisoners would probably say they support prison industries, regardless of any objective exploitation. Just like on the outside, people in prison work at jobs they dislike because they need the money and there are long waiting lists for the 300 industry jobs available.

Their situation is similar to that of sweatshop and maquiladora workers in South Asia and Latin America who earn a few dollars a day. Such wages are exploitative and paltry by First World standards, but in the Third World they make the difference between starvation and mere poverty and are thus highly desired.

Prison industries represent a Third World labor market in the heart of America. While \$1.50 an hour take-home pay for work that brings \$30 an hour on the outside may not seem like much, it looks pretty good

against the 38 to 42 cents an hour Washington convicts earn in prison kitchens, laundries, janitorial services, etc. Like the maquiladora workers of Mexico, the prisoners are objectively exploited but subjectively paid quite well. In prison as in Mexico, this disparity creates a relatively “wealthy” class of prisoners; a miniature labor aristocracy.

Prisoners also look to these industries for training that will make them more employable on the outside. “Elliot Bay is the best program in the joint,” said one prisoner, since it allowed him to hone his welding skills in preparation for a job after he serves his remaining seven years. When reminded that companies like Elliot Bay drive down wages and take jobs out of society, he was blunt: “F\_k society, they locked me up.”

According to a prisoner named St. Pierre (who worked at both Redwood Outdoors making clothes as well as the prison’s

print shop): “I worked in prison industries for several years to earn enough money to hire an attorney and challenge my conviction and sentence . . . . I learned good skills working in the prison print shop – but because of my sentence there’s no way to tell if I’ll be able to get out and use them.”

His situation is not unusual. Prison industries prefer to hire people serving life terms to avoid the retraining and slow production associated with worker/prisoner turnover.<sup>23</sup> Dr. Morgan O. Reynolds tacitly admits that industry favors prisoners with longer terms, but explains it this way: “One of the difficulties of creating jobs for prisoners is that many of them are illiterate or semilliterate, or have low IQs . . . . The federal system may have the best prospects for high rates of payback because many of the prisoners are there for crimes typically committed by more intelligent criminals like counterfeiting, kidnapping and drug smuggling.”<sup>24</sup> These are also crimes that (coincidentally) tend to carry longer sentences.

However, this pattern of employing lifers and long-termers challenges the claim that such programs are intended to provide meaningful “free world” job skills. (Why teach free-world trades to prisoners who will never get out of prison?) Also debatable is whether the skills are marketable on the outside. How



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many ex-prisoners will find work *sewing garments* in a free world sweatshop? Most of those jobs go overseas; those that stay in the US are often filled by undocumented immigrants and, increasingly, by prisoners. Ironically, skilled labor jobs within prisons (such as those for MicroJet and Elliot Bay) help ensure that such jobs become scarcer on the outside and the free world wages are forced downward.

Indeed, the interests of labor and most taxpayers may be ill-served by these programs. In touting the “revolutionary” impact of changing the system so that half of all prisoners could be employed by private industry, ex-Attorney General Meese cited the example of Lockhart Correctional Facility in Texas where the 180 prisoners who assemble circuit boards for Lockhart Technologies are paid minimum wage.<sup>25</sup> In fact, they actually take home about \$.50 an hour. Meese’s example is indeed illustrative – not how the system works – but how it fails:

In 1993, Lockhart Technologies closed its Austin, Texas plant where it paid about 130 workers \$10 an hour to assemble circuit boards and moved the whole manufacturing operation into the prison about 30 miles away.<sup>26</sup> Even if prisoners were paid minimum wage (as Meese claims), Lockhart essentially cut its labor costs by more

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\$1 a year in rent. Meese says that this type of operation will reduce the “cost of incarceration,” but says nothing about the social cost of driving down “free world” wages and employment.

Omega Pacific manufactures rock climbing equipment and is another runaway corporation that scampered behind bars rather than move to Mexico or Indonesia. In December 1995, the Redmond, Washington company laid off 30 workers earning \$7 an hour plus benefits and moved to the Airway Heights Corrections Center near Spokane. There, five *free* employees supervise some 40 prisoners who earn \$6 an hour. Omega Pacific owner Bert Atwater told the *Spokane Spokesman Review* that he moved to prison because of the *rent-free* quarters where “the workers are delighted with the pay; [where there are] no workers who don’t come in because of rush hour traffic or sick children at home; [and] workers . . .

was also pleased that he doesn’t “have to deal with employee benefits or workers’ compensation.”<sup>27</sup>

### “Outside” welfare moves “inside”

Others see the program as a sophisticated and palatable form of *corporate welfare*. The program is attractive not only to industry looking for a good deal, but to state governments and penal authorities overburdened by the highest per capita incarceration rate in the world. As the number of convicts explodes, so do the costs.

“Since 1980, the state and federal prison population has increased from 316,000 to 1.1 million,” said Dr. Reynolds. “By the year 2002, the inmate population is expected to increase by another 43 percent . . . The expense has reached about \$25 billion a year, or \$250 a year for *every household* in America. One of the most obvious proposals to reduce the cost of criminal justice is to increase the amount of productive work by prisoners.”<sup>30</sup>

Senator Phil Gramm (R-TX) proposed that federal prisoners pay 50 percent of their annual support through prison work.<sup>31</sup> Knut Rostad predicts that, “Up to 60 to 80 percent [of wages paid prisoners in private industries programs] can end up going back to the state.”<sup>32</sup>

So far, that scenario seems largely hype. For example, in

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1995, the Washington state legislature appropriated over \$19 million to the DOC's prison industries for the 1995-97 biennium – \$9.5 million a year to pay prison staff salaries and benefits to ensure that 300 prisoners are employed at minimum wage jobs.<sup>33</sup> In essence, the state spends more than \$30,000 a year to ensure each prisoner earning \$5-7 an hour repays 20% of their wages back in the form of a “cost of corrections” deduction. But for the state to recover its \$30,000 costs by collecting at 20% of the prisoners’ wages, prisoners would have to work full time for at least \$60 per hour – not \$5-6.

Further, the DOC's prison industries budget does not include salaries for additional guards for the prisoner workers nor capital construction costs, such as the \$5 million spent by the DOC to house MicroJet.<sup>34</sup> In addition to the direct expense to taxpayers, the loss of jobs in the free world community means a declining income tax base – plus the loss of property taxes which corporations like MicroJet would pay if they were not housed in prisons.

### Our tax dollars at work

Prisoners can and should be given the right to perform meaningful work for decent wages and the opportunity to gain job skills and earn money. A sane program that would serve both society's and prisoners' interests would require that:

- prisoners keep the wages they earn, subject to the same deductions as any other citizen;
- prisoners be paid the same wages as free world workers in comparable industries;
- prisoners learn job skills that would help them get decent jobs on release;
- products be labeled to indicate that prison labor was used; and,
- prisoners be allowed to



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live up to their financial responsibilities to their families on the outside before corporations on the inside.

Such a program would pay off in lower recidivism without driving down wages on the outside.

The right-wing drive to make prisons pay – while racking up a nice profit for private corporations – fits well with the continuing transformation of America into a nation of small government, big corporations, and big prisons. And just like the welfare bill, it gives the public the false sense that meaningful reform is taking place. Meanwhile it takes pressure off a system which cannot provide enough decent jobs and uses incarceration as a remedy for poverty, unemployment, poor education, and racism. If your job in manufacturing, garment or furniture fabrication, telemarketing or packaging has disappeared, don't look for it overseas – perhaps it was merely “exported” to an American prison.

This article is reprinted with permission from Prison Legal News, 2400 N.W. 80<sup>th</sup> St #148, Seattle, Wash. 98117 – an excellent monthly publication available for \$20 per year.

<sup>1</sup> Jeff Nesmith, “Prison Job Expansion Stirs Concern,” *Atlanta Journal and Constitution*, Sept. 18, 1996, p. A7.

<sup>2</sup> Knut A. Rostad, president of the Enterprise Prison Institute, testimony before the House Judiciary Committee Subcommittee on Crime, Sept. 18, 1996.

<sup>3</sup> Nesmith, op. cit.

<sup>4</sup> Rostad, op. Cit. The figure of 25 states comes from Joyce Price, “License Plates Not All That Inmates Make,” *Washington Times*, April 17, 1996, p. A6.

<sup>5</sup> Dr. Morgan O. Reynolds, Ph.D. “The Economics of Prison Industries,” testimony before House Judiciary Committee Crime Committee on the Economics of Prison Industries, Sept. 18, 1996.

<sup>6</sup> Edwin Meese, “Let Prison Inmates Earn Their Keep.” *Wall Street Journal*, May 1, 1996.

<sup>7</sup> *Ibid* In fact, neither the Civil Rights of Institutionalized Persons



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Act nor the *habeas corpus* provision has anything to do with the issue of prison labor litigation.

<sup>8</sup> Boeing's 1995 profits rose 66 percent to \$856 million with sales of almost \$20 billion. At \$1.66 million a year, Boeing's Frank Schrontz was the state's highest CEO. Meanwhile from 1989-95 the number of workers fell from 107,000 to 95,000. (Byron Acohido, "Top 5 Revenue Generators Hold Onto Their Rankings," *Seattle Times*, June 11, 1996, p. G5.) This trend continues as Boeing announced its proposed merger with McDonnell Douglas in December, 1996. According to The New Federalist (12/14/98), Boeing announced that it will lay off an additional 38,000 workers in 1999 and 10,000 in 2000.

<sup>9</sup> Ken Silverstein, "The New China Hands," *The Nation*, Feb. 17, 1997, p.12.

<sup>10</sup> Stanley Holmes, Produce a Faulty Part, Be Punished," *Seattle Times*, May 26, 1996, p. A15.

<sup>11</sup> They utilize a relatively modern technology that forces water through small nozzles at 55,000 pound per square inch to precision cut metals, plastics, ceramics and other materials. (MicroJet promotional materials.)

<sup>12</sup> MicroJet hiring application.

<sup>13</sup> Dan Pens, "Microsoft Out-Cells Competition," *Prison Legal News*, April, 1996, p.3.

<sup>15</sup> Revised Code of Washington, 72.09.111(1)(a).

<sup>16</sup> Revised Cede of Washington, 72.111.

<sup>17</sup> Tom Sowa, "Paycheck Deductions Make Inmates Hone Subtraction Skills," *Spokesman Review*, Feb.22, 1996, p. Al.

<sup>19</sup> Interview with former industry worker, Sept.1996.

<sup>23</sup> Although there are no national figures available, at WSR, of the 8 MicroJet workers 4 are



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lifers; as are 12 of the 15 who work for Redwood.

<sup>24</sup> Reynolds, op. Cit.

<sup>25</sup> *Ibid.* [Edwin Meese, "Let Prison Inmates Earn Their Keep," *Wall Street Journal*, May 1, 1996.]

<sup>26</sup> "Forced Workforce," *Dollars and Sense*, July/Aug. 1995, p.4.

<sup>27</sup> Tom Sowa, "Companies Find Home Inside State Prisons," and "Paycheck Deductions Make Inmates Home Subtraction Skills," *Spokesman Review*, Feb.22, 1996, p. Al.

<sup>30</sup> Interview, Oct. 4, 1996.

<sup>31</sup> David Frum, "Working for the Man," *The American Spectator*, August 1995, p.48.

<sup>32</sup> Reynolds, supra

<sup>33</sup> 1995-97 *State Budget Appropriation*, Washington state legislature.

<sup>34</sup> Dan Pens "Microsoft Out-sells the Competition," *Prison Legal News*, April 1996, p.1E

This article is not presented to advocate "prisoner rights" or "kinder, gentler prisons". It's purpose is to make folks see that what happens to prisoners "inside" directly impacts the lives of Americans "outside". So long as

the fate of prisoners is believed separate from our own, "free" Americans can easily vote to "Git those convicts! Make 'em pay! Better yet - make 'em suffer!!" And so, forced prison labor (slavery) increases.

But not all of life turns on vengeance. There's also reason and rational self-interest. And reason indicates that folks on the "outside" are not truly separate from the prisoners on the "inside". What we allow to happen to our prisoners, will launch a chain of events that may cause something similar to happen to us.

What happens when your neighbor (the aircraft machinist) loses his \$30/hr job? His standard of living will probably fall by at least half. He may slide into depression, alcoholism, drugs, domestic violence, or even suicide. Government studies indicate 75% of all divorces are caused by financial stress, so his wife may divorce him. Government studies also indicate that over half of all fathers lose complete contact with their kids within two years after a divorce. Therefore, your unemployed neighbor's children are more likely to grow up fatherless, illiterate, impoverished, and more inclined to self-destructive, violent, or criminal behavior. And they're already in your neighborhood. Should you really be surprised if your unemployed neighbor's teenage son breaks into your garage and steals your

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tools or shares a venereal disease with your teenage daughter? All of this can flow from your own gleeful determination to “git tuff” and turn a blind eye to slavery in American prisons.

This causal chain of events is not farfetched. Our newspapers routinely report that economic conditions in Indonesia or China can have a significant impact on our own standard of living. If we can see the “ripple effect” of Jakarta’s economy on our own, there’s little doubt that a similar “ripple effect” can also emanate from our prisons. We live in a society that’s so highly integrated and interdependent, that even economic policies in seemingly remote prisons can cause a cascade of consequences that flow right into your own backyard.

Forced prison labor can trash the lives of employers as well as employees. Sooner or later, the economic pressures of cheap prison labor will force free market employers to either close their businesses, move overseas, or hire prison labor. If a desk manufacturer quits due to competition from cheap prison labor, what will happen to the other businesses that supplied the sheet metal for his desks, order forms for his customers, and computers for his office staff? Won’t those businesses also be indirectly diminished by forced prison labor? What will happen to property values and tax revenues from the desk manufacturer’s plant that helped pay to educate your kids? And what about property values and tax revenues for the land adjacent to the abandoned desk factory? Isn’t all of this likely to decline?

Further, if the prison machinist pays half his \$7/hr income for his prison room and board – that only amounts to about \$7,000 a year against the \$20-\$25,000 it costs to house each prisoner.

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That means the state (i.e., we taxpayers) is effectively subsidizing cheap prison laborers (and their corporate employers) to the tune of \$13 - \$18,000 per year per prison worker. As a result, many of the same poor blacks, browns and whites who once collected \$500 a month in welfare on the “outside” will, on the “inside,” cost taxpayers two or three times that much in subsidies that help enrich their corporate employers while driving other free world businesses toward bankruptcy. (And you thought welfare was dead, hmm?)

There’s no escape from the consequences of slave labor. America tried it once before and wound up with a Civil War and social consequences that afflict us still. The Nazi’s tried slavery and were not only defeated but watched their nation split in two. The Soviet Union tried slavery and perished. The Red Chinese

use it and have not yet perished but deserve to – and even if they don’t, who wants to live in Red China? Forced prison labor (slavery) may temporarily boost corporate profits but, over the long run, is dangerous and self-destructive to all Americans.

Do the corporate beneficiaries of prison labor care? No. Their only issues are quarterly profits and executive bonuses. Thus, they push to build more prisons and expand prison industries.

But sooner or later, your slaves come home to roost. While the precise causal relationship between slavery, government oppression, and social collapse is unclear, there’s little doubt that where you see slaves, you’ll also see government oppression, poverty, political instability, violence, or even social collapse.

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# Accounting For A Limited Liability World

by Craig Fletcher

Dr. W. Edwards Deming was a world famous quality control expert. His innovations and insights into the true nature of business efficiency are generally regarded as the foundation for the Japan's economic "miracle" after WWII and its emergence as an economic superpower.

In 1985, Craig Fletcher was introduced to Dr. Deming's theories and realized that business efficiency was not merely a cold mechanical exercise in accounting and lifeless mathematics but a disciplined expression of the ethics and personal character. Good accounting doesn't merely measure quantities of products or money; it measures an organization's commitment to moral principles and truth.

After all, what good is any accounting (including your own checkbook register) unless the numbers accurately reflect the truth? A checkbook register that indicates there's \$5,000 in your bank account when there's only \$500, is arguably a lie that will inevitably cause trouble. Likewise, when a corporation "cooks the books" to show a false profit when it is actually suffering a

loss, the primary problem is not mathematical but moral. Thus, good accountants must be more than colorless "bean counters" – they must be men of integrity committed to finding and reporting truth.

Mr. Fletcher took these lessons to heart and applied them as Chief Financial Officer (CFO) for Avicom International Inc. (a subsidiary of the giant Lockheed Corporation which produces Trident II submarines and F-16 jet fighters). As Avicom's CFO, Mr. Fletcher performance was ethical, dedicated and thorough. And that, of course, started all the trouble.

In an October 21, 1994 press release entitled "Corporate America Against Honesty" Joe Kincaid explained:

"Does the whistle-blower law have any real teeth in it? Mr. Craig W. Fletcher of Irvine, California doubts it. In 1989 Mr. Fletcher was discharged from his position as Chief Financial Officer for a Lockheed subsidiary (Avicom International) in Pasa-

dena, California for doing nothing more than the job he was sent (by Lockheed senior management) to do. Lockheed senior management ignored Mr. Fletcher's confidential reports of Avicom's mismanagement and malfeasance, alerted Avicom to Fletcher's confidential reports and thereby caused Mr. Fletcher to suffer two years of extreme harassment by Avicom management.

Mr. Fletcher was ultimately forced out of his position through a series of management manipulations clearly sanctioned by senior members of Lockheed, all in order to cover up the problems at Avicom so it could be sold to some unsuspecting buyer at an inflated price. Lockheed's 1990 sale of Avicom to Hughes Aircraft sparked at least one shareholder lawsuit. [According to Mr. Fletcher, Avicom falsified its 1989 earning to show a nonexistent \$1 million profit. This false profit created a false 30:1 price-to-earnings ratio used to sell Avicom to Hughes for a \$30 million – at least *twice* its true value.]

“Following the sale, the President and CEO of Avicom conspired with certain Lockheed senior executives to damage Mr. Fletcher’s credibility, suggest mental imbalance leading to incompetence, and (in concert with their law firm O’Melveny and Myers) pro-actively thwart Mr. Fletcher’s attempts at restitution through the judicial system.

After five years, Mr. Fletcher’s claims of improper management, auditor complicity, and suspicions of insider trading can no longer be ignored by members of the investment community. Nor should his factual allegations continue to be concealed by the powerful presence of the O’Melveny & Myers’ law firm.

“Perhaps it is time to question the policies and practices of Lockheed, a national defense giant, who would allow, let alone promote, this prolonged miscarriage of justice.”

Or maybe not. Today, almost ten years since he was discharged from Avicom, Craig Fletcher struggles on in what he describes as a “fierce fight for truth silently raging between myself and Lockheed.”

According to Mr. Fletcher:

Over these ten years, Lockheed’s lawyers (O’Melveny & Myers) have ambushed truth and assassinated character to effectively “silence” my allegations. However, the silence itself is evidence of a desperate battle to conceal the truth. I believe the forces behind this battle represent “Absolute Power” in America – a “legal” tyranny controlled by corporations but financed by unsuspecting taxpayers.

Lying, cheating, and stealing in the business, political, and legal arenas appears to be rampant today. Yet the public sees

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only the tips of the icebergs, and even the tips are bigger than we’d like to believe. Due to countless successful cover-ups, only insiders know the depth of the deception and breadth of denial, the true impact of wasteful and unethical practices regularly hidden from the public.

And strangely, when an insider exposes corporate fraud, overt corruption will often escalate rather than diminish! At first, the idea that exposure might increase corruption seems absurd. But unfortunately, most “whistle blowers” typically report what they naively believe is evidence of a single act of corruption by a single corporate executive. They assume the corruption is an anomaly and report it to their superiors with an expectation of reward for vigilance.

But too often, they learn that the corruption seen in one executive’s office actually reaches throughout the corporation’s upper echelons. As

the whistle blower works ever harder to expose the corruption, increasingly powerful executives are threatened with exposure and drawn into the web of deceit – not to expose the corruption, but to hide it to protect themselves. The more the whistle blower works to expose the corruption, the more ruthlessly the corrupt executives fight to resist that exposure and discredit or destroy the whistle blower.

Worse, to protect themselves, a handful of corrupt executives will bribe and recruit other (formerly innocent) executives to support their conspiracy. Thus, by exposing a few, the number of active participants in the conspiracy may actually tend to increase.

The whistle blower begins believing he’s one of the corporation’s many “good guys” who’ll be rewarded for exposing the single “bad guy”. But over time, the whistleblower becomes disoriented and finally horrified

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as he slowly realizes that he may be the only "good guy" facing a "bad guy" who enjoys the comfort and support of a *growing* number of powerful, prospering members of a corporate "secret society".

If the whistleblower persists, attorneys are finally unleashed (in my case, O'Melveny & Myers, the 10<sup>th</sup> biggest law firm in America). Once the attorneys appear, visibility for the "whole truth" rapidly diminishes. Why? Because lawyers are paid to fragment truth, and then "legally" bury whatever fragments weaken their client's position. Their intent is to obfuscate, not clarify.

In 1996, during my wrongful discharge suit against Lockheed (*Fletcher v. Avicom Int'L, Inc., Lockheed Corporation, R. A. Bertagna, & Does 1-100 inclusive*), my complete case file simply "disappeared" from the California 2<sup>nd</sup> District Court of Appeals. An investigation was initiated but California Attorney General Daniel Lungren (also a candidate for Governor running on an "anticrime" platform) declined to pursue it, despite my repeated letters and pleas.

**T**he driving force behind corporate corruption is greed. Unfortunately, greed is a natural human tendency that can't be eliminated from most individuals who achieve positions of authority. Therefore, we try to minimize each other's willing-

ness to engage in greedy behavior by establishing systems of accountability. The underlying principle is simple: If we know we're *accountable* (likely to be caught and punished) our sense of self-preservation will usually overcome our sense of greed.

Unfortunately, corporations pose an intractable problem since they are created for the primary purpose of achieving limited personal liability for their shareholders and executives. Limited liability necessarily compromises or even eliminates "accountability" and thereby encourages unethical or criminal behavior.

Thus, the corporate essence (limited personal liability) predisposes every corporation to "institutionalize" inefficiencies, waste, unethical conduct and even corruption. Think not? In all of history, show me a nation, civilization, religion, race, political party or even cadre of corporate executives that – given the privilege of limited personal liability – did not finally succumb to the temptation to abuse their unaccountable power for personal gain.

Further, if Dr. Deming's principles are correct and efficiency is ultimately an expression ethics, integrity and character—it follows that highly efficient organizations necessarily offer little opportunity for corruption. After all, by definition, a highly efficient firm simply doesn't have

any unaccountable resources or unused capital that can be easily exploited or stolen. Since all the resources in an efficient organization are fully dedicated to achieving the organization's goals, no resource can be easily exploited or stolen from the "stream of production" without instantly impeding the organization's productivity and alerting others to the theft.

**B**ut if efficiency precludes corruption, it follows that those organizations that are most inefficient and unaccountable should also be most susceptible to corruption.

Consider the corporations that are closely associated with government – especially those that comprise our "defense industries" (the "military-industrial complex" President Eisenhower warned against). How many times have you heard of "cost-overruns" within the defense industry? How 'bout projects that were originally scheduled for completion in 1995 but weren't finished until years later? Isn't this evidence of inefficiency?

Defense industries justify these cost overruns and scheduling failures as the inevitable consequence of dealing with new, untested technologies. Undoubtedly, that justification makes some sense. But once inefficiency becomes "justifiable," it soon becomes acceptable, unremarkable, and finally expected. Result? Who really believes that any major corporation's bid to produce a national defense product truly reflects anticipated costs? No one. Corporations that bid to produce a particular part or jet fighter routinely bid far below what they know will be the real costs of production. Given the accepted excuse of inefficiency, these corporations know that once the contract is signed and

the production line established, government will send as much money as it can print for as many years as the product remains politically viable. Thus, once tolerated, even "legitimate" inefficiencies attract and foster the kind of institutionalized exploitation (and then corruption) that contracts to build fighter planes for \$5 million each and delivers them for \$20 million – and provide \$600 toilet seats, \$150 hammers and \$20 screws as replacement parts.

Further, despite their limited liability, conventional corporations sell products directly to the consumers who pay for them with their own money and therefore closely examine the price. As a result, most corporations are subject to a kind of "consumer-price" accountability (if they overcharge for their products, their sales will probably decline). But when Lockheed builds a jet fighter, who really examines the price? Since government (which has a nearly unlimited source of unearned income) pays the bill, the price-accountability that's imposed on most corporations is often missing. Who knows or cares whether a jet plane costs \$5 million or \$20 million? Who squawks if an aerospace giant doubles the previously agreed-on price? Virtually no one. Thus, another form of accountability is badly diminished for corporations doing business with government. (In 1997, Lockheed-Martin did 66% of its \$28 billion business with U.S. government, 17% with foreign governments and 17% with the "free market".)

If the correlation between unaccountability and corruption holds true, it follows that defense industry corporations should be particularly prone to corruption since they not only enjoy the usual corporate shield of "limited liability" but also the added political shield of "national secu-

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rity". (The most extreme example of the relationship between inefficiency and corruption should be any nation's intelligence service where virtually no one knows how much money is being collected, where it's spent or why. If accountability is nearly zero, corruption should be enormous.)

**A**ny lack of accountability is essentially a lack of truth. Any absence of truth is an invitation to lies and all the inefficiency and temptations for executives to exploit their office for personal gain. Because the corporate structure is designed to limit liability (accountability), corporations are naturally prone to corruption. And the bigger they are, the more corrupt they're likely to be.

Are our defense industry corporations corrupt? Of course. Despite all the patriotic propaganda to the contrary, how else could it be? If this opinion seems cynical or extreme, read the newspapers or, better yet, the in-

ternet to learn how American corporations – aided by our own government – have graduated from selling \$600 toilet seats to the Pentagon to selling top-secret nuclear missile technology to Red China. Are those corporations corrupt? Of course. This isn't an indictment; it's an observation of inevitable human behavior. Temptation without penalty (truthful accounting and personal liability) is virtually irresistible. We have allowed corporations the privilege of unaccountable behavior. Of course they're inefficient, self-serving, corrupt and now even treasonous.

**O**ver the ten years of researching and prosecuting my case against Lockheed, I have learned:

**1.** In 1993 four top aerospace executives (Dan Tellep of Lockheed Corporation, Norman Augustine of Martin Marietta, Bernie Schwartz of Loral Inc., and C. Michael Armstrong of

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Hughes Aircraft) sent a letter to the federal government outlining their intent to merge two or more of their already huge defense companies.

2. Their merger plan was ardently supported by three high ranking government officials who had previously served as consultants, Board members and even Director for *Lockheed* – Warren Christopher (former Secretary of State (92-96), senior partner for O'Melveny & Myers law firm), John Deutch (Director of CIA) and William Perry (Secretary of Defense).

3. These giant aerospace defense companies mergers were not only approved by government, but funded with billion dollar subsidies paid by taxpayers.

4. After Lockheed successfully merged with Martin Marietta in 1994-1995, approximately 450 top executives from the newly formed "Lockheed Martin" corporation tried to "skim" over \$100 million in "bonuses" from the merger subsidies to enrich themselves at taxpayer expense.

5. In 1995-1996, the Lockheed Martin Corporation quietly acquired most of Loral (the corporation recently implicated in the release of top secret ICBM guidance technology to Red China).

6. The Federal government still seeks to close more military bases in order to free up future appropriation\$ to pay more of

your tax monies to the giant, newly merged, mismanaged, defense companies for "improved" hardware for our "defense."

7. According to "The Case for Impeachment" by the Office of Legal Counsel of the Center for American Values:

- In 1994, the Clinton administration gave Top Secret clearance to John Huang while he was still a top executive at The Lippo Group – an Indonesian conglomerate tied to Red Chinese intelligence. The usual extensive background investigation was waived for Mr. Huang due to "the critical need for his expertise in the new administration of (Commerce) Secretary (Ron) Brown" (who was later killed in a mysterious airplane crash in Europe).

- Clinton appointed Huang as Principal Deputy Assistant Secretary for International Economic Policy at the U.S. Dept. of Commerce. The Lippo Group gave Huang a \$780,000 bonus when he left

Lippo to take his position at Commercet. The Commerce Department reported that as Deputy Assistant Secretary, Huang received 109 CIA intelligence briefings on Top Secret information concerning Red China, fifteen classified field reports and twelve finished intelligence reports. While he was receiving this intelligence, phone records show that Huang made more than 70 phone calls to a Lippo-controlled bank in Los Angeles, received calls from Chinese embassy officials, and privately visited official at the Indonesian embassy.

- In December, 1995, President Clinton instructed Huang to resign from the Dept. of Commerce to work as a fundraiser for Clinton's 1996 reelection campaign. Although Huang worked for the Democratic National Committee (DNC) through 1996 and was not a government employee, he retained his Top Secret clearance. During his tenure with the DNC, Huang raised \$5 million for Clinton and the DNC. The Lippo Group gave \$475,000. Red China's Army was another substantial DNC contributor.

- In late 1996, when Huang's background and activities came to light, he refused to cooperate with congressional investigators and fled the country. President Clinton also refused to comply with congressional subpoenas exploring these issues.

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8. President Clinton has given Most Favored Nations trading status, the former naval base at Long Beach California and top-secret nuclear missile guidance technology to Communist China – a country that uses tanks on its own people and has previously threatened to launch nuclear weapons at America’s west coast.

9. The transfer of missile guidance technology to Red China was achieved through the Loral Corporation – one of the four aerospace mega-corporations mentioned in Item # 1 whose mergers involved former Lockheed executives Secretary of State Warren Christopher, CIA Director John Deutch, and Secretary of Defense William Perry.

10. Former Secretary of State Warren Christopher is not only a former Director of Lockheed; he is also a senior partner of O’Melveny & Myers – the tenth largest American law firm. O’Melveny & Myers’ letterhead indicate that they are a multinational law firm with offices in: London, England; New York city; Washington D.C.; Los Angeles, Newport Beach, and San Francisco, California; Tokyo, Japan; and Hong Kong. Note that five of their eight primary offices are located on the Pacific Rim and thus imply that much of O’Melveny & Myers’ business deals with Asia.

11. Secretary of State Christopher’s Hong Kong law office is listed as “1104 Lippo Tower, Lippo Centre, 89 Queensway, Central, Hong Kong.” Note that “The Lippo Group” is the massive Indonesian conglomerate with offices throughout Asia, including Hong Kong that contributed (\$475,000) to President Clinton’s 1996 reelection.

In the previous list, note the number of former Lockheed executives who’ve also achieved extraordinary power

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within our federal government as heads of State, Defense and the CIA. Can a single corporation spawn so many powerful government officials by random accident? Of course not. Clearly, a “special” relationship exists between Lockheed-Martin, our federal government and foreign governments as well. While this special relationship may serve the interests of multinational corporations and several governments, it can only be dangerous to the American people.

Note also the relationships between American defense corporations, our federal government, the CIA, a multinational law firm, and foreign governments including Communist Red China.

Can these complex “relationships” exist without limited personal liability, unaccountable inefficiency, corruption and even treason? And what should we call this “conglomerate” of multinational corporations, law

firms, intelligence agencies and governments?

Welcome to the “New World Order”. Note that a (perhaps *the*) fundamental building block of this “New World” is limited liability corporations.

I’m convinced the flip-side of all freedom is personal responsibility (those who would be free must also be responsible). If so, can freedom survive in an age of “limited liability” and minimal accountability? Or does it necessarily follow that those who use corporate privileges to evade their personal liabilities must also surrender their freedom? I suspect that any form of limited liability is dangerous to freedom, and I believe Dr. Deming might agree. I also believe the time has come to escape the easy embrace of corporations and thereby re-establish personal responsibility, productive efficiency and national morality.

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# Legal Firearms for Prohibited Persons

by Mike Crooker

Although private individuals may prepare a fledgling corporation's Articles of Incorporation, no corporation is "born" until approved by the government. As such, governments are the true "creators" of corporations and corporations are therefore absolutely subject to their government-creators's rules and regulations.

Conversely, as "creatures (creations) of the state," corporations (not people) are government's true "children" and natural beneficiaries. Nevertheless, Washington does not find all corporate "children" equally delightful. Corporations that were extremely popular in one era may be condemned in another era as grotesquely politically incorrect.

For example, government no longer holds corporate manufacturers of firearms in the same high esteem as when their guns "won the West". In order to disarm Americans, government is simultaneously assaulting corporate firearm manufacturers and

the customers seeking to buy firearms. While some ostensibly private gun-control activists seek to sue gun manufacturers into poverty, the government itself is attempting to narrow the range of potential gun buyers by broadening the categories of persons legally prohibited from "possessing" guns.

This next article illuminates an intriguing strategy being used by some gun rights activists to maintain America's right to "keep and bear arms" – particularly for those who are otherwise "prohibited" from "possessing" firearms. However, note that I present this strategy only as an example of American independence, ingenuity and persistent resistance to excess government – not as legal advice. As with virtually all of this publication's articles, do not attempt to implement any of the following recommendations without doing enough research to prove or disprove the validity of the article's assertions or opinions.

Unknown to most persons (except lawyers and those ATF victims incarcerated in Federal Prisons) it's a federal crime for the following nine categories of persons to possess<sup>1</sup> firearms:

- fugitives;
- mental defectives;
- illegal aliens;
- users of drugs or marijuana;
- those who have renounced their citizenship [*which citizenship?*];
- former military personnel with dishonorable discharges;
- persons subject to domestic restraining orders; and,
- persons convicted of misdemeanor domestic crimes of violence (threatening your wife 20 years ago can be enough);
- persons who have been convicted of a crime *potentially* punishable by more than a year in prison (a bad check conviction from 40 years ago can suffice);

Title 18 U.S. Code, Sections 922(g) and 924(e) mandate up to 10 years imprisonment for any



member of these nine classes of “prohibited persons” who “possess” firearms. For prohibited persons previously convicted three or more times for drug and certain other crimes, possession of a firearm can result in a mandatory 15 years to life imprisonment with no parole. Any person purchasing a modern handgun, rifle, or shotgun from a retailer must sign an ATF Form 4473 swearing that he is not in one of these nine categories. Lying on the form constitutes yet another federal crime.

Under these federal firearms laws, a current 50-year old grandfather who’s lived as a model citizen for the past thirty years might sheepishly laugh about being convicted three times back in 1968 for selling small quantities of marijuana. However, this mature model citizen might be shocked to discover that, based on his three 30-year old convictions for selling pot, he is now prohibited from possessing firearms. If caught merely “possessing” a gun (even duck hunting) he can be classified as an “Armed Career Criminal” and subjected to the “enhanced penalty” of 15 years to life imprisonment.

There are tens of millions of Americans that fit one of the nine prohibited categories. There are also over 10,000 “prohibited persons” in Federal Penitentiaries for illegal gun possession including over 2,000 with the enhanced 15-to-life penalty. Horror stories abound and I know of two published decisions where persons were sentenced to 15-plus years: a duck hunter caught with duck decoys and a shotgun; and a man caught with a Model 1908 Colt .25 caliber automatic pistol with no ammo, no clip, no grips, and the slide rusted closed.

Obviously, there is a great need for Americans to understand this law, especially since

Congress added those convicted of misdemeanor domestic crimes to the list of prohibited persons, and also removed the former exemption for military and law enforcement personnel.

### Antique firearm exception

Federal law exempts antique firearms from all gun controls. 18 U.S. Code Section 921(a)(16) defines antique firearms as all guns made *prior to 1899*,<sup>2</sup> muzzleloaders made anytime, and replicas of pre-1899 cartridge firing guns made anytime (provided such replica uses cartridges “not readily available in the ordinary channels of commercial trade”). However, under 26 U.S.C. 5861 (IRS Code), all cartridge firing machineguns and short-barreled shotguns are illegal regardless of when they were made.

Muzzleloaders (so-called “black powder guns” loaded from the end where the bullet exits) are legal, whether original, or replica, regardless of the date of manufacture. You can buy them by mail-order. The most practical antique guns for self defense are the so-called cap and ball revolvers originally made between 1840 and 1870 and used by Wyatt Earp and other gunslingers of the West. Numerous companies make and sell replicas of these six-shooters. Many can be had for \$100 or slightly less. A good choice would be the .44 caliber Model 1860 Army. To

use them you need powder, lead balls, wads, and percussion caps, all readily available in gun shops and sporting goods stores.

### Cartridge firing guns

Between 1858 and 1898 millions of cartridge firing guns were made by gun manufacturers like Smith & Wesson (S&W), Colt, Iver Johnson, an Remington in calibers like .22, .32, .38, .44, .45 and dozens of others. Believe it or not, these original guns are not only so abundant that they can be purchased for \$150 or less at virtually any American gun show – they are *totally exempt* from federal gun control regulations. At most gun shows you can find very workable .32 or .38 S&W revolvers, 12-gauge double barrel shotguns, a 7mm German Mauser bolt action military rifles, and many other firearms for less than \$150 – all made prior to 1899 and legal for *anyone* (even “prohibited persons”) to possess.

### Ascertaining “antique” status

If you want a gun exempt from AFT regulations, be certain that whatever gun you acquire is in fact an exempt antique. Shady gun show vendors sometimes sell shotguns they swear are “antiques”. Nevertheless, you may later discover a “1902” patent date stamped into the gun’s barrel which could subject you to serious problems should



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you be caught with it and the ATF find out.

Making sure your new gun is in fact an “antique” may take research. A good book to have is *Flayderman’s Guide to Antique American Firearms and their Values*.<sup>3</sup> In it’s Smith & Wesson section for example, it lists serial number runs along with manufacture dates. For example, any .32 caliber S&W Double Action First Model Revolver made in 1880 only had serial numbers from 1 to 30. The “Second Model” made between 1880 and 1882 had S/N’s 31-22172. The “Third Model” manufactured between 1882 and 1883 had S/N’s 22173 to 43405. Therefore any S&W .32 Double Action Revolver with a S/N of 43405 or below is a legal antique as it was made between 1880 and 1883.

Another example would be the Model 1898 Krag U.S. Military .30 caliber bolt action magazine rifle made between 1898 and 1903, S/N’s 110000 to 480000. According to *Flayderman’s*, S/N’s below 152670 are “considered antique under Federal Firearms law.” Some guns have the manufacture year stamped into the frames (i.e. Model 1895 Mauser 7mm Military bolt-action magazine rifles).

Other guns have no S/N’s at all and therefore require further research. For example, if you wanted to buy an apparent (but



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unconfirmed) “antique” firearm from a gunshop, you could always put down a \$20 deposit to hold a gun, and then send a complete description of the firearm to ATF’s Firearms Technology Branch<sup>4</sup> and ask for a free “classification decision”. If the ATF classifies the gun as “antique,” then buy it – if not, don’t.

If you don’t want ATF knowing your business, for a fee you can get an antiquity decision from any number of antique firearms experts. For example, for \$20, Smith & Wesson<sup>5</sup> will give you a letter stating the exact shipping date of any antique firearm made by them if you provide a description and serial number.

Finally, if you buy a cartridge firing antique firearm by mail-order, you should feel secure that it really is a pre-1899 gun. Unlike fly-by-night gun show vendors, mail-order gun dealers are closely watched and know that any mail-order fraud will be

quickly prosecuted by the ATF.<sup>6</sup>

### Ammunition

Ammunition can be a problem. The same statute [18 U.S. Code 922(g) and 924(e)] that outlaws prohibited persons from possessing modern guns also prohibits them from possessing *ammunition* for modern guns (a guy in New England just got 20 years for possession of a *single* 9mm cartridge). The statute and the ATF’s implementing regulation (Title 27, Code of Federal Regulations, Section 178.11) defines ammunition as “ammunition or cartridge cases, primers, bullets or propellant powder designed for use in any firearm other than an *antique* firearm.” [Emph. add.] This is no problem for muzzleloaders. The ATF concedes that muzzleloader paraphernalia is without question designed for use in none other than antiques. But when it comes to ammunition *cartridges*, even obsolete ones, *ATF legal counsel* takes the absurd position (never upheld in any published court decision) that “*designed for use*” really means merely *suitable* for use or otherwise “usable” in a post-1898 gun subject to ATF controls.<sup>7</sup>

For example, the ATF has *administratively* ruled that .50 caliber Remington Army centerfire cartridges designed for use in antique Remington Rolling Block *pistols* is nevertheless “modern” ammunition because it is



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“shootable” in currently made Sharps replica *rifles* chambered for the .50-70 U.S. Military rifle cartridge. That position is ridiculous since *pistol* cartridges are not “designed for use” in *rifles* chambered for a different caliber cartridge. ATF ruled similarly for .32 and .38 S&W *black-powder*-loaded centerfire cartridges even though such custom-made cartridges are obviously designed for use in antiques only (this administrative ruling has not been tested in court). (Since modern revolvers made since 1899 that chamber these cartridges use “smokeless” powder rather than *obsolete* “black” powder, this writer believes that they may not constitute “ammunition” under the federal law definition.)

With respect to current factory-made standard rounds loaded with “modern” smokeless (not “black”) powder such as .22 rimfire, .32 S&W and .38 S&W centerfire, 7mm Mauser, 12 gauge shotgun, 30-40 Krag, etc. (all of which are designed to be used in *both* pre-1898 antique and post-1898 guns of those calibers), the ATF classification as “modern” ammunition is probably correct. For example, the standard 30-40 Krag centerfire ammunition currently manufactured by the big ammo makers is designed for use in *all* 30-40 Krag rifles – not just pre-1899 “antiques,” but also “modern” Krag rifles made between 1899 and 1903.

**True Story from California:**  
 A female newscaster is interviewing the leader of a youth club:  
 “So, Mr. Jones, what will you do with these children on their adventure holiday?”  
 “We’ll teach them climbing, canoeing, archery, shooting.”  
 “Shooting? Isn’t that’s a bit irresponsible?”  
 “I don’t see why, they’ll be properly supervised on the range.”  
 “Don’t you admit this is a terribly dangerous activity to be teaching children?”  
 “I don’t see how – we’ll be teaching them proper range discipline before they even touch a firearm.”  
 “But you’re equipping them to become violent killers.”  
 “Well, you’re equipped to be a prostitute but you aren’t one, are you?”  
 (End of the interview.)

Obsolete “rounds” (various sizes and weights of lead bullets actually fired) are a different story. DBI Books, *Cartridges of the World* lists, describes, and gives the history of hundreds of obsolete rounds. This author is currently asking the ATF to classify about 100 obsolete rounds as “antique ammunition”. Thus far the ATF has conceded that prohibited persons may possess .58 US Musket centerfire, .58 Carbine centerfire, and .43 Egyptian-Remington centerfire because their extensive research has not found any post-1898

guns or replicas that chamber these rounds.<sup>8</sup>

Incidentally, it took a lawsuit to force the ATF to concede in writing that the .43 caliber Egyptian-Remington round was “antique” and the threat of a lawsuit to compel concession regarding the other two calibers. As for the rest of the obsolete calibers, it remains to be seen if the courts will publish a decision upholding ATF’s absurd “usability” interpretation of the phrase “designed for use.” It seems unlikely that a federal criminal trial jury would.

### Avoiding ammo problems

The U.S. Constitution authorizes the federal government to prosecute only four crimes. However, the Constitution also contains the “commerce clause” (Art. 1, Sect. 8, Cl. 3) which allows Congress to “regulate commerce between the several states and Indian Territories.” Broadly construed by a corrupt Congress and U.S. Court System, the commerce clause has enabled the federal government to shove 10,000 federal criminal laws down our throats and expand the four federal crimes to include everything from *pot possession* to illegal campfires.

An essential element of proof of the crime of unlawful possession of firearms or ammunition by prohibited persons is the *interstate commerce* requirement that the illegal possession was “in or affecting commerce.” This element could be proved by possession during an *interstate* road trip or even a ride on a *common carrier* such as a train, plane or bus. But 99% of the time ATF proves the commerce element by showing that the gun or ammunition moved *interstate after its manufacture*. The U.S. Supreme Court has upheld this flimsy concept so if the ATF can show that a modern gun made by Colt Industries in Connecticut was



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shipped to a dealer in Nebraska (even if that transport took place many years ago) and you get caught with it in 1998 in *any* state *other than Connecticut* (site of the gun's manufacture), then the commerce element has been proved.

Thus, one way for "prohibited persons" to legally circumvent federal gun law is to possess ammunition (or modern firearms for that matter) that have never moved *interstate*. For those who live in the same States as the big ammo makers (Winchester-Olin, Remington-Peters, Federal, Hansen, CCI, etc. ) this is not a problem. For those that live in states without obvious manufacturers of guns or ammunition, there may still be solutions. First, you can order a list of all federally-licensed ammunition manufacturers in your state from the ATF's Disclosure Branch for \$25.00.<sup>9</sup> Commercial reloaders must also be licensed and are therefore on the ATF's list of manufacturers. To minimize ATF regulation, you might acquire your ammunition from such an in-state source and be sure to never let it move in interstate commerce.

Another way to minimize ATF regulation is to make your own ammunition. There are books on this subject such as Duncan Long's *Homemade Ammo* and Ronald Brown's *Homemade Guns and Homemade Ammo*. Homemade ammo



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that has never moved interstate does not violate federal law (unless possessed on a common carrier or during an interstate road trip).<sup>10</sup> Just don't move your homemade ammo interstate or ATF fanatics might claim that you "designed them for use" in modern firearms even though you made them for and are using them in an antique shotgun.

#### Watch your six

Research and thoroughly understand your own state's law before taking any action concerning antique guns or ammunition. Many states use federal firearm and ammunition definitions verbatim – but exclude antiques. Others even count BB-guns and marine distress flares as firearms. A call to your state's Attorney General's Office or local gun rights organization should clarify the situation. However, don't call the police station as they'll probably claim that just about anything re-

motely weapon-like is illegal.

Under federal law you can have any muzzleloader and its ammunition. Under federal law you can have any cartridge gun made *before 1899* except machineguns or sawed off shotguns. However, ammunition for antique cartridge guns is a stickier problem.

Remember, to violate federal law it must be a firearm or ammunition as defined in Title 18, U.S. Code, Section 921 and Title 27 Code of Federal Regulations, Section 178.11 *plus* the firearm and/or ammunition must have moved in interstate commerce. If it's not a "firearm" (an excluded antique) or if it was homemade or came from an in-state source and never moved interstate, then you can confidently tell the ATF to go fly a kite.

<sup>1</sup> Editor's comment: Note that this law applies to persons "*possessing*" (not "owning") firearms. Readers of the *AntiShyster's* "Trust Fever" series should recall that all trusts are primarily divided into two classes of persons (trustees and beneficiaries) and two classes of title to trust property (legal and equitable). Trustees own or manage the legal title to trust property; beneficiaries receive equitable title to use or *possess* trust property. The "law's" persistent use of the term "possession" suggests that the "prohibited persons" may be "beneficiaries" of some underlying government trust.



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If so, anyone who was *not* a “beneficiary” of the underlying trust might not be subject to the trust’s “law” against “possessing” firearms. Again, we see a hint that government may be using trusts to enforce “trust regulations” as if they were true “laws”.

<sup>2</sup> Editor’s comment: *If* the regulations applying to “prohibited persons” are based on an underlying trust, the fact that pre-1898 firearms are not regulated indicates those guns are not trust property. This in turn implies that whatever trust regulates the “possession” of firearms may not have been created until 1898 or 1899. Therefore, if I were looking for evidence of that hypothetical, underlying trust, I’d start my search in the Federal government’s records of 1898 and 1899.

<sup>3</sup> Available in most gun shops or from DBI Books Inc., 4092 Commercial Ave., Northbrook, Ill. 60062.

<sup>4</sup> ATF Firearms Technology Branch, 650 Massachusetts Ave., N.W., Washington, D.C. 20226

<sup>5</sup> Smith & Wesson, 2100 Roosevelt Ave., Springfield, MA 01102

<sup>6</sup> Some mail-order sources for antique guns are Dennis Fulmer Antique Firearms, P.O. Box 226, Detroit Lakes, MN 56502; N. Flayderman and Co., P.O. Box 2397, Ft. Lauderdale, FL 33303; and Dale C. Anderson, 4 W. Confederate Ave., Gettysburg, PA 17325.

<sup>7</sup> Editor’s comment: The fact that ATF legal counsel issued an absurd opinion presumably provides ATF officers with a

“reliance” defense should they be charged with violating someone’s rights. That is, so long as ATF agents can say they acted in reliance on their attorneys’ advice, they can probably avoid personal liability for what might otherwise be clearly illegal acts. I wouldn’t be surprised if reliance on “legal counsel opinions” is a strategy commonly employed by a host of government enforcement agencies to shield their agents from liability for committing unconstitutional acts. Perhaps the solution to this problem is not to sue oppressive ATF agents, but to sue their *lawyers* (if possible) for *knowingly* providing negligent legal advice that led to illegal/ unconstitutional acts. The trick to establishing “knowledge” necessary to show the attorney (or any other government official) acted “willfully” and “maliciously” to encourage the violation of rights or other illegal acts, might be to provide *administrative notices* to those various legal counsel informing them of the mandates of the true law and Constitution as well as the lack of foundation for their positions, etc. Without adminis-

trative notice, any legal counsel can probably evade personal liability for their advice by merely pleading ignorance or mistake. However, if it can be proved a lawyer or government official had proper administrative notice of the law, and they nevertheless acted in defiance of that notice, that lawyer/ official may be subject to criminal prosecution for *willfully* aiding or encouraging an otherwise illegal scheme.

<sup>8</sup> The latter is used in Remington Rolling Block rifles available for \$175 - \$200 from Sarco, 323 Union St., Stirling, N.J. 07980; .43 ammo custom made from Buffalo Arms Co., 123 S. Third Ave., Sandpoint, ID 83864; other custom makers of obsolete ammunition are Second Amendment Corp., P.O. Box 224, Cortaro, AZ 85652 and Tom’s Brass and Bullet, P.O. Box 483, Lancaster, CA 93584).

<sup>9</sup> ATF Firearms Technology; Ibid

<sup>10</sup> Some people believe that you can make your own 12-gauge shotgun shells. According to ATF Publication P5300.4, shotgun hulls (casings) *without primers*, lead shot, wads, black powder, and blanks are all excluded from the definition of ammunition or ammunition components. So if you were to take remove the primers from the appropriate blanks; install the primers into the primer-less shotgun hulls; load the resultant shotgun hulls with *black powder*, wad, and shot; and then seal the top with glue – Presto! – you’d’ve made your own shotgun shells from objects that ATF publications say aren’t even ammunition components.

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# Silence of the Lambs

After the Ayatollah Khomeini overthrew the Shah of Iran in 1979, the Shah remarked bitterly that his “big mistake was to stop bribing the Mullahs (Islamic priests).” As long as he bribed the Mullahs, they didn’t criticize the Shah or his regime from their “pulpit”. Result? The Iranian people continued to endure the Shah’s abuse as merely a “political” problem. But once the bribes stopped and the Mullahs started preaching against the Shah, the Iranian people began to see the Shah’s offenses as ungodly rather than political, and a spiritual fervor abruptly ended the Shah’s rule.

The Shah’s experience is not unique. To some extent, the Roman Empire was toppled by the Christian faith. The American Revolution was inspired by the “Black Robed Brigade” of American ministers who preached fiery sermons against King George. So long as the Thirteen Colonies grumbled about “mere” politics, English sovereignty was secure. But once the colonials’ complaints assumed a spiritual foundation, the Revolution began in earnest and the days of

English domination were numbered.

Thanks to public education, mass media, and tepid Sunday sermons, virtually no one understands that all government power is ultimately based on the people’s spiritual consent. So long as their faith is undisturbed, the People will endure almost anything. However, every earthly government understands that the principle threat to its legitimacy and power is the people’s spirituality. A man who won’t complain about government torture, will fight tanks with his bare hands if he believes those tanks threaten his faith or his God. Governments know such men are dangerous.

That’s why every major government in the world seeks to control their people’s spirituality. But such control is problematic since any effort to force people from one faith or to another, sows the wind. As a result, the most successful political strategy for dealing with the people’s potentially volatile spirituality is not to suppress their faith with force, but to seduce it, deceive it, and most of all lull it

into a sense of drowsy complacency where even the spiritually aware have no sense of their true political power.

Insofar as the first order of business for any government is to accommodate or control its people’s spirituality, all governments are arguably theocracies. It may be a tepid, apathetic, almost invisible theocracy that claims to be atheistic and is specifically designed to narcotize our spirituality – but it’s still a theocracy.

The following quotes are excerpted from the Nov 30, 1998 *Criminal Politics* magazine and concern the conflict between modern churches and the IRS:

**T**he October 29, 1998, *New York Times* has exposed the most vile attacks on Christian free speech! The Christian Coalition, run by Pat Robertson, attempted to distribute 45 million voter guides through both Catholic and Protestant ministries. They were hindered and blocked by Jewish groups who hired Washington, D.C., powerhouse law firms to

write letters threatening the revocation of tax exemption for any Christian church who distributed the voting guides, no matter where the source.”

“These letters were on the letterhead of the *Americans United For Separation of Church and State*. The Christian Coalition suggests that this is simply a subgroup of the American Civil Liberties Union (which files hundreds of lawsuits every year against any school official who violates their rules as to what is considered acceptable prayer).

“The offending letters were sent to 80,000 pastors – specially targeted no doubt because of their Constitutional/ Political views. This confrontational act must result in an outcry – or – *it will become accepted practice*. You can then forget about any freedom of religion in this country and the IRS will simply function as the “Religious Police” . . .

“The threat to invoke the IRS to harass Christian ministers who dare to distribute voter guides to their membership . . . is an obvious violation of civil rights – freedom of religion – freedom of speech and even assembly. Pastors and ministers are not excluded from Constitutional guarantees.

“There are 2.5 million ministers and priests of all faiths and these people are under a threat of being *put out of business with the loss of their tax exemption*. The loss of a tax exemption means that they have no way to offer tax deductibility for contributions. This is a gross violation of their free speech rights. . . in total conflict with the 1st Amendment of the Constitution, calling for Freedom of Press and Freedom of Speech and Amendments to practice one’s own religion.”

I disagree. Wanting the benefit of tax exemption to increase church member contributions (and minimize the church’s tax

liability), most Christian pastors have applied to the government to incorporate their church under the Internal Revenue Code as 501(c)(3) nonprofit or “charitable” corporations. However, these applicants apparently didn’t read the tax law, didn’t understand the consequences of accepting a 501(c)(3) corporate status.

Over the years, we’ve come to believe that the “church” is the *building* we “go to” on (some) Sundays. But the fact that we “go to” church subtly implies that we view ourselves as separate from the church. (I am here – the church is there – I will “go” from here to there to place myself within the physical church/building.)

We’ve forgotten that God’s true church is a collection of natural, spiritual *people* who were created by, and therefore worship, Yahweh. Yes, there may be temples, altars and gold or silver gee-gaws that are owned and used by the church/people, but *God’s* church includes only *living* people – not the surrounding buildings, parking lots, and computers – and certainly not artificial entities like corporations. Clearly, there is no proviso for lifeless artificial entities to be members of God’s church of living beings.

Most pastors think government gives them tax benefits because government loves churches. Bull. Government

can get away with almost anything (witness Bill Clinton) so long as its actions are not seen to violate the people’s spiritual faith. Therefore, government *fears* churches, and doesn’t seek to help them, but to neuter them by “gagging” their preachers with restrictions that attach to all 501(c)(3) “benefits”.

The reason for “separation of church and state” is that government fears the church. The church is, and will always be, more powerful than any government. The Jewish faith has lasted over 4,000 years, Christianity is 2,000 years old, and Islam a “mere” 1,000. No modern government dreams of lasting so long. Hitler’s “Thousand-year Reich” perished in a decade. The Soviet “superpower” lasted three generations. The world’s oldest existing government is probably the United States, just over 200 years old. The enormous difference in longevity between faiths and governments also implies their relative powers. (In the long run, the “gates of Hell, Moscow, Peking and Washington” shall not prevail. Probably won’t even be remembered.)

Just as Islamic Mullahs took bribes to keep silent about the Shah’s tyranny in Iran, American ministers have taken tax benefits (bribes) in return for *agreeing* to devote no more than 5% of church assets to political activity. In return for the 501(c)(3) tax benefits, the corpo-

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rate churches essentially *contracted* to remain “separate” from (silent about) government and politics.

Result? Church revenue increased and religious criticism of government virtually disappeared. Since preachers seldom focus on “political” issues (like abortion, no-fault divorce or oral sex in the White House), the congregation is deceived by the preacher’s silence into assuming that whatever’s going on in government may be nasty but it doesn’t rise to the level of ungodliness. Thus, the people feel no *spiritual* compulsion to protest and the world remains safe for corrupt government.

So long as a given church remains incorporated under 26 USC 501(c)(3), it must honor it’s agreement to remain silent about government corruption. Any pastor who feels compelled to criticize government must either resign as an officer of his corporate “church” or terminate his 501(c)(3) status and tax benefits.

Tough choice, hmm? What modern preacher wants to surrender all those good secular benefits just to criticize government? But maybe that’s the point: *Count the cost.*

If God moves a pastor to “speak out about a given politician” but that pastor refuses to speak less he anger the government-creator that chartered his 501(c)(3) corporation – who does that pastor serve? God or government?

It’s kinda funny, but Biblical prophets were often insufferable loudmouths who couldn’t stop shrieking God’s word at society in general – and at government in particular. Read the Bible. Find a true prophet that didn’t primarily criticize governments and politicians. There aren’t any. But thanks to the modern “miracles” of incorporation and tax benefits, today’s pastors seldom speak out against government.

Shhhh! NO public criticism of government by the church. (Keep yer mouth shut, pastor, an’ you’ll get a nice, fat tax benefit. On the other hand, open yer mouth and we’ll send a couple a d’ boys over to bust yer knees – or worse, maybe revoke your tax exemption.)

**C**riminal Politics cites an ex-ample of the “boys” coming to enforce their protection agreement:

“An example is the recent attack against the Living Truth

Ministry in Austin, Texas which was invaded by IRS agents about 2 weeks before Christmas, 1997. The IRS phoned out of the blue and demanded that they be allowed to examine and audit the books and ministry operations in person.”

“At that audit, the IRS agent announced:

“We are exploring whether Living Truth Ministries may have violated its *tax exempt status*. It appears that you have a pattern of identifying certain threats to Christianity. . . . We have reviewed a number of the books, audio tapes, videos, etc., offered by your ministry. We find you have made *disparaging remarks* about a number of worthy individuals and organizations including the Pope, the Masonic Order, the Skull and Bones Society, the United Nations and what you call the New World Order . . . there appears to be a pattern of *identifying threats to Christianity or against freedom*, and that would be a violation of the IRS code. Churches and other 501(c)(3) groups are not permitted to do this!” [Emph. add.]

“This is a shocking example of the intimidation and threats to Christian ministries by the ‘religious police’ operating out of the IRS [much like] Stalin’s Soviet Russia or Mao Tse Tung’s Red China.”

*Exactly!* – except it’s not “shocking”. The 501(c)(3)

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“church” is the American equivalent of the Soviet’s “state church”. Neither of these entities are churches *of God* but are instead *government agencies* dedicated to giving would-be church members a “politically correct” *representation* of their faith. As government agencies, the real purpose of the Soviet “state church” and the U.S. 501(c)(3) “corporate church” is not to increase spiritual faith in God, but to dilute that true faith with information, propaganda or even silence that increases the people’s “good faith” in secular government.

Although similarities between the Soviet’s state church and the U.S. 501(c)(3) church are large, disturbing and growing, there is one difference: American churches voluntarily contracted to be muzzled and maintain the “separation of church and state” (e.g., “silence of church about state”).

The problem is that ministers don’t understand that once they sign up to be 501(c)(3) corporations, they are no longer churches of God but instead *government agencies*. The “minister” of a 501(c)(3) corporation is a *government agent*. As such, the law may be immoral, but it is clear: Government agents and agencies may not engage in political activity on the job. Thus, “ministers” have no more business talking politics in a 501(c)(3) corporate “church” than a Postmaster has talking politics in the local Post Office.

Just because the 501(c)(3) organizations don’t understand their true nature as government agencies (rather than true churches) does not relieve their ministers from honoring the 501(c)(3) “bargain”. Ignorance is no excuse. You take the tax benefit; you pay with your political silence.

As a government agency, the 501(c)(3) corporation is abso-



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lutely subject to government regulation and has no more rights to Freedom of Speech and Religion than a Marine Corps recruit in basic training. A 501(c)(3) “minister” who complains that government treats him harshly or denies his “rights” is about as silly as a Marine recruit complaining that his Drill Instructor has hurt his feelings.

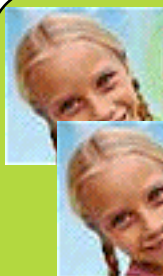
“Hey, Jarhead, this is the *Marines!* If you can’t take the heat, you shouldn’t’ve signed up! Nobody put a gun to your head. You *volunteered* into this outfit, so now you’re gonna play by this outfit’s rules!”

Likewise, the minister who’s “shocked” by government regulation of 501(c)(3) corporations is simply ignorant. Nobody put a gun to their heads and forced them to incorporate. If ministers don’t want government regulation and restriction from political activity, they shouldn’t volunteer to be 501(c)(3) government agencies.

Once ministers allow their churches to be converted into 501(c)(3) corporations, those churches become “creatures/ creations of the state”. As such, those creations of government are absolutely subjects or servants of their new government-corporate master rather than subjects/ servants of God.

Freedom of religion is alive and well in the U.S.A. Every one of us is not only free to worship God, we are free to choose *which* god we worship. If we choose to worship the one true, living God, we might go to heaven. If we choose to worship our local government-corporate-god, we might get a tax exemption. But on this one point both God and government-god agree: Hypocrisy is intolerable; we are *not* free to worship both God and government.

We still have Freedoms of Speech and Religion – and we also have the right to voluntarily contract to restrict our exercise of those Freedoms. But we



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can't exercise those rights in contradictory ways. That is, ministers can't voluntarily contract to restrict their Freedom of Speech and still argue they maintain absolute Freedom of Speech. Unfortunately, most pastors and ministers don't realize that when they signed up for a 501(c)(3) income tax exemption they also agreed to ignore political issues about 95% of the time. Thus, the IRS is not "oppressing" the 501(c)(3) minister's right of free speech when it tries to stop their political commentary; those ministers surrendered that right themselves when they voluntarily agreed to become a corporate church. The IRS is merely enforcing that legal agreement.

I'm no fan or defender of government, but the IRS has every right and duty to vigorously prosecute any 501(c)(3) corporate "church" that violates the law and their corporate charter by engaging in significant political activity. 501(c)(3) corporate "churches" have no more right to engage in political activity (including criticism of government) than a licensed driver has to drive 100 m.p.h. on 65 m.p.h. highway. It's against the law. You take government's benefit, you play by government's rules.

Although modern 501(c)(3) "churches" assume a pleasing "corporate" form, they are counterfeits. They're created by man, not God and therefore subject to



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man, not God. God's church consists solely of natural, spiritual, flesh and blood people – but no artificial entities. 501(c)(3) nonprofit, charitable corporations may be a kind of "church" but they're not the church of God. As artificial entities, they can't be.

Unfortunately, both clergy and congregation assume that incorporating their church is the "modern" way to enjoy the best of both the spiritual and secular worlds. Maybe so. But if it's true that man can't serve two masters, those of you who worship in 501(c)(3) charitable corporations should begin to consider the difference between government's secular benefits and God's spiritual blessings. It just might be that you can't have both. And if it's true that corporate churches are counterfeits and thus lead church members away from God, what does this imply about the spiritual and moral nature of corporations in general?

*Criminal Politics Magazine* (PO Box 37812, Cincinnati, Ohio 45222) is highly informative and critical of corrupt governments. Subscriptions \$187.50 per year. [www.criminalpolitics.com](http://www.criminalpolitics.com).

Individuals working to reduce government interference with the church:

Pastor Texe Marrs, Living Truth Ministries at 1708 Patterson Road, Austin, Texas 78733. (512) 263-9780.

Dr. Greg Dixon c/o Indianapolis Baptist Temple, 19th Judicial District, 2711 South East St, Indianapolis, Indiana.

Jay Alan Sekulow, Esq. The American Center for Law and Justice, POB 450349, Atlanta, Georgia 31145-0349. [www.aclj.org](http://www.aclj.org).

The Christian Jural Society News, Randy Lee, general delivery, Canoga Park Post Office, Canoga Park California. 818-347-7080.

Pastor W.N. Otwell, "God Said" Ministries, POB 369 Mt. Enterprise, TX 75681. 903-822-3669. ■

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# Corporate Darwinism

by Alfred Adask

Those who embrace the Biblical faiths understand that the heart of God's Law is personal accountability. You better be good because your future in Heaven or Hell depends on your acts in this life and God will hold you accountable. Even little kids know they better be "nice" 'cuz Santa's "makin' a list and checkin' it twice." Whether you're a devout Christian, pious Jew or rational atheist, it's undeniable that accountability and personal responsibility lie at the heart of Western civilization.

But unlike God, corporations don't enforce personal accountability based on moral principles. Instead, corporations offer us *limited liability* and personal immunities. Thus, in terms of personal accountability, corporations and God are exactly – and perhaps "spiritually" – opposite.

Of course, any discussion of the "spiritual" implications of corporations seems silly. I'm embarrassed to even suggest this line of thought. But the Bible does contain a curious passage at *Ephesians 6:12*: "For we wrestle not against flesh and blood, but against principalities, against powers, and rulers of the darkness of this world, against spiritual wickedness in high places."

If we are engaged in spiritual battles in this life, Ephesians says they are not against other "flesh and blood" people. But corporations are not "flesh and blood". Thus, if spiritual warfare is afoot, the list of man's spiritual adversaries could conceivably include corporations.

## And lead us not into incorporation

Yes, it sounds silly to accord spiritual attributes to corporations. But here's an undeniable fact: The fundamental corporate privilege of *limited liability* persistently tempts personnel to commit acts that are unethical or criminal, and if so, ungodly. Although the assertion seems bizarre, no one can closely examine corporations and ignore the corporation's peculiar tendency to lead its executives and employees "into temptation".

But what's "temptation"? A momentary impulse to commit an improper act like adultery? Virtually everyone – married, single, young, old – is regularly attracted to friends, neighbors, co-workers, strangers and even TV images that we know we should not (or can not) touch. But is it "temptation" for me to feel an instinctive lust when I see an attractive woman? (Lord, I hope not.)

Nah. The essence of temptation is not an internal impulse – it's an external opportunity to evade *personal responsibility*. We're born with impulses; lots of 'em. We call 'em instincts. They're in our genes. But "temptation" is a transitory environmental circumstance – an external opportunity to express our prohibited impulses without fear of getting caught.

For example, I might see scores of attractive women in shopping malls, but I won't dare talk to them – let alone consummate an illicit relationship. But suppose an attractive female co-worker comes to my private office after regular business hours and makes it clear that she'd like to fool around with no strings attached. That's temptation – not merely an internal impulse, but environmental *opportunity* to engage in prohibited behavior *without personal liability*.

OK, suppose I maintain my integrity and refuse her first (attractive) offer, but she keeps coming back to my office, making herself available, every day for weeks or months. Although a single temptation can be resisted, persistent temptation is almost irresistible. (Ask Bill Clinton.)

Similarly, since corporations provide *persistent* "limited liabil-

ity” for their employees, corporations “institutionalize” the temptation to commit prohibited acts without personal responsibility. Every day, the corporate executive is faced with the knowledge that he could cut a corner, fudge on an inventory report, or even commit a crime and – in the unlikely event that his errant behavior was even noticed – could still evade personal liability.

Of course, modern corporations have codes of ethics which they claim are *strictly* enforced. Uh-huh. I recently caught part of a Fox Network (where else?) TV show where the editor of a homosexual magazine was complaining that some New York gay bars allow their patrons to engage in nude dancing *and* unprotected sex right there on the dance floor. Then Fox flashed to a “classy” gay bar where the owner provided pretzel bowls full of free condoms and had a “strictly enforced” house rule that any nude dancer engaging in unprotected sex would be asked to get dressed and leave.

Oh, pleease. Just because polls indicate Bill Clinton is America’s most admired man doesn’t mean everybody in this country’s a damn fool. Anyone who thinks a “house rule” can stop unprotected sex in a bar full of nude, dancing gays stoned on booze and methamphetamine is an idiot.

Likewise, you’ve got to be an idiot to believe that a “strictly en-



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forced” code of ethics will prevent unethical or criminal behavior in a corporate environment where the reward for no-questions-asked performance (based on limited liability) can be fabulous wealth.

#### The root of it all

According to some reports, the *average* upper-level corporate executive makes over 100 times as much money as the average American worker. That’s more money in a year than two average Americans earn in their entire lives. Top corporate executives in the largest corporations are sometimes paid over \$100 million per year. Can you imagine? \$2 million per *week*. \$40 thousand per *hour*. Does anyone seriously believe individuals competing for these incredibly lucrative positions are likely to embrace (and be inhibited by) strict commitments to moral or ethical behavior? I don’t.

And make no mistake; I’m not trying to castigate corporate executives. My point is that by

offering limited personal liability, the essential corporate *structure* (just like gay nightclubs that allow nude dancing) creates an *environment* that guarantees: 1) unethical, immoral or criminal behavior will be commonplace; and 2) a strong personal commitment to ethics and integrity is probably a career disability.

It’s the law of the brothel: screw or be screwed. That is, once you enter a particular environment, that *environment* will influence or even determine your options, choices and behavior just as surely Arctic tundra “creates” Eskimo parkas and African jungles “create” loin cloths. Similarly, the corporate environment favors (and thus “creates”) amoral behavior. Thus, the likelihood of ethical individuals succeeding in amoral corporations is akin to that of virgins keeping their integrity while getting rich in a whore house. It *could* happen.

But it ain’t likely.

#### Corporate selection

Unlike flesh-and-blood men and women, corporations do not experience genetic or cultural predispositions to feel compassion or avoid violence. Unlike natural persons, corporations are not burdened by the moral confusion of juggling the competing interests of family, friends, community, nation and even species. Instead, corporations enjoy a single-minded, amoral appetite for profit (as reported on the quarterly and an-

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nual reports) that not only allows, but ultimately compels them to be as ruthlessly efficient as great white sharks of the Pacific.

Of course, no corporation makes decisions to act one way or another. Corporations are, finally, inanimate, imaginary and incapable of conscious thought. Always there are natural persons serving as corporate officers or employees who actually make the “hard choices”.

But corporations are *environments* just as specific and influential as the Arctic tundra or African jungles. Just as physical environments determine much of the Eskimo and Zulu cultures, corporate *ethical* environments exert “natural selection pressures” which predispose corporate personnel to amoral or even criminal behavior.

Further, the corporate environment not only provides the temptation to commit unethical acts, it also provides the moti-

vation to do. Bonuses, “fast track” promotions, perks, company cars, and corner offices – the list of corporate “motivators” is substantial and more than sufficient to motivate immoral behavior.

For example, suppose you’re a young corporate executive appointed to manage a floundering factory in Utah. You’re offered a generous \$200,000 bonus if you can cause that factory to generate a \$3 million profit rather than the projected \$2 million loss.

You work day and night with dedication, integrity, and inspirational leadership to turn the Utah plant around. At year’s end, you’re just \$50,000 short of making the \$3 million profit. You could fudge the books a little, increase the plant’s apparent profits by \$50,000 and thereby win your \$200,000 bonus – or – you could maintain your integrity, admit the trivial \$50,000 shortfall and determine to try even harder next year.

Suppose you do the honorable thing and admit the \$50,000 shortfall (don’t laugh; it could happen). Of course, you don’t get your \$200,000 bonus, but you do win the corporate wall plaque for outstanding personal performance in a young executive.

Hooray. You are now our hero.

Meanwhile, another young executive was appointed to manage a floundering factory in Florida. He’s also offered a \$200,000 bonus to turn that plant’s projected \$2 million loss into a \$3 million profit. Like you, he falls short by \$50,000. But instead of doing the “honorable thing,” he does some “creative accounting” and meets his \$3 million goal. Result? He not only wins a wall plaque, he gets \$200,000, a corner office, a company car and a “fast track” promotion to corporate vice president. He deposits most of the \$200,000 into a trust for his kid’s college education and uses the rest to buy his wife a new Jaguar.

I think it’s fair to say his apparent success may seriously challenge your commitment to integrity. You played fair and got a plaque. He cheated and got rich. That’s not an aberration. It’s a lesson.

So what do you do?

Report him? It’s almost certain your “whistle blowing” won’t be welcomed, but will instead be seen as evidence of your inadequate “team loyalty”. In fact, it’s likely that the executive who appointed you to the job in Utah was also in line for a fat bonus if you reached your \$3 million profit goals. As a result of your integrity you not only lost your bonus, but your boss’s bonus, too (and thus, your promotion possibilities).

If you insist on doing the “right thing” and report your unethical competitor, you’ll

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probably be fired or asked to resign. Of course, you can sue for wrongful discharge, and spend the next five years skirmishing with corporate lawyers over depositions, requests for evidence and continuances. During those five years, you probably won't find another corporation to hire you for a position and salary comparable to what you formerly enjoyed. The financial and emotional costs of litigation and un- or under-employment may cause you to exhaust your savings, lose your house, and even suffer a divorce.

When you finally get your day in court, you'll probably lose and be left wondering whether the whole idea of integrity isn't crazy. If you win, the corporation will appeal, and appeal again, until maybe, if you're lucky, you'll get a settlement, perhaps even reinstatement at your old job – eight to ten years after you were wrongfully discharged. Thus, your “victory” might ring a bit hollow.

Well, if it's “impractical” to report your fellow executive's ethical lapse, why not forget it, act like nothing happened and silently “endure” the injustice of his success? Well, the sting of watching a competitor prosper because he's immoral rather than talented can fester into alcoholism, ulcers and depression. You may keep your job, but you'll never again enjoy it.

OK, if you can't beat 'em,

why not join 'em? Why not learn your lesson, and cheat on next year's bonus competition to ensure that you, too, can provide for your kids' college and wife's new car? Sure, you'll lose your former sense of integrity but, hey, this is the big leagues, kid. If you don't want to wind up managing a McDonalds, you gotta play to win, buddy. (Besides, nobody'll know but *you*.) So if you're like most of us (too much ambition and too little character for our own good), you'll probably succumb to corporate temptation and start to cheat.

And why not? (Everybody's doin' it, right?) And even if you're discovered, the corporation's *limited liability* will almost certainly shield you from personal liability. Worst case scenario? Since the corporation won't risk being sued for admitting in print that you're a crook and the figures on last year's annual report are fraudulent, you may be “encouraged” to resign but you'll leave with a glowing letter of recommendation sure to win a job at another corporation.

So why not cheat? When you're in an environment that institutionalizes *limited personal liability*, ethics are no more asset than Eskimo parkas in Africa. Thus, where a social environment (like a corporate workplace) includes limited personal liability, the “natural selection” pressures of that environment tend to fos-

ter immoral or criminal behavior.

Point: “corporate selection” favors employees who are unethical and amoral. Corporations aren't looking for a few (truly) *good* men – they're looking for a few hot shots who can get the job done (no matter what) and keep their mouths shut. Today, the secret of “How to Succeed In Business Without Really Trying” is to be a sociopath.

### By love possessed

Because corporations are artificial, they are by definition *amoral* – incapable of distinguishing between right and wrong and thus, incapable of responding to human values and moral issues. Corporations merely figure the bottom line. Measured solely in dollars, a corporation's decisions are simple, mathematical and impersonal to the point of being ruthless (hey, it's just bizness).

If a worker gets old, the corporation fires him. If an immoral act increases profits, the corporation does it. If a moral act produces a financial loss, corporate logic avoids it. In the final analysis, all corporate decisions boil down to money. For corporations, money's not the most important thing, it's the *only* thing.

This “singleminded” system of values allows corporations to act with extraordinary efficiency. But that singleminded “love” of money also creates problems.

Suppose it costs \$100 in labor to build a computer component in Chicago and \$10 to build the same component in Mexico City. Once Congress OK'd NAFTA and eliminated any trade barriers between the U.S. and Mexico, it was certain that the Chicago computer manufacturer would relocate to Mexico. Corporate logic forbids any other course of action.

Does the corporation owe any loyalty to the workers in



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Chicago who helped build the business for the last 20 years? Absolutely not. Corporations are artificial entities and therefore amoral and incapable of loyalty. The issue is pure mathematics. If you can make the part cheaper in Mexico and generate a bigger corporate profit, the corporation must abandon its former workers to their impoverished fate.

Once you understand the inevitable logic of corporations and their singleminded appetite for money, you can see that NAFTA and similar "free trade" agreements were never intended to serve the American people. Instead, NAFTA was clearly designed to serve the multinational corporations which wanted to sell high-priced products to rich Americans without paying high wages to American laborer and high salaries to American mid-level executives.

Point: By passing NAFTA, GATT, WTO and all the rest of the "free trade" agreements, our government betrayed the trust of the American *people* to serve the interests of *corporations*. Considered closely, this is persuasive evidence that our government is no longer "of, by and for" the People, but instead serves corporations.

Why did government betray us? Because while you and I can vote, corporations can provide enormous volumes of the politicians' milk: money.

What can be done? We can't criminalize corporations. Our business structure is so "corporatized" and dependant on limited personal liability that corporations won't be removed from modern business.

But even if corporations can't be eliminated from *business*, they should be removed from *politics*. That is, our laws and lawmakers should serve only moral, natural people – never amoral artificial entities like GM, IBM and Lockheed.

Politicians excuse their current pro-corporate bias by saying corporations are just collections of people and thus, representing corporations is really just representation of people. But corporations are no mere "collections of people". Corporations are artificial entities that create very special kinds of amoral social environments just like gay bars and crack houses.

As such, these social *environments* encourage or even demand particular forms of behavior which are at best amoral, often immoral, and occasionally criminal. Supporting the growth of any of these "environments" can not foster a stronger nation. Living or working in these environments, cannot foster stronger individuals.

We can minimize the adverse influence of corporations on government and people through campaign finance law reform. In essence, since this nation was intended to serve "We the (natural) People," only natural people should be allowed to make political campaign contributions. No corporation, trust or similar artificial entity should be allowed to contribute one dime to any politician.

Result? Politicians would suddenly find themselves more interested in serving natural people (the only remaining source of political campaign contributions) than corporations.

Since money is all corporations have, want or are, if you sever the financial link between politicians and corporations, politicians won't pass pro-corporate laws at the public's expense. Thus, our government "of, by and for" the corporations, might be restored to "of the People, by the People and for the (natural, moral, flesh and blood) People." ■



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# IRS Political Prosecutions

## Interview with Ass't Attorney General Loretta C. Argrett, Tax Division

The United States Attorneys' Bulletin (USAB) is a 60+ page publication written for U.S. Attorneys charged with prosecuting Federal crimes. The USAB is a remarkably well-written and revealing publication that offers valuable "intelligence" on Federal prosecution objectives and procedures.

The entire April, 1998 USAB issue focused on "illegal tax protesters" – persons who believe they are not required by law or God to file and pay income taxes. The following article is a collection of excerpts from articles in that "illegal tax protestor" issue plus my comments.

The first USAB article is entitled "Interview with Assistant Attorney General Loretta C. Argrett, Tax Division." The following are edited excerpts from an interview of AAG Loretta Argrett ("LA") conducted by Assistant U.S. Attorney (AUSA) David Nissman ("DN"). All of the colored or [bracketed] text are my insertions; the italicized text are my highlights.

DN: As Assistant Attorney General (AAG) of the Department of Justice (DOJ) Tax Division for the past four years, have you seen any significant changes?

LA: We have become more *proactive*, signaling to the IRS that we are willing to invest our resources in *certain kinds* of cases that we believe are very important to tax enforcement including two major initiatives, the Tax Gap Project and the Tax Protester Initiative.

DN: What is the Tax Gap Initiative?

LA: The tax gap is the difference between the amount of taxes that are due on legal source income and the amount that is actually paid. That gap is *extraordinarily large* – on the order of about *\$100 billion per year*. [That's about *\$400 underpaid for every man, woman and child in the U.S. or \$800 per taxpayer.*] This gap arises when some taxpayers do not report all of their income, inflate deductions and reduce their taxable income. We believe that prosecution of tax

gap cases produces maximum *deterrence*. That is *why* we chose it as an initiative. . . .

As you'll see, the primary purpose for "Tax Gap" prosecutions is not to enforce the law equally against all who underpay their income taxes, but to use *highly publicized* prosecutions to intimidate *all Americans* (the *body politic*) into paying every dime due to Uncle Sam. Insofar as the primary goal of Tax Gap prosecutions is to influence the *body politic*, those prosecutions are *political* trials intended primarily to achieve *political* – not legal – results.

DN: Is the tax protester movement growing?

LA: Unfortunately, yes – that is why we chose it as one of our initiatives. The IRS is also becoming increasingly concerned about the use of *offshore* schemes to avoid the assessment and collection of taxes. We are actively working with the IRS to assist them with their problems in foreign evidence gathering. . . . The IRS also is turning to the



[DOJ Tax] Division to assist in *collecting assets* that taxpayers are sending or keeping *offshore* to avoid their tax liabilities. . . and has asked us to help identify litigation strategies that may be used to counter certain types of offshore vehicles used to frustrate the proper operation of the tax laws, such as some *foreign trusts*.

Apparently, the DOJ enjoys sufficient international jurisdiction to investigate and even seize assets of *foreign trusts*. If so, reliance on foreign trusts to provide absolute shields against IRS scrutiny may be misguided. Further, given the IRS/ DOJ's growing focus on *offshore trusts*, Americans should be wary of using foreign vehicles.

DN: We have a public outcry on the *perception* of the Internal Revenue Code and this recent legislation with IRS. At the same time, we want to get the message out that there are [adverse] consequences if you don't pay your taxes. How do you craft this message so that it raises consciousness among the American people so that they want to do the right thing, as opposed to reacting to what we're doing? [I.e., "How can we keep plucking the geese without making 'em squawk?"]

LA: First, we must *always* convey, through our dealings with the public and with our advocacy, that we are being *fair and uniform*. . . . We work very hard to be certain we are taking *consistent positions* in tax cases. *I cannot emphasize that too much*. There can be occasional disagreement between the U.S. Attorneys' offices and the DOJ Tax Division office over the appropriate disposition of a case, but our position will largely be based on whether the particular taxpayer's proposed treatment will be similar to that of other *similarly situated* taxpayers.

Second, we must *convince* taxpayers that they will be sanctioned if they do not pay their fair share of taxes. That is the reason we try to get *maximum publicity* for our criminal tax cases.

Again, "maximum publicity" indicates the primary purpose for criminal IRS trials is to influence the body politic – that's clearly a *political* motive for *political* trials that arguably generate *political* prisoners. Note that this is not the allegation of some crazed patriot but the implicit admission of an *Assistant Attorney General* conceding that 1) we have *political* prisoners in the U.S.A.; 2) these political prisoners are not aberrations; but 3) are the result of *established government policy*.

Note Assistant AG Argrett was not interviewed by some layman who might miss the implications of her comments. She was interviewed by *Assistant U.S. Attorney* David Nissman. Does Attorney Nissman express the least concern that political prosecutions are taking place in the U.S.A.? NO! Here we have *two* highly placed government attorneys who apparently see nothing remarkable in the fact that our government has established a *policy* that virtually *mandates* political prosecutions. And they think they're the "good guys". The implications are chilling, shocking to the conscience, and tend to diminish public confi-

dence in our system of administration of justice.

Further, the government's "maximum publicity" goal may be contrary to the defendant's *privacy* rights. While every trial should be "public" and therefore "publicized," the fact that some defendants are selectively prosecuted according to their PR value (rather than the seriousness of their crime) violates any notion of equal protection and impartial law enforcement. Given the adverse notoriety associated with most convictions, all defendants should enjoy a "privacy" right to equal measures of publicity after their convictions.

Of course, the media should be free to report any case as much or little as they like (though generally in proportion to the *public's* private interests). However, there might be privacy right issue if government (to serve its own interests) seeks to "hype" and stimulate publicity for "selected" cases with press releases, etc. It's not government's business to censor or manipulate the news; doing so infringes on the First Amendment's Freedom of the Press, raises serious issues of media "control," and may raise privacy issues.

Finally, *outside of our traditional work environment*, we must exhibit a respect for the law, including the tax laws, and convey that we all *benefit* from this system—as imperfect as it



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may be. The *nation's future* depends on that. We don't want honest taxpayers to become disillusioned because they believe that dishonest taxpayers are ripping off the tax system by not paying their fair share, while at the same time enjoying the *benefits* of Government expenditures.

First, Ms. Argrett's comment about respecting the law "*outside*" of our traditional work environment" may be only a poor choice of words, but it implies that no such respect for law is required *within* their "traditional work environment". Second, repeated use of the term "benefits" implies that income tax laws are based on one or more government trusts in which most taxpayers are "beneficiaries" (persons who have no legal title or legal rights within the trust). . . . Finally, the idea that our "*nation's future depends*" on the public's *belief* that we all "benefit" from the government's tax laws is ludicrous.]

From our mission-oriented [political] viewpoint, we believe [our limited prosecutorial] resources should be predominately directed to *Tax Gap cases*, which are those cases that are likely to have the greatest deterrent effect. . . . We have discussed these concerns with IRS management and I note that over the last few years the CID has committed to increasing the amount of time spent investigating tax gap cases.

At first, it seems strange that the DOJ's primary enforcement efforts would be directed against "Tax Gap" rather than "Illegal Tax Protest" cases. After all, the "Protestors" typically file *no* forms and pay *no* taxes while the "Tax Gappers" merely cheat a little. So why go after the Tax Gappers (who underpay) rather than the Protestors - who refuse to file and pay *nothing*?

First, Tax Gappers are mere

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cheats who don't know much about tax laws, the Constitution or perhaps even God. If detected, "Gappers" have little courage, won't fight and will hire lawyers – all of which virtually guarantees they'll not only lose, but quickly settle their cases on almost any terms the IRS offers. After all, what defense can "Gappers" have? If they filed their forms and paid *something*, they can't argue they believe the IRS/ income tax is somehow unlawful or unconstitutional – so the only issue is did they cheat? If the IRS has evidence, Gappers should be easy to convict.

Protestors, on the other hand, are zealots who may be driven by genius, patriotism, mental illness or religious principles – who truly believe they are not required to file or pay income taxes. Most importantly, unlike the Gappers (who merely cheat) Protestors understand enough law to be dangerous. I.e., Protestors file reams of administrative motions, fight in court, and

appeal all the way to the Supreme Court, thus causing the IRS to expend substantial prosecutorial resources. The IRS probably figures they can collect money from hundreds (maybe thousands) of Gappers with the same expenditure of resources that it takes to get a final judgment (but no money) from a single, semi-competent Protestor. Insofar as government is a business, it's not cost-effective to pursue Protestors.

Moreover, Protestors may *counter-attack* with commercial liens (which trash government employees credit ratings) or "Bivens" suits that can be ruinous for IRS and DOJ personnel. There are undoubtedly "horror stories" whispered within the IRS about unsuspecting agents who tangled with tax Protestors who filed so many liens or counter-suits that the agent's life became a living hell. From the IRS perspective, tax collection is something like deer hunting. It's a pretty popular sport until you

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run into a deer that not only knows the woods but shoots back – then the great white hunters panic and run wide-eyed from the woods screaming, “Run, you mutha’s – run! The damn deer are gonna kill us *all!*”

But Assistant AG Argrett said or implied that the primary purpose for Tax Gap prosecutions is to get “maximum *publicity*” to influence the American body politic. If so, the primary reason for not prosecuting Tax Protestors might be that, unlike the Gappers (who are typically ignorant cheats who have no defense) the Protestors have a defense that is typically based on the Constitution or Bible and attractive to anyone who’s sick of sending 55% of his earnings to government. So every time the IRS tries a Protestor, a jury (perhaps the public, maybe even the Judge) will learn something about the Constitution and/or the Bible – and might even find the Protestor “not guilty”.

Further, if the DOJ wants “maximum publicity” to cause Americans to pay taxes, Tax Prosecutor convictions offer little publicity benefit – who’s impressed if Goliath spends a quarter million dollars prosecuting some impoverished tax protesting “David”? And more subtly, how could there be *any* publicity value in convicting tax Protestors since “everyone knows” they “must” be guilty? See my point? Insofar as the public believes taxes *must* be filed and paid, the tax protestors’ arguments “must” be nuts. Therefore, what PR value can accrue to the government for successfully prosecuting “crazy” Protestors? From the public’s perspective, prosecuting tax Protestors should be like shooting fish in a barrel. It’s obvious, it’s easy, it’s boring. Ergo, no PR value.

On the other hand, Protestors offer government a considerable publicity liability since, in

those rare instances when a “David” wins, thousands of Americans suddenly realize the “crazies” might be right and are thereby encouraged to take a chance, start studying and stop filing. Further, even when government convicts tax protestors, the mere fact that the government “respected” the protest arguments enough to hear them in court creates a subtly publicizes and legitimizes for those arguments.

Lunacy has replaced logic – at least within the government. We live in “interesting” (politically correct) times not seen since Alice last wandered into Wonderland.

A second USAB article (“Through the Looking Glass: Reconciling the Mission of the Tax Division with the Goals of the United States Attorney’s Offices in Tax Prosecutions” – catchy title, hmm?) was written by Mark E. Matthews, Deputy Assistant Attorney General of the Department of Justice (DOJ) Tax Division. In this article, Assistant AG Matthews explains that the primary reasons for choosing to prosecute or reject certain tax cases is causing interagency tensions. As you’ll read, while the IRS or the U.S. Attorneys’ Offices (USAO) might be determined to prosecute a particular criminal, the DOJ might reject that prosecution because it offers little

publicity value.

Edited excerpts from Assistant AG Matthews’ article follow as well as my additional italicized highlights and [bracketed commentary].

The congenial relationship between the Department of Justice (DOJ) Tax Division and the local U.S. Attorney begins to deteriorate when we [at the DOJ] find it necessary to decline a case or a particular count or defendant. It becomes particularly more contentious when we decline to authorize a plea to a tax charge, which the U.S. Attorney believes would greatly simplify some difficult case in his district. This article attempts to explain what you might perceive as a schizophrenic Tax Division. . . . I hope that this article will provide a useful perspective . . . to better evaluate a tax case’s chances [of being approved for prosecution] in the Tax Division.

The Tax Division review process can *only* be understood in terms of our *mission*. In all of law enforcement, we represent the *extreme* of general *deterrence*. We are trying to deter more taxpayers (over 200 million) with fewer prosecutions (approximately 1,500) than any other area of law enforcement.

Nationwide, there are only about 1,500 criminal prosecutions for income tax violations per year. If you happen to be one



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of those 1,500 cases, you are in deep trouble since that conviction rate is about 98%. However, given that there are somewhere between 20 and 40 million non-filers, the odds of being one of the “chosen 1,500” are very slim.

Unlike other areas of law enforcement where the goal is usually to stop clearly unlawful conduct, we in the tax administration business have the goal of *influencing hundreds of millions of Americans [the body politic]* to take the affirmative steps of completing and filing often complex tax returns and making substantial payments to Uncle Sam.

Here, a *second top DOJ Tax Division official* implies that their fundamental purpose is *political*: to influence the *body politic* rather than impartially convict criminals.]

This \$100 billion annual tax gap is what causes us to place such a premium on every criminal tax case. Each tax case must be *used [not merely prosecuted]* to deter people who cheat or are willing to cheat on their taxes, but against whom we do not have the resources to investigate or prosecute. In these circumstances, it is easy to understand why we consider a tax case that is *not publicized a waste of resources*. Even worse is a tax case that, if publicized, would *undermine* the voluntary compliance

system. [As sometimes happens when prosecuting Tax Protestors.] That can occur when the public *perceives* that the tax code has been used unfairly, or more frequently, when the case and result is such that the public will *perceive* that perpetrators of tax crimes receive only a slap on the wrist, implying that tax crimes are somehow less serious than other Federal cases.

It is this *[public relations]* phenomenon that sometimes challenges the relationship between a U.S. Attorney’s Office (USAO) and the DOJ Tax Division. The USAO tends to view a case through a more narrow *[non-political]* lens than the Tax Division. The Assistant U.S. Attorney (AUSA) is concerned with effectuating substantial justice vis-a-vis a particular defendant in a particular factual circumstance. While those concerns are important to the DOJ Tax Division as well, we are much more focused on the *impact* the case will have on the *public at large* and tax compliance more generally.

Insofar as that impact’s target is the “public at large” (body politic) the DOJ decision to prosecute is primarily *political*.

The most dramatic example of this tension arises when a Title 18 criminal investigation has become *more complex* than anticipated, and the Government is looking for an efficient

and just way to *dispose* of the case. In this often-repeated theme, a Title 18 investigation has begun and perhaps even been indicted with great prospects, received media attention, perhaps based, in an indicted case, on a *[government?] press release* announcing the Government’s great efforts to address a particularly grave circumstance. But unfortunately, something happens on the way to the jury. It could be the death of a witness; the unavailability of foreign evidence; the appearance of a dubious, but perhaps convincing alibi; the departure of the lead Assistant U.S. Attorney (AUSA) in a complex case; etc. *The reason doesn’t really matter*; we often will agree that a serious problem has occurred.

The difficulty for the Tax Division occurs when the prosecutor and the defense attorney come to an agreement that a tax plea is a graceful *way out* for both parties. Often, the defense attorney is content with this result because the proposed sentencing guidelines will allow for an “acceptable” sentence, frequently probation or home confinement.

But when we evaluate this proposal *in terms of our tax compliance mission*, it presents us with great difficulty. We face the prospects of having the public *perceive* that a more “serious” Title 18 crime has been disposed of with a tax “slap on the wrist” *[plea bargain]*.

We are concerned that taxpayers will perceive that if these bad folks committing other crimes are pursued for tax crimes and receive small sentences, that they will not be pursued and will certainly avoid any jail sentence. Such a result is particularly damaging to tax enforcement.

As we begin to discuss these concerns with USAOs, we are sometimes confronted with an



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incredulous response along the following lines: “Would you rather have us let a *criminal go completely free* (or run a greater risk of an acquittal than normal)?” . . . From the standpoint of the central mission of the Tax Division, the answer is “yes,” we sometimes see a *greater harm* to tax administration from *accepting that plea* than from *failing to charge the defendant or from dismissing the case*.

In other words, to prevent the public from “perceiving” that serious criminals only get a “slap on the wrist” when convicted for serious crimes, the DOJ advocates *not even prosecuting* these criminals and giving them *no slap* at all! Apparently, our scales of justice have been superseded by Nielson Ratings, and no modern defense team can be complete without a high-priced PR agent.

These kinds of cases also raise another *important issue* for the Tax Division –the *uniform treatment* of taxpayers. Given the applicability of our tax laws to *all Americans*, it is *exceedingly important* that they *perceive* the system as fundamentally fair. This means that the *Government must act uniformly and fairly*, and that, all factors being equal, the taxpayer referred for criminal prosecution in District A gets the same treatment as the taxpayer referred for prosecution in District B.

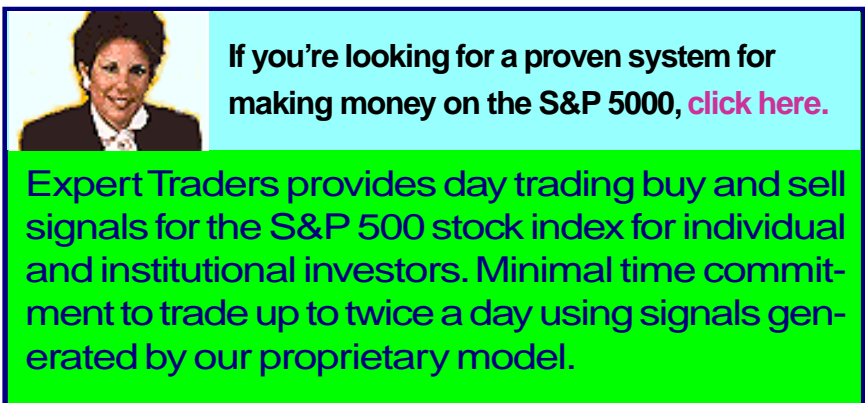
George Orwell would be

proud. It may be important for taxpayers to “perceive” the system as “fundamentally fair,” but clearly – if cases are prosecuted based on their PR potential rather than impartial administration of the law, it follows that many or most criminal prosecutions are dismissed or “under-prosecuted” because they have no PR value. If so, the system is not impartial nor is there any real attempt to maintain more than the “appearance” of fairness. Our criminal prosecutions will no longer take place in court, but in the Press. (Which may explain all the news “leaks” that take place during controversial trials like the O.J. Simpson case and the Clinton impeachment hearings.)

This *uniform* treatment is a hallmark of why the Tax Division was created. The lack of a nationwide clearinghouse could (and did) generate diverse results that could undermine tax compliance. You may present what looks like an acceptable tax

charge, but the DOJ Tax Division may oppose it on *uniformity* grounds. It may be that you propose a case with *dollar thresholds* substantially below those normally used by the IRS and the Tax Division. Or you may propose a case where the *evidence* of willfulness, while not negligible, differs substantially from the *degree of proof* we have required against *other* taxpayers. Or you may propose a criminal prosecution in an area of the tax code that has not been criminalized before and where there has been no antecedent aggressive civil enforcement by the IRS. In all of these instances, depending on the facts and other circumstances, the Tax Division may be much less enthusiastic about your case as a matter of fundamental fairness to other *similarly situated* taxpayers.

If “uniformity” is vital to their prosecutions, then every defendant should seek statistical information on the current “uniform” requirements for prosecution as well as evidence that *all* “similarly situated” defendants have been “similarly” prosecuted. Perhaps any defendant who could show he was charged outside the “uniform” limits, indicted for failing to pay less back taxes than the current “threshold” requires, or even charged based on a substantially different “degree of proof” – might argue and his case should be dismissed or reversed because he’d been “selectively” prosecuted.



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Further, if the DOJ only prosecutes “maximum publicity” cases, it follows that – since IRS publicity value is directly proportional to the amount of unpaid taxes – under their “uniformity” guideline, only the richest income tax violators can be charged and the IRS should be inhibited from indicting average Americans for modest amounts of money. If so, once the minimum “dollar threshold” is identified, the public will understand that it can avoid paying taxes up to that limit and still avoid criminal prosecution.

For example, suppose the current “dollar threshold” is \$50,000. Once the word got out, the number of people willing to risk not paying up to \$50,000 in back taxes would probably increase dramatically. Result? No one would be intimidated and “deterred” by the publicity associated with convictions for, say, \$55,000 (just \$5,000 over the \$50,000 threshold). Result? To achieve “maximum publicity,” the IRS would have to dramatically raise it’s dollar threshold to, say, \$100,000.

But once the word got out that the new threshold was \$100,000, even more taxpayers would discover they could “safely” evade paying up to \$100,000 in taxes. Prosecutions for \$110,000 (\$10,000 over the new-and-improved “threshold”) would become boring and lack “publicity value”. Therefore, to



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achieve “maximum publicity value,” the IRS would have to up the ante again to, say, \$250,000, . . . and then a \$1 million, and then . . . pretty soon, the logic of “maximum publicity” and “uniformity” would force the IRS to exclusively prosecute the rich until finally, only Bill Gates (Microsoft’s \$60 billionaire) would have enough PR value to be worth prosecuting.

This bizarre chain of logic illustrates that the fundamental principles of current income tax enforcement are irrational, unreasonable and ultimately unsustainable. Government reliance on “maximum publicity” to maintain the “appearance” of impartial prosecutions is evidence that the system is untenable, unstable and near collapse. The emperor’s not only nude, he’s nuts.

A more dramatic example illustrates the tension. We occasionally see proposed tax investigations or charges that involve

political or other public figures. The structure of the entire tax review system, ensures *both* the *reality* and the public *perception* that individuals charged with criminal tax violations are selected for the crimes they commit, not because of *who* they are. No one . . . wants a case to be, or to be *perceived* to be, investigated or brought for *improper reasons*. The availability of DOJ Tax Division review helps prevent either occurrence.

Another Orwellian crock; it’s hard to read this stuff without wondering if the IRS has lost its collective mind. Ass’t AG Matthews’ whole article states or implies that the DOJ’s primary “mission” is to prosecute defendants based on their publicity value rather than impartial enforcement of criminal law. Since any defendant’s publicity value will necessarily reflect his status and name-recognition (“*who*” he is), the government must *selectively* prosecute Willy Nelson and Leona Helmsley rather than John Smith.

Further, if the DOJ selectively prosecutes tax cases based on defendants’ PR value, that same principle may also apply in other areas of the law. When Hollywood celebrities, professional athletes, rich folks and even politicians realize their fame has placed them on the government’s “most wanted list” – not just for tax evasion, but also drug use, domestic violence, and drunk driving – we may see



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a highly publicized, celebrity-led movement to end the IRS and neuter the DOJ.

There are several other articles in the April, 1998 USAB that repeat the assertion that there's no real conflict or cause for friction between the DOJ's Tax Division and the USAO's prosecuting attorneys, and that really, they are all great friends filled with enormous respect for each other's competence and high standards. Maybe so, but this mutual admiration society is so sweet my teeth are beginning to hurt. I suspect all this "we're all on the same side" rhetoric is in fact an implicit admission of serious interagency conflicts.

But while the DOJ's Assistant AG's repeatedly praised the US Attorneys' Offices and IRS agents, it's also clear that the DOJ is "signaling" its political prosecution policies should be respected, acceded to, and soon, perhaps even obeyed. Apparently, the DOJ is concerned that the various independent U.S. Attorneys in various Federal "districts" are each empowered to prosecute whoever *they* chose within their districts, and that these "independent" prosecutions are therefore unpredictable, not "uniform," and "insensitive" to larger political concerns that only the DOJ (from its lofty throne in Washington) can see and appreciate.

The USAB article "An AUSA's Perspective on Working with the Tax Division," supports this speculation in that it advises all U.S. Attorneys:

"In your next tax case, consider enlisting the assistance of the DOJ Tax Division while you are reviewing the case; using its technical expertise in devising a strategy and conducting a grand jury tax investigation; and finally, consider using the technical expertise and *fresh perspective* that a DOJ Tax Division

attorney can bring to the actual trial of the tax case."

The DOJ Tax Division's "expertise" and "fresh perspective" may be helpful in gaining convictions. However, in the context of the total April, 1998 USAB issue, it appears that the DOJ's real goals for enhancing their relationship to the U.S. Attorneys may be: 1) to learn who is vulnerable to Federal prosecution by the U.S. Attorneys, and 2) establish Washington's *nationwide* influence or control over the *selection* of potential defendants which is currently divided among the multitude of Federal district's U.S. Attorney and exercised independently by each of them.

Perhaps a political struggle is underway to consolidate the power of selecting *who* will or won't be prosecuted. Apparently, Washington wants that power consolidated into a single entity - Washington's DOJ. If this consolidation seems unlikely, bear in mind that President Clinton already attempted something similar when he first took office, by firing all previous U.S. Attorneys and replacing them with his own handpicked prosecutors. Many believe this mass firing and replacement was a bla-

tant attempt to ensure that Federal prosecutors would not indict Clinton and cronies in any Federal court.

However, perhaps a couple of "bad apples" (latent Republicans, or worse, honest men) snuck into Clinton's cadre of Federal prosecutors and indicted folks dear to the Prez. If so, it might follow that, unable to reliably prevent all "unfriendly" indictments (even by his own handpicked U.S. Attorneys), the Clinton administration might move to consolidate the entire Federal indictment process into a single set of politically correct hands (like Janet Reno's).

If the prosecution selection process were consolidated, the DOJ would gain *enormous* power - especially since indictments are now justified or rejected according to publicity and political considerations. Under such an arrangement, the Attorney General (AG) would enjoy true police state power. The AG could ensure the administration's friends could never be prosecuted (no matter what they did) - and their critics could never be safe. Such power would truly grant a license to steal, even kill, to any incumbent administration. ■



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# Keep Your Eye Onnn... that Gold Fringed Flaaaag!

The April, 1998 United States Attorneys' Bulletin (USAB), describes Jennifer E. Ihlo as the "Senior Trial Attorney, Special Counsel for Tax Protest Matters (Criminal) Tax Division, Southern Criminal Enforcement Section." The USAB implies that Ms. Ihlo is the Department of Justice (DOJ) "top gun" for "splashing" packs of pesky protestors.

The following are excerpts from Ms. Ihlo's USAB article, "The Gold Fringed Flag: Prosecution of the Illegal Tax Protestor," which I've modified with my own italicized highlights as well as color commentary. Footnotes to the original article appear as numbers. My annotated commentary is identified by footnote letters.

Have you heard the one about the gold fringed flag? It goes something like this: "This court has no jurisdiction over me because the American flag in this courtroom has gold fringe on it." And believe it or not, some defendants also argue – with a straight face no less – that he or

she is not who the United States has alleged because their name is spelled in all capital letters! Illegal tax protestors routinely use arguments similar to these as they insist that the Federal Government, specifically Federal courts and the IRS, have no authority over them.

Ms. Ihlo opens her article with "Have you heard the one about" and "with a straight face no less" to signal that whatever follows will be too ridiculous for any reasonable person to *believe*. Ms. Ihlo thus dispatches the tax protestors' "gold fringed flag" and "all capital name" jurisdictional challenges with ridicule – not *law*. However, her failure to squarely address these fundamental jurisdictional challenges is suspicious. By ridiculing these arguments' credibility (rather than legal or factual foundation), Ms. Ihlo directly assaults *belief* in those arguments. As you'll see, this issue of "belief" is far more important to income tax issues than most people imagine.

In any case, government at least owes the American people the courtesy of explaining *why*

the Patriot theories are invalid, rather than merely ridiculing those theories, encouraging public ignorance, and thereby indirectly causing Americans to become "illegal tax protestors". On the other hand, if the gold fringed flag and/or upper case name theories are valid, government should admit the truth, quit the con, and find a new racket.

At one time or another, everyone complains about taxes. Because a cornerstone of our heritage is based on the right to free speech, simply expressing a disagreement with the tax laws or opposition to the enforcement of the tax laws is not actionable. As a result, only an "*illegal* tax protester," one who steps outside the bounds of the First Amendment and commits a crime in furtherance of his or her tax protest beliefs, is subject to prosecution. It is only these *illegal* tax protestors that are the focus of this article.

Finally. A definition of "*illegal* tax protester": one who commits a *crime* in furtherance of his protestor beliefs. Still, this defi-

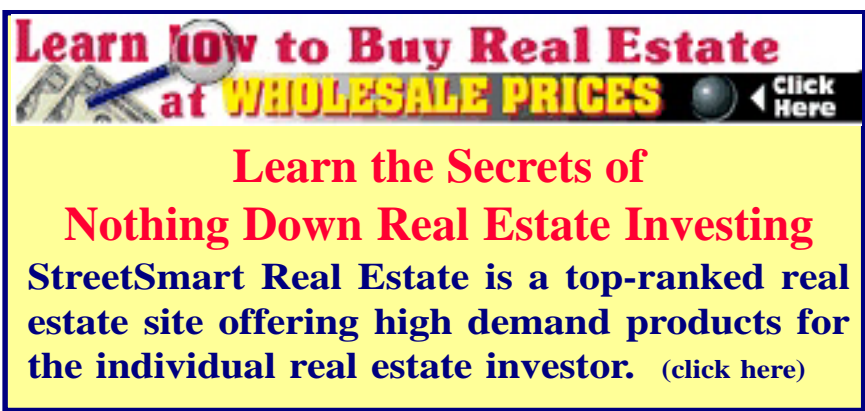


nition is unsatisfactory. Labeling a defendant as an “illegal tax protestor” *before* a trial has proven a crime actually occurred is somewhat like a prosecutor addressing a defendant charged with speeding as a “homosexual child molesting necrophiliac speeder” throughout the trial. Obviously, using such labels before the judge or jury have heard any evidence, is prejudicial to the defendant and contrary to the presumption of innocence.

The fact is, “tax protest” is one thing and “illegal” acts are quite another. If failure to file a 1040 is illegal, fine – charge the offender with “failure to file”. But don’t prejudice his defense by branding him with the Scarlet “I” as an “Illegal tax protestor” (especially before his case has even been tried or proved in court).

Further, while various “illegal acts” are fairly well-defined in law, the definition of a “tax protestor” is still unclear. For example, in 1994, Republicans swept into Congress with their “Contract With America” – much of which was based on a promise to *cut taxes*. Were all those Republicans and their supporters “tax protestors”? Sure. But how many Republicans will be charged as “illegal tax protestors” if they fail to file their 1040s or underreport their income? Virtually none.

Apparently, the “illegal tax protestor” label is reserved for Americans whose “protests” are outside of mainstream political activity. Like most other Americans, Republicans (and Democrats) typically vote for pleasing personalities and catchy political phrases, but otherwise have only superficial understanding of an election’s issues. Like most Americans, they’ve never read the Constitution and wouldn’t know the tax code if they saw it. On the other hand, “illegal tax protestors” take their patriotic obligations seriously; they read,



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study and can often quote verbatim from the Constitution and Internal Revenue Code. They don’t throw bombs, they don’t shoot people, but they often understand the tax laws better than most lawyers or IRS employees.

The real difference between normal non-filers (of which there are between 20 and 40 million) and “illegal tax protestors” (of which there are probably no more than 100,000) is not their acts, but their *politics* and more precisely – their *beliefs*. In the end, the Republicans only protest the tax *rate* (they’d rather pay 15% than 25% to Uncle Sam) but not the “system” itself. But the tax *rate* is of minor concern to “illegal tax protestors”; their fundamental issue is that the “de facto” government is a criminal, unconstitutional enterprise whose activities are based on deceit and violence. Thus, the conflict between the Federal government and “illegal tax protestors” is a kind of holy war between two adversaries who are about as prone to compromise as the

Catholics and Jews. “Illegal tax protestors” aren’t people who challenge the income tax, they challenge the *system*.

The IRS identifies an illegal tax protester by the type of *scheme* employed to circumvent the payment of taxes. An illegal tax protest scheme is any scheme, *without basis in law or fact*, designed to express dissatisfaction with the tax laws *by interfering with their administration* or attempting to *illegally* avoid or reduce tax liabilities.

Note that Ms. Ihlo indicates that use of a “scheme, without basis in law or fact,” can trigger *criminal* prosecution as an “illegal tax protestor”. A list of “schemes” follows and should be recognized as potentially dangerous “triggers” – *unless* they are supported by a legal or factual “basis”.

Technology is one factor that appears to be contributing to the increase in illegal tax protestors. The Internet has greatly in-



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creased the protesters' audience by allowing virtually instantaneous communication of their ideas and beliefs. Technology has also increased the sophistication of their attempts to frustrate the IRS. . . .

### Schemin'

The *schemes* illegal tax protesters develop, sell, or participate in to evade their personal income tax liabilities are numerous and are limited only by the imagination. Some schemes are eventually abandoned as failures. Others are simply improved upon or resurrected from time to time.

**Church Scheme:** The church schemes of the 1980s have been abandoned by the illegal tax protester movement. . . . The "charitable contribution scheme" involved the claim that the taxpayer had donated all of his or her income to the church by depositing it into a bank account that the taxpayer had

opened in the name of the purported church. The taxpayer then deducted this contribution (usually equal to all of the taxpayer's income) on his or her income tax return, which resulted in no tax owed to the IRS.

These schemes were easily refuted and successfully prosecuted by simply proving that there was *no real contribution* because the taxpayer continued to use and enjoy *all* of the alleged church income for his or her personal benefit. The key was to focus on *how the funds were spent* rather than complicating the case by proving that the church was a sham or not legally tax-exempt.<sup>2</sup>

A similar strategy is currently used by the IRS to defeat trusts. This is not surprising since the organizational structure of true churches and trusts are almost identical.

**Harassment Schemes:** Schemes to harass and intimidate tax enforcement officials

have been the most consistently used, although with different techniques over the years. One of the earliest schemes involved the filing of a Form 1099 reporting amounts allegedly paid to an IRS employee, prosecutor, or judge. In this early scheme an illegal tax protester filed a Form 1099, which falsely reported that the named law enforcement official earned significant income – usually over \$1 million. After the illegal tax protester filed the harassing Form 1099, he or she alerted the IRS to the allegedly unreported \$1 million income. Sometimes the illegal tax protester even requested a reward for supplying this information. As a consequence, the illegal tax protester hoped that the resulting audit of the law enforcement official's tax accounts would scare away the official from the case.

The issue is not *use* of the 1099, but *fraud*. If 1099's were based on lies, the persons filing those fraudulent document deserved to be prosecuted and jailed.

In the early to mid-1990s protesters became fond of filing liens against IRS employees. This was a common tactic of The Pilot Connection Society, an organization that was essentially put out of business in 1996 with the convictions and significant sentences of the group's leaders in the Northern Districts of California and Texas. Today, liens seem to have been replaced with other types of harassing documents such as "common law court" documents and "non-statutory notices of abatement." Common law court and similar documents, including promissory notes and arrest warrants, are used by illegal tax protesters to obstruct tax audits or investigations and may well give rise to criminal charges under the "tax obstruction" statute – 26

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U.S.C. §7212(a). Be aware, though, that the [DOJ's] Tax Division has specific guidelines concerning the use of Section 7212(a), such as the requirement that the Tax Division must authorize Section 7212(a) prosecutions. See Tax Division Directive No. 77.

It's interesting that use of Sect. 7212(a) is *restricted* by Tax Division "guidelines". Why would the Tax Division restrict the use of a law apparently designed to protect government employees from such "harassment" unless some of that "harassment" was legal?

In some instances, the filing of common law court and other documents intended to harass or impede may not rise to the level of criminal prosecution. Even so, these documents can be relevant evidence of *willfulness* in the context of prosecuting other criminal tax offenses. For example, these documents might be used to show that failing to file a tax return was not a *mistake* or *accident*. They may also be used to justify a sentencing enhancement for obstruction of justice, particularly when the case agent, prosecutor, or trial judge is sued just *prior* to a hearing or the trial itself.

I suspect tax laws are administered in courts of Equity, and the foundation underlying the income tax system is that of a trust. Attorney Iho's use of the terms "willfulness," "mistake" and "accident" imply the presence of a trust structure in IRS enforcement. The concept of "willfulness" is vital to *trustees* (natural persons ultimately tricked into becoming taxpayers) since, if it can be proved that they acted "willfully" when they committed a particular offense they may be *criminally* liable. Otherwise, trustees can probably avoid personal liability for almost any offense so long as they can argue

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their offense was not committed "willfully," but was instead due to ignorance, accident or mistake committed in "good faith". Ignorance may be no excuse in the eyes of the Law, but in courts of Equity (where trusts and beneficiary claims against trustee actions may be tried), ignorance is a near-perfect defense that cloaks every trustee with "good faith immunity".

An example of the type of common law court documents illegal tax protesters use to harass prosecutors involves a case that I jointly prosecuted with an Ass't U.S. Attorney from the Western District of Texas. In this case, the defendant sent each of us a promissory note and claimed that each of us owed him \$2 million – in silver. The promissory notes also listed numerous offenses that we allegedly committed, including an assertion that we had acted in bad faith by representing a fictitious plaintiff – the United States. The really cagey part, however, was that our names had been typed onto the line requiring our signatures, under which was cited "UCC 3-401." Uniform Commercial Code (UCC) 3-401 provides that a typewritten signature suffices as a signature.

For a natural man, an artificial entity, or both?

Of course, as is typical of an illegal tax protester, the defen-

dant picked the portion of the law he liked and ignored the parts he did not. In this case, he simply ignored the part providing that the party has to "adopt" the typewritten signature as his or her own.

Tax Protestors are not alone in using legal excerpts out of context; all attorneys, including those in government, enjoy a similar reputation.

Although illegal tax protesters are happy to sign *your* name to documents, they often insert a form of disclaimer before signing their own names to documents. The inclusion of "under duress," "UCC 1-207," or some other form of alteration of the jurat is used by illegal tax protesters as an attempt to nullify their own signatures. . . . These disclaimers are meaningless, of course, except perhaps as argument for the Government that the defendant acted *willfully*.

**Bogus Financial Instruments:** One of the most well-publicized illegal tax protest schemes in recent years has been the promotion and use of bogus financial instruments, including certified money orders, certified bank checks, public office money certificates, and comptroller warrants. This scheme is an attack on both the IRS and the banking system, and arose out of the misguided theory that United States cur-

rency, "Federal Reserve Notes," are not legal tender.

Not precisely. FRNs are "*legal tender*" capable of transferring *equitable* title to property between the immediate "purchaser" and "seller," but (unlike pre-1933 gold or silver coins) they are not "tender" which also exchanges *legal* title to the "buyer". See *AntiShyster* Vol. 8 No. 2

According to illegal tax protesters, United States currency is worthless.

Not quite. A \$1 FRN is currently worth about \$0.05 as compared to a \$1 FRN in 1933.

As a result, illegal tax protesters theorize that they should have an equal right to create money; e.g., these fraudulent financial instruments.

In fact, under the Constitution, private citizens have always had the right to "create" money by mining gold or silver out of the ground and submitting their ore to the U.S. Mint to be purified and "coined" (certified) into currency. Even today, through the use of credit or checks, Americans still exercise a vestigial right to "create" money every bit as real as FRNs.]

Of course, it is not only humorous but also good evidence of *willfulness* when the only form of payment illegal tax protesters will accept for the purchase of

these bogus financial instruments happens to be that supposedly worthless United States currency.

Typically, an illegal tax protester will purchase a package of instructional materials that includes one or more of these bogus financial instruments. The instructions tell the purchaser to submit each bogus financial instrument for significantly more – usually double or triple – than the amount of any debt to the IRS or private creditor. The instructions also recommend that the bogus financial instruments be tendered with a "demand letter" requesting that the debtor's account be zero-balanced and that a refund of any overpayment be issued to the debtor.

Be extremely cautious of any strategy that not only claims to teach how to stop paying income taxes, but also how to collect a generous "refund" from the IRS. The IRS may send a refund check, but if that refund was secured under false pretences, the fact that you sign and cash the check may constitute evidence to virtually guarantee your criminal conviction for fraud.

Bogus financial instruments presented to the IRS are typically prosecuted as a *Klein*<sup>3</sup> conspiracy (18 U.S.C. § 371) if *multiple* parties are charged, or as a false claim for refund (18 U.S.C. § 287) [for a single party]. . . . On rare occasions, the bogus fi-

ancial instrument is *not* accompanied by a demand letter. This may present proof problems if your case involves a false claim for refund charge. By itself, the absence of a demand letter is not necessarily fatal to this charge. However, you must have some evidence to prove that the defendant *knew* that the bogus financial instrument was for an amount that *exceeded* the IRS tax debt and that he or she expected the difference to be *refunded*. Therefore, examine the defendant's previously filed tax returns to see whether he or she [ever?] received a refund. Also, look for any notices of deficiency, Federal tax lien(s), or other documents that notified the defendant of the amount he or she owed to the IRS. In addition, the instructional materials included with the bogus financial instruments often contain a specific instruction that the IRS will automatically refund the difference between the defendant's IRS debt and the amount of the bogus financial instrument. Proof that the defendant *received this instruction* would make *great evidence* that the defendant *intended* to obtain a refund, despite his or her failure to send a demand letter. . . .

**Non-Resident Aliens:** Another scheme used by illegal tax protesters involves the individual claim that he or she is a "non-resident alien" of the United States. In this scheme, the illegal tax protester usually submits a false Form 1040NR (U.S. Non-resident Alien Income Tax Return), claiming exemption from the Federal income tax laws because he or she is the sovereign citizen of a particular state – not a U.S. citizen.

Not precisely. The issue is based on Citizenship of a "State" (a collection of natural people) rather than a "state" or "STATE" (which is believed to be a corpo-



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ration/ artificial entity).

Since the principal theory of this scheme is state citizenship, look for evidence that the illegal tax protester failed to file or pay state or other local taxes, such as school or personal property taxes. Other evidence showing the speciousness of the defendant's position could include a Federal *voting record* or application for a U.S. passport.

This implies voter registration and passport applications may obligate us to pay income tax.]

In non-resident alien scheme cases, the filing of a Form 1040NR is often used as an affirmative act of evasion. These forms are of two types: a false return or a false document. The distinction is important in how the case is charged and in how the document is characterized since tax forms, whether or not they contain any tax information, are commonly called "returns." However, simply "filing" an IRS form does not necessarily make that form a "return" for IRS purposes.

For example, tax forms that contain insufficient information from which a tax can be computed are *not* returns.<sup>4</sup> In some circuits, a tax form containing zeros on each line is *not* considered to be a return.<sup>5</sup> The Ninth Circuit, however, has held that zeros themselves are numbers from which a tax could be computed and, if false, should be charged as a *false* return under 26 U.S.C. § 7206(1)<sup>6</sup>. On the question of whether a document constitutes a proper return, the courts are split as to whether this question should be for the court or the jury.<sup>7</sup> In cases in which the filed document is not a return and that fact is important to the theory of your case, refer to the tax form as a *false document*, not a return!



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**Warehouse Banks:** One tax avoidance scheme that has been resurrected from the mid-1980s involves the use of a warehouse bank to hide assets. . . . through the use of numbered, not named, accounts. Depositors have access to their money in two ways: (1) upon request, the warehouse bank will send cash to a depositor via registered mail and (2) a bill-paying service of the warehouse bank will write checks on the warehouse bank account to creditors of depositors.<sup>8</sup>

In the mid-1980s, most of the accounts were held by individuals. The current schemes also involve the use of trusts and unincorporated business organizations (UBO) to protect the identity of the individual. For example, a defendant will have all of his or her income paid to a trust or fictitious UBO. The income of the trust or UBO is then deposited into the warehouse bank account. As a result, the paper trail becomes much more complex and the identity of the

taxpayer is further insulated.

In the past, the operators of this scheme have been prosecuted on "Klein" conspiracy charges, while the *account holders* were charged with tax evasion. Make sure the facts clearly support any decision to charge warehouse bank operators and account holders in the *same* conspiracy. Otherwise, you might end up with an *unwanted severance* of defendants and indictment counts.

You can't have a conspiracy without the involvement of at least two parties; if the parties are "severed," the conspiracy charge may fail.

If you are prosecuting a *Klein* conspiracy, you must prove that there was a tax  *motive* to the conspiracy.<sup>9</sup>

**Trusts:** Another well-known and frequently promoted illegal tax protester scheme involves the use of trusts to hide assets and property. Sham trusts, both foreign and domestic, have been



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used by illegal tax protesters for years. Once a trust is identified, proving it is a sham can be simple. Just look to see who is *spending and controlling* the money and assets. Show the jury that the defendant did not *intend* for the property to be held in trust because he or she still controlled the use of the funds. In many instances, the money and property will be *controlled no differently* than if the defendant had never formed a trust. It is easier to prove who *spent* the money than it is to prove whether the form of the trust was fraudulent.

Ms. Ihlo's aversion to "schemes" used to *avoid* paying income taxes is matched by the Protestors' aversion to government "schemes" to *compel* paying income taxes. For example, there is persuasive evidence that an individual's obligation to pay income tax is primarily based on that individual's use of a Social Security Number. I.e., Social Security is a "scheme" whereby the government offered Americans the "benefit" of an old age insurance program during the last few years of their lives (but never bothered to mention that by voluntarily accepting the Social Security "benefit," each American also "volunteered" to pay income taxes during their entire productive life). Also, Ms. Ihlo has already implied that voting in Federal elections may obligate one to pay income tax. If so, is voter

registration really a government income tax "scheme"?

This is the heart of the government/ Protestor conflict. Government accuses Protestors of using "schemes" to evade lawful taxes; Protestors accuse government of using "schemes" to impose unlawful taxes.

At least one side is wrong.

Compared to the Protestors, government has massive power and resources and therefore nothing to fear – *unless the protesters are right*. Therefore, if the government is the good guy in this conflict and truly concerned about the growing tax protest movement, government could easily afford to address each of the Protestors' fundamental arguments in a lengthy, public debate that ultimately proves or disproves which side is the primary "schemer". The fact that government prefers to incarcerate rather than educate implies the Protestors are right.

## Tactics and Defenses

. . . Illegal tax protesters are renowned for their penchant to inundate prosecutors with paper – frivolous motion after frivolous motion. Illegal tax protesters often represent themselves, making motion practice even more difficult. As a result, trying to figure out *what* their arguments are can be a difficult task.

Instead of motions (which are easily dismissed), Protestors might be better off to send *administrative notices*.

Most of the common tactics and defenses used by illegal tax protesters have been routinely dismissed by the courts. Illegal tax protesters, however, ignore these decisions and claim that no one from the Government will answer their questions.

Even if IRS agents answer our questions, we may not rely on their answers. According to the *United Block Co. Inc. vs. Helvering Commissioner of Int. Rev.* decision of 1941, "taxpayer accepts advice of revenue officials *at peril of taxpayer*." I.e., even if government answers, there's no assurance the answers are correct, nor are IRS agents liable for giving faulty advice.

Some of the more common tactics and defenses raised by illegal tax protesters and rejected by the courts are: (1) the income tax is voluntary,<sup>10</sup> (2) wages are not income,<sup>11</sup> (3) the Sixteenth Amendment was never properly



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ratified,<sup>12</sup> and (4) the IRS has the duty to prepare tax returns for the taxpayer.<sup>13</sup>

### Good faith vs. true faith?

One defense that must be *carefully* handled is the “*good faith*” defense, which is used to *refute willfulness*. Illegal tax protesters routinely attempt to prove that they “believed” they did not have to file tax returns or pay taxes. Many of the reasons they use, such as the ones mentioned above, may seem unbelievable. Nevertheless, this is an issue that must go to the *jury*. In the seminal case of *Cheek v. United States*, 498 U.S. 192, 201 (1991), the Supreme Court held that a taxpayer’s “belief” that he or she was not required to file a tax return, however incredible such a misunderstanding of and beliefs about the law might be, does not have to be objectively reasonable. Rather, the standard is subjective.

Still, this defense is not insurmountable. (Cheek claimed that he did not file tax returns because he *believed* that he was not a taxpayer within the tax laws, that wages are not income, that the Sixteenth Amendment does not authorize the taxation of individuals, and that the Sixteenth Amendment was unenforceable. *Cheek*, 498 U.S. at 195.) [Please see the following article, “Good Faith vs. True Faith” for further consideration of the faith/belief elements of modern tax prosecution.]

In an attempt to present a good faith defense, most illegal tax protesters will attempt to introduce copies of the Constitution, the IRS *Special Agents Handbook*, various court decisions, protester publications, as well as other documents. The *admissibility [but not validity]* of these documents is generally left to the discretion of the court.<sup>14</sup> To limit or *prevent* an illegal tax

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protester from introducing these documents into evidence, consider arguing that (1) the content of these documents are more prejudicial than probative<sup>15</sup> [the *Constitution* is “prejudicial”? Ha!] and (2) the admissibility of these documents invades the province of the court to instruct the jury on the law.<sup>16</sup> [The law is only marginally relevant in courts of Equity.] The key is to distinguish between a *misunderstanding* of the law versus a *disagreement* with the law. Whether to object to the admission of these *protester* documents [the *Constitution* and IRS “Handbook” are “*protestor* documents”?!] however, is a trial strategy that varies from case to case and circuit to circuit.

Whether or not the documents themselves are admitted into evidence, a defendant will generally be allowed to testify about his or her *beliefs* during the prosecution period and what he or she relied on to form those beliefs.<sup>17</sup> Evidence about what the law *is* or *should be* may be excluded. However, evidence that is relevant to a jury’s determination of what a defendant *thought [believed]* the law was may *not* be excluded.<sup>18</sup> A defendant who testifies that he or she knew the law, but *disagrees* with – or does not like – the law, is not entitled to a *good faith* instruction.<sup>19</sup>

I suspect judges give a “good faith instructions” to juries to

provide a handy excuse to find the defendant Not Guilty of a criminal offence by virtue of their defendant’s intent. If you wanted to extend the spiritual interpretation of these trials, the “good faith instruction” is something like a blessing, benediction, or even a “Papal indulgence” wherein the penitent (now seen to be a “remorseful” member of the state’s church of “good faith”) might be ordered to say 100 Hail Reno’s rather than go to jail. If you got “good faith,” baby, you can’t be convicted of a crime. The problem is that statutory “good faith” and spiritual “true faith” in God are mutually exclusive.

If legal documents, protester publications or similar protester-type documents [articles of the defendant’s belief/faith] are introduced or if the defendant is allowed to testify about *what the law is*, ask for a limiting instruction. [Apparently, only the lawyers and judges can testify on “what the law is”. The rest of us are bound like medieval serfs to unquestionably believe and obey our “high priests”.] Such an instruction should remind the jury that the document/statement is the *defendant’s* understanding of what the law was; that the jury is the judge of the facts, *not the law* [Which “law”? The judge’s? The legislatures? The Constitution? The statutory “faith”?];

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and that the document/statement was admitted solely for the purpose of showing the defendant's *state of mind* and not to prove the *actual requirements of the law*.

Finally, because illegal tax protesters do not limit their illegal schemes to the Federal arena, do not forget to look for documents that may be on file with a state or county government, such as state tax returns or property tax filings. These records, or the lack thereof, may serve as evidence of *willfulness* [lack of statutory "good faith"] in the Federal case.

Ms Ihlo apparently refers to Protestors who argue they are "Citizens" of a constitutional "State" (like "Texas") and therefore not liable to pay Federal income tax. But Ms. Ihlo misstates that argument by alleging the Protestors claim to be "citizens" of a *corporate* "state" (like "TEXAS," "STATE OF TEXAS" or "TX") which they believe is simply a franchise (harlot) of the

"mother" corporation called "UNITED STATES". Whether the Protestors are right or wrong remains to be seen. But their arguments usually have much more complexity and legal depth than Ms. Ihlo implies. . . . In a sense, Protestors are statutory non-believers. What does any belief-based government do with infidels? Jail 'em. At best.

### Coordination and communication

As important as coordination and communication have been to the expansion of the illegal tax protester movement, both have also been critical to the United States' attempt to bring illegal tax protesters into compliance [belief] with the tax laws. Providing coordination and promoting communication is a principal role of the Tax Division. With roughly 20 years of experience in prosecuting these cases, the Tax Division has amassed a collection of responses to the motions filed by illegal tax protest-

ers and is currently developing a motions bank of these materials. Identification of nationwide schemes to avoid overlap and successive prosecution issues is also one of the Tax Division's core functions.

Is that "motions bank" open to public inspection or Freedom of Information Act (FOIA) requests? It should be available to the public as an aid to potential consumers of "un-tax" strategies being sold by various "un-tax" promoters.

### Conclusion

Given the absurdity of many [not all?] illegal tax protester arguments, the potential of being buried under tons of paper, what will you do when you find yourself assigned to prosecute an illegal tax protester for criminal violations of the internal revenue code? Hopefully, you will roll up your sleeves and prepare yourself for the deluge of frivolous motions. You can also call the DOJ Tax Division with any questions you have and take advantage of the experience we have amassed.

As time consuming as the investigation, trial preparation, and trial of these cases can be (and yes, illegal tax protesters will appeal and appeal and appeal), pursuit of the illegal tax protester can result in some of the more rewarding tax trials you may have. The bizarre theories keep the cases more interesting than other tax cases and often provide *great stories*. [!] Their *unyielding opposition* to any form of governmental authority also makes these defendants a unique brand of white collar criminal [in 1776, King George probably said the same thing about Washington, Jefferson and Payne], and the completion of a successful prosecution against them provides much satisfaction.

Ohh - how exciting! Sounds like a promo for colorful vaca-



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tions in the Sierra Madres to hunt the “wily Tax Protestor”. It all sounds very grand – but at no point does Ms. Ihlo unequivocally declare the Protestors are wrong and the IRS “hunters” are right.

<sup>1</sup> See, e.g., In re Robnett, **165** B.R. 272, 274 (9th Cir. 1994); U.S. v. Connor, 898 F.2d 942, 943 (3d. Ci), cert. denied, 497 U.S. 1029 (1990); Lonsdale v. U.S., 919 F.2d 1440, 1448 (10th Cir. 1990); U.S. v. Sloan, 704 F. Supp. 880, 881 (N.D. Ind. 1989).

<sup>2</sup> See, e.g., U.S. v. Ebner, 782 F.2d 1120 (2d Cir. 1986); and U.S. v. Dube, 820 F.2d 886 (7th Cir. 1987).

<sup>3</sup> U.S. v. Klein, 247 F.2d 908 (2d Cir. 1957), cert. denied, 355 U.S. 924 (1958).

<sup>4</sup> See U.S. v. Porth, 426 F.2d 519,523(10th Cir.), cert. denied, 400 U.S. 824(1970); U.S. v. Daly, 481 F.2d 28,29(8th Cir.), cert. denied, 414 U.S. 1064 (1973); U.S. v. Schiff, 612 F.2d 73, 77 (2d Cir. 1979); U.S. v. Green, 757 F.2d 116, 121 (7th Cir. 1985); U.S. v. Kimball, 925 F.2d 356, 357(9th Cir. 1991) (en banc); and U.S. v. Moore, 627 F.2d 830, 835 (7th Cu. 1980), cert. denied, 450 U.S. 916 (1981).

<sup>5</sup> See U.S. v. Mosel, 738 F.2d 157, 158 (6th Cir. 1984); U.S. v. Smith, 618 F.2d 280, 281 (5th Cir.), cert. denied, 449 U.S. 868 (1980); U.S. v. Rickman, 638 F.2d 182, 184 (10th Cir. 1980).

<sup>6</sup> U.S. v. Long, 618 F.2d 74,75 (9th Cir. 1980).

<sup>7</sup> See U.S. v. Goetz, 746 F.2d 705,707(11th Cir. 1984) (holding that the issue of whether a document is a proper return is a jury question); and U.S. v. Grabinski, 558 F. Supp. 1324, 1332 (D. Minn. 1983) (holding that the determination of what is an adequate return is a legal question).

<sup>8</sup> See U.S. v. Becker, 965 F.2d 383, 385 (7th Cir. 1992), cert. denied, 507 U.S. 971 (1993); and National Commodity and Barter Ass’n v. U.S., 951 F.2d 1172, 1173 (10th Cir. 1991).

<sup>9</sup> U.S. v. Pritchett, 908 F.2d 816 (11th Cir. 1990).

<sup>10</sup> See, e.g., U.S. v. Richards, 723 F.2d 646, 648 (8th Cir. 1983); U.S. v. Tedder, 787 F.2d 540, 542 (10th Cir. 1986).

<sup>11</sup> See, e.g., U.S. v. Becker, 965 F.2d 383, 389 (7<sup>th</sup> Cir. 1992), cert. denied, 507 U.S. 971 (1993); U.S. v. Connor, 898 F.2d 942, 943-44 (3d Cir.) cert. denied, 497 U.S. 1029 (1990); U.S. v. Burton, 737 F.2d 439, 441 (5th Cir. 1984).

<sup>12</sup> See, e.g., U.S. v. Benson, 941 F.2d 598, 607 (7<sup>th</sup> Cir. 1991); U.S. v. Collins, 920 F.2d 619,629 (10<sup>th</sup> Cir. 1990), cert. denied, 500 U.S. 920 (1991); In re Becraft, 885 F.2d 547, 548-549 (9th Cir. 1989); and U.S. v. Sitka, 845 F.2d 43,44-47 (2d Cir.), cert. denied, 488 U.S. 827 (1988).

<sup>13</sup> See, e.g., U.S. v. Stafford, 983 F.2d 25,27 (5<sup>th</sup> Cir. 1993); U.S. v. Powell, 955 F.2d 1206, 1213 (9th Cir. 1992); and U.S. v.

Barnett, 945 F.2d 1296, 1300 (5th Cir. 1991), cert. denied, 503 U.S. 941 (1992).

<sup>14</sup> U.S. v. Willie, 941 F.2d 1384, 1398(10th Cir. 1991), cert. denied, 502 U.S. 1106(1992); and U.S. v. Payne, 978 F.2d 1177, 1182(10th Cir. 1992), cert. denied, 508 U.S. 950 (1993).

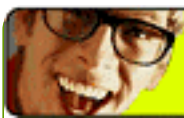
<sup>15</sup> See Payne, 978 F.2d at 1182; and U.S. v. Barnett, 945 F.2d 1296, 1301 (5th Cir. 1991), cert. denied,503 U.S. 941 (1992).

<sup>16</sup> See Willie, 941 F.2d at 1396.

<sup>17</sup> See Payne, 978 F.2d at 1182; and Barnett, 945 F.2d at 1301.

<sup>18</sup> Stafford, 983 F.2d at 27; and Powell, 955 F.2d at 1214.

<sup>19</sup> See U.S. v. Dack, 987 F.2d 1282, 1285 (7th Cir. 1993); U.S. v. Powell, 955 F.2d 1206, 1212(9<sup>th</sup> Cir. 1992); and Willie, 941 F.2d at 1392.



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# Is Good Faith a False Religion?

by Alfred Adask

This next article will probably seem at least a little “goofy” to some readers. Well, perhaps it is. Another one of my “half-baked” rambles.

Nevertheless, if you read closely you might find the germ of an intriguing insight.

In the previous article (“Keep Your Eye Onnn . . . that Gold Fringed Flaaag!”) Department of Justice attorney Ihlo distinguished between “misunderstanding” the law (which can get you fined) and “disagreeing” with the law (which can get you jailed). Ms. Ihlo implied that the fundamental difference between “misunderstanding” and “disagreement” involves *intent* – the essence of all criminal acts.

For example, if I accidentally fire my gun and kill my neighbor, I’m in serious trouble, but since the killing was *unintentional*, I won’t be tried as a criminal. On the other hand, if I *intentionally* shoot at my neighbor,

I have committed a criminal act (attempted homicide) and can be jailed even if the bullet misses and my neighbor is unhurt.

Similarly, if a taxpayer fails to file or pay income taxes due to his “misunderstanding” of tax laws, he has merely committed an *unintentional* mistake in “good faith” and therefore can’t be tried criminally and subjected to incarceration. But if a Protestor “understands” the tax laws but *disagrees* with them and therefore *intentionally* refuses to file or pay, his *intentional* “disagreement” may subject him to criminal prosecution and incarceration.

This distinction between mistake and disagreement might allow “pragmatic” defendants facing criminal prosecution to base their defense on their (alleged) *uncertainties* concerning tax law. As evidenced by reading a large number of conflicting IRS books, case law and/or the answers to questions directed to IRS officials, it’s not too

hard to argue that the tax law is so ambiguous, contradictory and confusing that an *unintentional* misunderstanding of the law (and resultant failure to file or pay income taxes) is not only possible but *inevitable*. (Does *anyone* truly “understand” the entire tax law?)

However, most Protestors are more passionate than pragmatic. They’re often motivated by a strong (if confused) sense of patriotism, morality or faith in God. They don’t merely “believe” they’re not liable to file or pay income taxes, they often *believe* the government itself is a criminal or Evil enterprise and any cooperation with that enterprise is not only wrong but sinful.

Right or wrong, for such “true believers” the income tax is not the issue or the problem; it’s merely a symptom of something deeper, darker and dangerous to all Americans. As such, it’s almost impossible for some Protestors to “play it smart” and

defend their failure to pay income taxes as a mere mistake based on “good faith” belief. In a sense, such Protestors will not – *can* not – trade their “true faith” in God (or the Constitution) for the government’s “good faith” defenses. And so they may be driven by compulsions of personal integrity or spiritual faith (which even *they* don’t fully comprehend) to defy the government in order to serve their integrity or their God. Although their defiance *is* intentional, few appreciate that their intent is often not to evade taxes, but to avoid supporting a corrupt/Evil government and more precisely, to thereby serve their own God.

The average American juror (who’s never read the Constitution and rarely reads the Bible) will view the Protestor’s defiant rhetoric as the political equivalent of “speaking in tongues” or evidence of mental instability. But ultimately – whether he knows it or not – the Protestor is condemned by his sense of morality and spirituality. Protestors just can’t stand to kiss the Devil.

**A**t first, the idea that many “illegal tax protestor” prosecutions pivot on *spiritual* issues seems absurd. But even judges intuitively sense the spiritual nature of these conflicts. For example, Dr. Peter Rivera is a fine husband, father and brilliant physician who – based on extensive study of tax laws and the Bible – stopped paying income taxes. Dr. Rivera was eventually tried and convicted for tax evasion. At his sentencing hearing in Dallas (1/4/99), Dr. Rivera continued to espouse his patriotic and spiritual beliefs. The judge replied that if Dr. Rivera had shown the least “remorse” (secular repentance) his sentence might’ve been reduced. But because Dr. Rivera maintained the same *beliefs* he held

before the trial began, he was sentenced to the *maximum* of 36 months.

Thus, that Federal judge exercised a power similar to that applied during the Spanish Inquisition to heretics who were tortured until they “recanted” their “heretical” (politically incorrect) faith or died. Nothing new under the sun, hmm? In 15<sup>th</sup> century Spain and 20<sup>th</sup> century America, be you Spanish Jew or American “Illegal Tax Protestor,” your *beliefs* can cost your freedom.


**S**ome of DOJ attorney Ihlo’s most remarkable comments involved the *Cheek* case (who avoided conviction by arguing he *truly believed* he need not file or pay income tax) and her advice that federal prosecutors’ should avoid challenging the Protestor’s *beliefs*. Government’s recognition of “belief” as a valid defense supports some Protestors’ arguments that all confrontation with government is primarily spiritual, not legal. (After all, if “belief” is so crucial to trials that even federal prosecutors must avoid it, is it so farfetched to argue that there may be a “spiritual” foundation for all our courts?)

Unfortunately, secular belief is a two-edged sword. The government’s willingness to recognize defendants’ “beliefs” not only offers an “easy out” for Protestors (or should we call ‘em



“Protestants”?), it also protects the government’s ability to enforce unconstitutional laws.

For example, suppose a brilliant Protestor presents evidence and argument sufficient to *prove* the income tax is unconstitutional. If that argument were validated by any jury or appellate court, the entire income tax system would collapse. But. Suppose prosecutors were able to convince the jury that the brilliant defendant – no matter how persuasive his evidence and arguments – merely “believes” the income tax law is unconstitutional. Then, based on his “beliefs,” that one defendant might escape prosecution – but his argument and evidence (reduced to a “mere” personal belief) could not topple the system. Result? Shielded by “belief” from objective truth, the IRS could continue to impose an unconstitutional income tax on 200 million Americans.

Further, just as my “belief” that the income tax is unconstitutional may protect me from criminal prosecution for failure to file, an IRS agent’s “belief” that I was reaching for a gun when he raided my home can protect him from prosecution for shooting me dead. My “good faith belief” that I need not file income taxes and the IRS agent’s “good faith belief” that an innocent person was reaching for a non-existent gun, are two sides of the same “holy war”.



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Insofar as I rely on a “good faith” defense, I must also accept the government’s “good faith” defenses. I doubt this is a good trade, if only because the government is trained in this secular “good faith” and we are not. Without that training, we are about as effective in our government courts as Catholics arguing their “good faith” in Jesus to a Sanhedrin court in Israel. Thus, I think we should reconsider our willingness to accept a government based on “good faith”.

Does the government use “belief” as an excuse for seemingly criminal acts? Of course. Waco was a classic example, but we still see it in the headlines every few months. Police kill some innocent person while serving a warrant at the wrong address. Will any Police Officer be jailed or even charged for killing that innocent person? Not likely.

Police are routinely shielded by their “good faith immunity” if they claim: 1) they “truly believed” the warrant was lawful (even if it wasn’t); or 2) they “truly believed” they were serving the warrant at the correct address (even if it wasn’t); or 3) they “truly believed” the innocent party they killed was reaching for a gun (even if no gun could be found). Successful prosecution of such “true believers” is almost impossible unless they admit they did not “truly believe” in some information on which they acted. But, so long as they maintain their “good faith,” the officers will usually be exonerated.

Do you see the religious nature of this secular “good faith”? Much like a Christian’s belief in Jesus will protect him from Hell, those government agents who truly believe in the government’s church of “good faith” can’t be jailed.



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But what is “good faith”? Well, if you want to understand the meaning of any “faith” (even if you’re an atheist), read the Bible.

For example, my interpretation of the term “faith” is derived in part from *John 14:21, 23 & 24* (NIV), where Jesus says, “Whoever has my commands and obeys them, he is the one who loves me [and] will be loved by my Father . . . . If anyone loves me, he will obey my teaching. . . . He who does not love me will not obey my teaching.” [Emph. add.] These verses makes it fairly clear that if you want to be loved by God and invited into Heaven, you must obey the commands and teachings of Jesus.

From this I infer that the essence of “faith” (that which will get you to Heaven) is *obedience*. But mere obedience doesn’t always indicate real love for your master. Tell your son to clean the garage when his pals are playing football. He may do it,

but his grumbling obedience won’t necessarily prove he loves you. Likewise, there’s a bunch of folks who obey the Ten Commandments, but do so only with a great deal of reluctance or doubt (I mean, what’s the big deal if I have sex with my secretary? After all, we’re using condoms.)

So, I begin to suspect there may be “faith” and also “true faith” (which is similar to secular government’s “good faith”). I find clues to the nature of Biblical “true faith” (and by implication, secular “good faith”) in *John 16:30* (NIV) where (just days before the crucifixion) the disciples say to Jesus:

“Now we can see that you know all things and that you do not even need to have anyone ask you questions. This makes us believe that you came from God.” [Emph. add.]

Jesus reply? *John 16:31*: “You believe at last!” [emph. add.]

I interpret this to mean, “You



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believe finally,” and more, “You believe *truly*.”

In other words, the disciples’ finally proved their true faith in Jesus because they no longer felt obligated to *question* anything Jesus said. They believed *without question*. That’s “true faith”.

In conjunction with *John 14:21-24*, (*supra*), the primary expression of “true faith” is to *obey* God’s commands and teachings, without doubt and therefore *without question*. Thus, the essential expression of true faith is “*unquestioning obedience*”.

**I**s our government’s secular “good faith” different from Biblical “true faith”? Yes – but only in the sense that “unquestioning obedience” is due government rather than God.

For example, who is the 20th century’s poster boy for “good faith”? Adolph Eichmann. As he explained at the Nuremburg trials, he “*was jest vollowink oerderr*”. That’s the essence of every “good faith” defense you’ll ever hear from any government official. He was just following orders *without question* – as any true believer in the secular “church of good faith” (AKA government) must.

Eichmann’s problem was that he tried to plead Nazi “good faith” in an *Allied* tribunal-church. Won’t work. Allies can only recognize *Allied* “good faith”; to recognize (and thereby validate) any expression of Nazi “good faith” would’ve been heresy. You can’t have two “good faiths” in the same court-church. As with all religions, to acknowledge one faith is to deny all others. In Rome, you are a Catholic or you will burn in Hell. In Jerusalem, you are a Jew or you will burn in Hell. In Mecca, you are a Moslem or you will burn in Hell. In Nuremburg, you embrace the *Allied* “faith” or you will burn (or hang) in Hell.

The same “good faith” that made Eichmann a secular saint in Nazi Germany, made him a demon in the Holy Church of the Allied Powers. Eichmann’s “good faith” (just following Nazi orders) defense was as sure to get him hung in an Allied court as Martin Luther’s challenge to Papal infallibility was certain to cause his excommunication. In a sense, Eichmann wasn’t hung for killing Jews; he was hung for secular blasphemy – he professed his Nazi “good faith” in an Allied “church” – even after Nazi “religion” was exposed as a false god.

**T**hus, it follows that the opposite of “good faith” (bad faith) is a failure to believe *without question* whatever secular government-god has jurisdiction over you. By refusing “unquestioning obedience” to any religion/government, you show “bad faith” and can expect to treated just like a Jew in the Spanish Inquisition.

Any lack of “good faith” challenges the entire *system*. It is *the* maximal heresy. Any challenge to “good faith” suggests the government is not infallible. That’s secular blasphemy. This is part of the reason you can’t sue the government itself (unless it *agrees* to be sued) since the government-god is by definition, infallible (godly), and therefore never wrong or liable to suit.

However, you can sometimes

sue government *agents*, if you can show they acted “in bad faith” (questioned or refused to obey their orders). Without “good faith,” government agents lose all of their usual privileges, advantages and institutional support. Government can no more accept or defend an agent lacking “good faith” than the Catholic church can defend a priest found to be a Satanist. It is anathema. No defense is possible. The offender is cast out and abandoned by his former church or government to be tried by other courts, other jurisdictions, other gods – and even by Law.

**I**f this interpretation of “good faith” is valid, it suggests that the first defense against any government claim or prosecution should be to analyze and, if possible, challenge the “good faith” of the agent or prosecutor who brings those charges.

For example, suppose a traffic cop fails to test his radar gun with a tuning fork (as required by his police department regulations-Bible) before he sallies forth to issue speeding tickets. Is he merely “negligent”? Was this “harmless error”? Or did he act in “bad faith”? That is, by failing to test his radar gun, did he forget or *refuse* to “obey the commands and teachings” of his government-god?

I don’t know. But I have a hunch that a defendant who



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challenged an officer for a lack of “good faith” might do much better than a defendant who challenged the officer for mere “negligence”. Note that it’s the same *act* in either case (failure to tune the radar gun). However, by alleging “bad faith,” you invoke the “thought-essence” necessary to file criminal charges. Mere negligence is an unintentional mistake, but “bad faith” is a *crime*, a secular blasphemy that the government-god simply can’t endure. Any officer who acts in “bad faith” is a secular blasphemer whose person and acts must be “vomited” out of the government-god’s courts.<sup>1</sup>

**T**he problem with a legal system that’s based on *personal* belief is that the system itself can’t be challenged or corrected by common people. The same “good faith belief” that shields Protestors from prosecution for violating an unconstitutional law, also shields that unconstitutional law from being overturned. As long as our arguments are reduced to issues of a mere *layman’s* personal belief, we can’t reach the Law. Our beliefs may protect us from prosecution, but they are of no more force than those of a drunken Italian preaching to the Pope. You’re a mere layman – whadda you know?

Thus, in a system based on secular belief, we can’t touch the law. Can’t debate it, expose it,



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disprove it or change it. Even our most brilliant challenges are ultimately dismissed as mere “misunderstandings”. In the secular church of “good faith,” objective truth becomes irrelevant. Evidence unnecessary. Your belief that the 16<sup>th</sup> Amendment was never properly ratified is just as valid as a Hindu’s belief that cows are sacred.

Likewise, in a judicial system based on “good faith” and personal “belief”, no matter how much evidence you accumulate, you can no more prove in a court of Equity that the 16<sup>th</sup> Amendment was not properly ratified than the Hindus can indict McDonalds for murdering cows. In the secular “church of good faith,” the government is “god” and thus just as unchallengeable as the God of the Bible. So long as “good faith” is unchallenged, all your complaints against government are no more forceful than those Job lodged against God.

According to the Bible, God

is *incapable* of unfaithfulness (bad faith). According to the courts, our government is similarly incapable of committing a crime or acting in “bad faith”. That’s why we can’t sue our government-god any more than you can indict Yahweh. In the end, even if you seem to right, you are nevertheless wrong and *mistaken* because, like all laymen, “you just don’t (can’t) understand” (obey without question) your government-god.

The logic of this speculation implies that, as citizens, we are *by definition* presumed incapable of “understanding” (true “good faith”) and thus plagued by inadequate faith in our government-god. Therefore, government would have no obligation to waste much time hearing our petty (unfaithful) complaints. Further, the mere fact that we’d even dare complain could be viewed as evidence of our own “bad faith” (we’re not obeying *without question*, are we?) and thus render us due for some serious “repentance” to save our secular “souls”. (Ever heard of a “penitentiary”?)

For example, suppose a police officer tickets you for driving 40 m.p.h. in a school zone. But you’re certain you didn’t go over 22 m.p.h. and so resolve to fight it out in court. If we apply this government-as-god analogy, your case might break down like this: 1) the government is god; 2) the police officer is an agent-priest of that government-god

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(presumably) acting in “good faith”; 3) you are an ignorant, unwashed layman – and if you persist in challenging the government and its “priest,” you will seen as 4) an *uppity*, ignorant, unwashed layman acting in “bad faith” (refusing to obey *without question*) and thus in dire need of some serious repentance.

Note that the essential issue is not whether you were driving 22 m.p.h. or 40 m.p.h., but whether you or the “priest” are acting in “good faith”. In court, only one party can act in good faith; the other, by definition, must be acting in bad faith or he would’ve admitted his offense, settled our of court (or dismissed the charges) and thereby rendered the court hearing unnecessary. (The hearing itself is *proof* that one of the parties is acting in bad faith.) Thus, no matter what he says or did, if the police officer-priest’s *presumed* “good faith” goes unchallenged, *you* must be guilty of “bad faith” (which is somewhat like being a mouthy Jew in Mecca).

It might follow, however, that a key to blunting government charges is not to deny the charges, but to challenge the “good faith” of whatever individuals are responsible for making and prosecuting those charges. If you can show the cop or pros-

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ecutor acted in “bad faith,” suddenly *they* assume the role of the mouthy Jew in Mecca. Whether you drove 40 m.p.h. in a school zone becomes a triviality compared to government’s “prime directive” of excommunicating the unfaithful (those who exhibit “bad faith”) from the ranks of the government-church. Properly supported, a mere claim of government “bad faith” might be enough to destabilize or even derail an attempt at prosecution.

**I** admit this line of speculation seems bizarre – even to me. But based on the *Cheek* defense of “belief” and DOJ attorney Ihlo’s advice to U.S. Attorneys to avoid “belief” issues, it’s apparent that “belief” and “good faith” are more powerful courtroom issues than most of us suppose.

More importantly, we might want to consider the evi-

dence that government regards itself as god-like as well as the consequences of living under a government-god that denies the existence of a superior God. Insofar as government sees itself as our only god, how can common people defend themselves against government abuse? Without recognizing a higher God, a higher authority, when government assumes the position of our only god, there can be no freedom, no liberty and no alternative to unquestioning obedience (good faith) to that government-god.

<sup>1</sup> And how could you defeat an official’s claim of “good faith”? Perhaps with *administrative notices*. But we’ll talk about that in the next *AntiShyster* – Vol. 9 No. 2.

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# I Caught IRS Agents Cheating on their Taxes!

by Marvin Bryer

While two of the previous articles illuminate the IRS commitment to enforcing tax laws against “illegal tax protestors,” I wonder if they’re equally motivated to enforce tax laws against their own IRS Agents.

Marv Bryer is a former systems analyst for banks who became tangled in a California child custody case concerning his grandchild. Based on his background in banking and professional capacity for logical analysis, Marv uncovered evidence that the judge who heard his grandchild’s custody case had taken a bribe. Based on this discovery, Marv uncovered a slush fund for the Los Angeles County judges and even forced the Bank of America to release all their records of that slush fund! The idea that anyone could force a bank to release records on judicial corruption strikes me as extraordinary.

But Marv has an incredible talent for investigation. Working mostly by himself, and using his banking background to “follow the money trail,” he’s uncovered more spectacular evidence of government corruption in the last two years than most investigators find in a lifetime. Of course, to date, the mainstream media has ignored his discoveries. But a major na-

tional magazine may finally publish some of Marv’s best work in the near future.

In the meantime, the following article is not Marv’s best work, but when you read and understand its implications, I think you’ll agree that even Marv’s “second class” work is extraordinary. With a little luck and a little more time, Mr. Bryer may have to change his name to “San Andreas” for causing a political earthquake in California that registers nine on the government’s Richter Scale.

**B**ack in 1997, I uncovered a judicial slush fund in Los Angeles County. This slush fund was used by a Los Angeles Superior Court employee named Gregory Pentoney to launder bribes to child custody evaluators and divorce court judges in order to “fix” child custody cases.

Based on my investigation, I sued Mr. Pentoney. Four months later, the L.A. District Attorney raided Pentoney’s office *in the court house!* Records were removed. I caused an audit to take place, and on August 28, 1998, Pentoney was arrested for bribery, falsifica-

tion of public records, and the theft of \$1.5 million.

However, I believe Pentoney’s hiding millions more. That’s why I reported him to the IRS. But the IRS did nothing.

So I began to investigate the IRS.

**T**he following information outlines my investigation strategy, results to date, and demonstrates how much power “ordinary” citizens have – if we care to use it.

During my initial investigation of the L.A. County judicial slush fund, I found a research book called the “Cumulative List of Tax Exempt Organizations” published by the U.S. Treasury. This book lists all tax-exempt charities. In tax law, a “charity” is defined in 26 USC Section 501(c)(3) of the Internal Revenue Code. Much of my research into the L.A. slush fund (and ultimately the arrest of Superior Court employee Pentoney) used that Cumulative List to ascertain that the alleged “charity” being used to launder judicial bribes did not in fact exist. (I later learned that suspicious “charities” are being used by a number of or-



ganizations to possibly conceal illegal activity. You might be surprised to learn how many obscure “charities” are operating out of your government buildings. The “Cumulative List” is crucial to identifying potentially corrupt “charities” in your community or state.)

Later, I also found an organization called Tax Analysts (800-955-3444) which sells a CD-ROM called the “IRS Exempt Organization Master List”. This CD-ROM contains a constantly updated list of all currently registered U.S. 501(c)(3) nonprofit corporations and charities. This remarkable CD-ROM can be instantly searched by organization name or even address.

Once I started investigating the IRS, I decided to search the CD for “Internal Revenue Service” and – surprise, surprise! – I discovered a 501(c)(3) nonprofit organization called the “Internal Revenue Service - Certified Public Accountants” located at 300 N. Los Angeles Street, Los Angeles, California.

The address was particularly curious since 300 N. Los Angeles St. was also the address for the Los Angeles *Federal Building* where immigrants go to get their green cards so they can legally pick grapes. If they don’t pay taxes on their grape-picking wages, the IRS can also audit them in the 300 N. Los Angeles Federal Building.

As I later discovered, the owners and officers of the “Internal Revenue Service - Certified Public Accountants” (IRS-CPA) charity were also *IRS agents*. It thus appears that some of the IRS agents who conduct tax audits at the 300 N. Los Angeles Federal building also operate the IRS-CPA “charity” – *right in the same room where you get audited*. (Perhaps if you’re audited, you can “donate” to your IRS agent’s favorite “charity” and get a more fa-

vorable audit!) In any case, using government buildings to conduct personal business (even that of privately-owned charities) usually constitutes a misappropriation of tax revenue and is illegal.

Incidentally, once I realized that a private nonprofit organization was being operated out of a *federal building*, I began to search the CD-ROM “Master List” by entering the addresses of other city, county or federal courthouses and office buildings. I was surprised to discover a host of private “charities” and “nonprofit corporations” being operated from government facilities – not only in California, but also in several other states.

Something seemed “fishy” about a private “IRS-CPA” charity operating out of a federal building, so I decided to investigate further. To investigate a corporation, you first need to understand how they are created.

**H**ere’s how California corporations are formed:

First, you write Articles of Incorporation and file them with the California Secretary of State (who is responsible for state regulation of corporations). Naturally, incorporation fees are strictly enforced – but verification of information supplied on the application is at best “relaxed”. In fact, it’s doubtful that

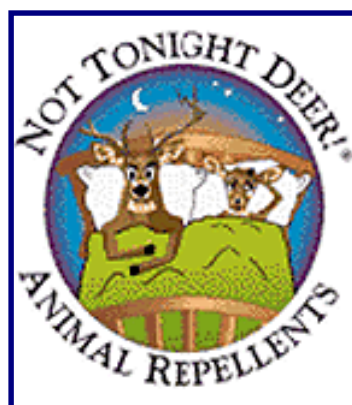
anyone in the Secretary of State’s office closely reads whatever is filed as the “Articles of Incorporation”. As a result, you can probably incorporate using the White House address even if you don’t live there.

Second, you apply to the IRS for an Employer’s Identification Number (“EIN” – the equivalent of a social security number for your corporation). I believe the application is filed on a SS-4 form. You send it to the IRS and they send you an EIN.

Third, you file with the California State Franchise Tax Board, which decides whether your corporation is exempt from paying state income tax. Here, there’s also little verification of application information. You could probably incorporate using the La Brea Tar Pits (where you can’t even stand) as your business address, but as long as you pay the fees, your application will be accepted.

Fourth, submit records to the IRS. You send all of the state forms and – to be a tax exempt charity – you send IRS form 1023. The IRS should review everything you submit – but often they only check to see that the proper blanks were filled in. Again, if an address is required and you write “La Brea Tar Pits” – fine. It doesn’t matter if you live there or not.

**O**f course, the advantage to registering as a 26 USC



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501(c)(3) nonprofit/ charitable corporation is that your organization may be exempt from any obligation to pay income taxes. Since 501(c)(3) “charitable” corporations may be exempt from paying income tax (and their reporting requirements are also “relaxed”) they offer certain advantages if you’re interested in money laundering.

However, there is one small disadvantage that’s generally overlooked by nonprofit applicants. Apparently, much like an infinite number of monkeys on an infinite number of typewriters will eventually produce a perfect copy of Hamlet – our Congress will also occasionally pass sensible laws. Recognizing the relaxed reporting and tax requirements for 501(c)(3) charitable corporations invite abuse, Congress also included Section 6104(e) (“Public Inspection of Certain Annual Returns and Applications for Exemption”) in the Internal Revenue Code:

“During the 3-year period beginning on the filing date, a copy of the annual return filed under section 6033 (relating to returns by exempt organizations) by any organization to which this paragraph applies shall be made available for inspection during regular business hours by any individual at the principal office of the organization. . . .”

In other words, *anyone* who walks into the principal office

of *any* 501(c)(3) charitable organization can demand to see their entire income tax returns for the last three years. If you don’t think that law gives ordinary Americans some substantial power, you should stroll into one of California’s city or county Bar Associations (which are generally registered as 501(c)(3) “charities”), and demand to see their income tax returns for the past three years. I guarantee that just the look on their faces will make your trip worthwhile. First they gape, then they think you’re nuts – but when you show ‘em the law, they really start to sputter.

Of course, the average person isn’t likely to “connect the dots” between Section 501(c)(3) (which is located near the front of the massive tax code) with Section 6104(e) (which is nearer the tax code’s end). But once you make the connection, you have a powerful investigation tool to get copies of an organization’s tax records and then use those records to focus additional investigation efforts. For corrupt “charities,” the prospect of releasing their income tax returns to private individuals or groups bent on serious investigation is scary.

And if you’d like to connect one more “dot,” consider 26 USC 6685 (“Assessable Penalty With Respect to Public Inspection Requirements for Certain Tax-Exempt Organizations”) which reads in part:

“. . . any person who is required to comply with respect to any return or application, if such failure is willful, shall pay a penalty of \$1,000 with respect to each such return or application.”

Apparently, any 501(c)(3) “charity” that refuses to provide it’s records for public inspection shall be fined \$1,000 for each refusal.

You may even have the right to file for a cash reward on IRS form 211. Fill out the form and ask the IRS to collect all funds the “charity” cheated on and give you your cut. (It may take some time to collect, but some of these cash rewards just might seriously enhance your retirement.)

**B**ased on my legal right to inspect the IRS-CPA’s income tax return records, on October 22, 1998, I sent the following request:

The Internal Revenue Service –  
 Certified Public Accountants  
 300 N. Los Angeles Street –  
 Room 5077  
 Los Angeles CA 90012

Dear Internal Revenue Service  
 - Certified Public Accountants:  
 EIN 95-3276035

Pursuant to USC Title 26, Section 6104 (e) et seq., please provide a copy of:

1. Your 1023 form.
2. Your letter of determination ruling.
3. All correspondence to and from the IRS regarding your organization.
4. The last three years of your 990 or 990EZ or whatever form you filed in lieu of a 990.

Pursuant to the Freedom of Information Act, provide a copy of the agreement between the government and your organization allowing the 300 N. Los Angeles building to be used for your charity.

Thank you,  
 s/ Marvin Bryer

In response to my request, I received the following reply:

December 3, 1998

Dear Mr. Bryer:

We are writing in response to your letter of October 22, 1998.

1) In regard to your request for a form 1023 for our organization, please find enclosed a copy of section 6104(e) of the Internal Revenue Code, which provides that this request is not applicable.

2) In regard to your request for our letter of determination ruling, please find enclosed a copy of the letter.

3) In regard to your request for copies of our correspondence to and from the IRS, please find enclosed a copy of the aforementioned determination letter, along with a copy of section 6104(e), which provides that this request is not applicable.

4) In regard to your request for a copy of our forms 990, please be advised that our revenue is not sufficient for our organization to meet the filing requirements of section 6033 of the Internal Revenue Code.

5) Please note that the Freedom of Information Act does not apply to exempt organizations.

Yours truly,

S/ Lawrence G. Edgar

Co-President

Internal Revenue Service -

Certified Public Accountants



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The IRS-CPA's "Co-President" (also an IRS agent) refused to disclose the paperwork they submitted - to themselves (the IRS) - to become a tax-exempt charitable corporation. He also implied the IRS-CPA isn't covered by the tax code. Who does he think he's fooling? I didn't fall off the proverbial turnip truck. All tax exempt organizations have to show the papers they filed to become exempt. In this case, we're talking about - at minimum - their 1023 application form filed with the IRS to be registered as a tax-exempt organization. Since they won't provide that original form, maybe these guys don't have one! Perhaps the agents need time to manufacture records that don't (yet) exist!

In any case, their response did disclose that Lawrence G. Edgar was the IRS-CPA's "Co-President". Now I have my legal sights on IRS agent Edgar and I don't mean to sound cocky, but he doesn't know what he's in for.

Mr. Pentoney (who managed the L.A. County Judges' slush fund I found in 1997) also tried to hide his financial records from me - then he went to jail. I refuse to be cheated by *any* government agent.

Since the IRS-CPA charity claims to be a corporation, I went to California's Secretary of State (Bill Jones) and paid \$4 for a "status inquiry" and a copy of the IRS-CPA's corporation papers. Bill says there's no record of any California corporation called the "Internal Revenue Service Certified Public Accountants". This means the IRS-CPA is not incorporated in California and may be guilty of incorporation fraud.

However, if the IRS-CPA isn't a legitimate corporation, it's probably an *association*. The power to sue an association can be devastating since there's no corporate immunity and therefore *each member* of the association may be *personally* liable for the association's debts, fines and obligations.

Incidentally, IRS agent Lawrence Edgar mailed his letter of refusal to me in a weirdly colored *pink* envelope. I investigated and learned the pink envelope is *government-issue* and intended for inter-office mail. Looks like the IRS-CPA "charity" used the IRS property *paid for by taxpayers* to tell me his "charity" is exempt from Internal Revenue Code disclosure re-



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quirements. Just like using a federal building for personal use, private use of government property (including pink envelopes) is also a no-no.

Since the IRS-CPA “charity” refused to show their records, I determined they were in violation of IRS reporting law [26 USC 6104(e)]. Therefore, I reported them to the IRS. On December 21, 1998, I filed a complaint on the IRS-CPA with the IRS:

To: The IRS at 300 N. Los Angeles Street, Los Angeles CA 90012 Administration room 5078

COMPLAINT REGARDING TAX FRAUD  
BY AN IRS AGENT:

An Internal Revenue Service agent named Lawrence Edgar is operating a charity scam inside a federal building. See Exhibit 1 – his letter to me.

Edgar alleges his corporation is a “charity”, so I am giving the IRS a donation of \$10 to submit to Edgar’s corporation.<sup>1</sup> Frankly, I consider his IRS corporation to be a FRAUD.

I have detected that IRS agents are giving continuing legal education seminars with judges and lawyers who launder the money collected into a “court” slush fund. I suspect Edgar may be involved, but I have to prove that.

I have reported the [slush] fund to the IRS to no avail. Obviously there is a cover-up. I will be escalating this to my Senators and House of Representatives and I will ask for a NEW HEARING regarding the internal workings of the IRS. Frankly, the system does not work and persons are *selectively incriminated* while IRS agents and judges are excluded from law enforcement.

The “charity” I am reporting calls itself the INTERNAL REV-

ENUE SERVICE -CERTIFIED PUBLIC ACCOUNTANTS. See the attached letter sent to me by Lawrence Edgar.

As you can see, Edgar is operating out of the Federal Building at 300 N. Los Angeles Street where my letter is being submitted. Mr. Edgar Falsely believes he can deny providing me with his corporation’s 1023 form. That is a violation of the TAX CODE. Please note that Mr. Edgar can be sued and this will reflect on the IRS.

His corporation was ruled on by the IRS in 1978. Its EIN is 95-3276035.

It alleges to be an EDUCATIONAL organization. Its donations are deductible. However, it is virtually impossible to give to this “worthy” charity because EDGAR and his corporation will not disclose their actual address within the Federal Building.

Also, there is probable cause of mail fraud and misappropriation of federal property. The [IRS-CPA] letter to me was mailed [postmarked] from El Segundo but was addressed from your address [in Los Angeles]. My tax dollars paid for the Federal building which is also my property as a taxpayer. I will not agree to fund Edgar’s corporation scheme.

S/ Marvin Bryer

Cc: Senator Diane Feinstein  
331 Hart Senate Office Building  
Washington DC 20510


Senator Barbara Boxer  
112 Hart Senate Building  
Washington DC 20510

If you use my investigation strategy, you may also uncover enough evidence to restore some semblance of accountability and justice into our tax system.

I suspect the entire IRS-CPA “charitable corporation” is a scheme to dupe the public. If so, I plan on shutting the IRS-CPA down. Like I said, IRS agent Edgar doesn’t know what he’s in for.

Let the games begin.

<sup>1</sup> Editor’s note: Marv Bryer likes to send checks to suspect organizations since, when his checks later clear his bank and are returned to him, their endorsements reveal valuable information about the name(s) of the person(s) signing the check and the location of the bank account(s) they’re deposited into. Thus, writing a check to a suspect organization can be a first step in “following the money trail”.



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# FRN\$ Make \$ham Tru\$t\$?

by Alfred Adask

Because the AntiShyster attempts to explore concepts near (beyond?) the “cutting edge” (lunatic fringe?) of law and politics, it’s not possible to know for sure whether the ideas and implications presented in our articles are true, false or some of both. The following article amplifies a personal hypothesis concerning the nature of our currency that was first explored (and presented more fully) in AntiShyster Vol. 8 No 2.

Take every word with salt.

According to *Bowier’s Law Dictionary*, all rights flow from title. For example, my “right” to drive or sell my car, is based on my “title” to that car. So long as I have valid title, I have the right to drive or sell that car. But since I lack title to your car, I have no right to drive it. If I attempt to drive or sell a car for which I have no title, I can be charged with a crime. The same is true for houses, computers or any other form of property. Rights flow from title. If you have

no title, you have no rights.

The relationship between title and rights is also seen in the ancient principle that the person who owns the money also owns whatever that money is used to buy. For example, if I give an employee \$100 and send him to town to buy some groceries, who owns the groceries? My employee or me? Even if the receipt carries the employee’s name, *if* I owned the money, the groceries are legally mine. (But do I really own that money?)

That same principle applies to the purchase of automobiles with bank loans. Because the bank “owns” the money you borrowed to purchase the car, the bank also owns title to the car – at least, until you repay the loan used to buy the car. *If* the bank owned the money, the bank owns the car. (But does the bank really own the money?)

At first glance most people would say the relation between title and rights seems fairly clear. But it’s actually quite subtle and confusing since few of us realize that every property contains *two*

titles: *legal* (ownership and control) and *equitable* (mere use or possession). While most of us understand whether we have a “title” to a particular piece of property, few of us bother to ask what *kind* of title we have. Determining the kind of title we have is important since our rights concerning a particular property vary hugely depending on whether we have: 1) legal title; or 2) equitable title; or 3) both titles to that particular property. (Although we assume we have legal title, I suspect that we usually have only equitable title.)

The difference between legal and equitable title can be superficially illustrated by comparing the rights of a father who “owns” his car to the rights of his teenage son who wants to *use* that car. *If* the father has *legal* title, he *owns* the car and can do whatever he wants with it, whenever he wants. While he may give his son equitable title to *use* the car for his Friday night dates, that equitable title is always subject to Dad’s absolute control and revocation. The person

holding legal title always holds superior, controlling rights; the person holding equitable title has inferior and conditional rights. Dad can stop Jr. from using Dad's car anytime Dad wants, for any reason Dad thinks is appropriate and Jr. has virtually no recourse. (Figuratively speaking, the guy with legal title is always the "man"; the guy with equitable title is always the "boy".)

### The man who owns the money . . .

If you read the text on the Federal Reserve Notes (FRNs) in your wallet, you'll see, "THIS NOTE IS LEGAL TENDER FOR ALL DEBTS, PUBLIC AND PRIVATE." Most people regard this statement as an assurance that our paper "money" is still "good as gold". I disagree. I'm sure that pre-1933 gold coins were lawful "tender" (with which we could *buy* legal titles to property). However, I suspect "legal tender" (a kind of legal *fiction* that is enforced by law) is a disability since the person using this inferior form of money can only *purchase* equitable title to property. (As you'll see, the distinction between "buy" and "purchase" may be huge.)

I suspect the "legal tender" statement on every FRN is the government/ Federal Reserve System's way of providing *legal notice* (just like the warnings on packages of cigarettes) that FRNs are *not* as "good as gold" and should not be used unless you are willing to accept the "legal tender" disability.

I suspect FRNs are an inferior form of currency (not true money) because the Federal Reserve System *loans* FRNs into circulation. Because FRNs are *loaned* into circulation, they are similar to cars purchased with bank loans (since the money used to buy the car belongs to the bank, title to the car remains with the bank until the original

loan is repaid). Similarly, until the original loan that placed those FRNs into circulation is repaid, legal title to the physical pieces of green paper you carry in your wallet remains with Federal Reserve System.

Thus, you and I may get to "use" (have equitable title to) the FRNs in our wallet (just as we can "use" the car while we're still making payments on the bank loan), but legal title to those FRNs remains with the Federal Reserve System (just as title to your car remains with the bank). This implies that whenever we "purchase" property with FRNs, legal title to that property goes to the Federal Reserve System (the party that owns the money, owns whatever that money is used to buy). As a result, we only receive the inferior *equitable* title (possession and use) to the property.

If this hypothesis is valid, legal title to everything we've ever "purchased" with FRNs (our houses, cars, boats, clothes, etc.) may belong to the Federal Re-

serve System. And although we get to "use" all that property and think of it as our own, we have no more *legal* rights to "our" property than the teenage boy has to his father's car.

### Legal exchange vs. equitable transfer

True "money" (gold and silver) is known as a "medium of *exchange*". The term "exchange" is significant, since each transaction involving *legal* title is apparently described as an "exchange" while transactions merely involving *equitable* title are called "transfers". I.e., you "exchange" legal title to property, but you merely "transfer" equitable title/ possession to property.

To broadly (and imprecisely) illustrate the difference between exchange and transfer of title, suppose a father owns a car and has two teenage sons. One son wants to use the car on Friday night, the other wants to use the car on Saturday night.

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The father/owner agrees. In a sense, the father/owner grants equitable title (use of the car) to his first son for Friday night and then “transfers” that equitable title (right to use the car) to his second son for Saturday night.

Although *equitable* title to the car was *transferred* from one brother to the other, *legal* title was never *exchanged* since it remained at all times with the father/owner. No *exchange* of *legal* title could occur unless the father actually sold the car to one of his sons (users) – thereby giving that son the right of absolute ownership without any of Dad’s superior control and no obligation to “share” his car with his brother.

In an actual “exchange” of *legal* titles, the parties are called the “buyer” and the “seller”. In a transfer of equitable title (the right to possession and use) the parties are identified as the “transferor” (seller) and “transferee”. An *exchange* of title will always include the legal title and may include the equitable title. However, a *transfer* of title will never include the legal title and can only signal movement of the equitable title.

In a transfer there may be no “buyer” since that term (and also “buy”) signals the *exchange* of a *legal* title. Instead, in a transfer of equitable title there is a “seller” and a “purchaser” – one who merely secures *equitable* title to property. Note that

while the terms “buy” and “buyer” seem to imply the *exchange* of *legal* titles to property, “purchase” seems to indicate only the “transfer” of a property’s *equitable* title (and thus only the right to use – not control – the property)

If the difference between buying and purchasing seems unlikely, read your credit card applications, statements and terms. Every credit card transaction is a “purchase” – you “buy” nothing with credit cards.

### Certificates of (which?) title

The distinction between legal exchanges and equitable purchases is illuminated by Article 6687-1(24)(a) of Vernon’s Texas Civil Statutes (1994). That article declares that an automobile’s Certificate of Title must include:

“The name and address of the *purchaser* and seller at the *first sale* or *transferee* and *transferor* at any *subsequent sale*.” [emph. add.]

The “first sale” refers to the transaction between the new car’s manufacturer (seller) and the first person to “purchase” – not *buy* – the vehicle. All subsequent “sales” of the (now) “used car” will be between “transferor” and “transferee”.

So suppose you “buy” a new car in Texas with FRNs. Note that the first transaction listed on the Certificate of Title must identify the “seller” (the car’s manufacturer who by virtue of “creating” the car has both legal and equitable title to the vehicle) and a “purchaser” (that’s you – the guy who thinks he’s *buying* legal title and true ownership of the car, but is actually only *purchasing* equitable title and use of the car).

Because you are identified as the car’s “purchaser,” you only received equitable title to the car in the first place and therefore can *only* “sell” equitable title in “subsequent sales”. Thus, *all* subsequent sales are actually just *transfers* of equitable title between “transferors” to “transferees”.

But why did the Texas statute distinguish between the car’s original “purchaser” and all subsequent “transferees” and “transferors”? If all of these parties only receive equitable title to the car, why not call them all by the same name?

I suspect the answer involves the identity of the party that actually winds up with *legal* title to “your” car – the corporate



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STATE OF TEXAS. By designating you as the “purchaser” of the new car, the STATE is *telling you* that you’re only getting equitable title (use) of “your” car, not actual ownership (legal title). The STATE of course, is depending on your ignorance (concerning the significance of titles and the meaning of terms like “purchase”) to conceal the fact that the STATE receives legal title to your car and you get squat (equitable title, mere “use” of the car). Since ignorance is no excuse in the eyes of the law, your assent to merely *purchase* “your” car eliminates or reduces any claim that you were defrauded of legal title. I.e., by agreeing to be the “purchaser,” you agreed to receive only equitable title.

OK, if the car manufacturer sells both equitable and legal title to his car, how did the STATE get the legal title? Since the STATE didn’t pay for the legal title, I suspect that the legal title was probably *donated* to the corporate state.

The concept of “donation” may be important since no one but the Federal Reserve System can “buy” legal title to property with FRNs. Thus, it may be impossible for you, me, or even the government to trade even a trillion dollars (FRNs) for legal title to a bicycle. The only way we could get legal title to someone else’s property is by: 1) *buying* (not purchasing) the property with lawful money (gold or sil-

ver); or 2) if the actual owner *donates* that property to us without taking any FRNs in return. (Because legal title to FRNs belongs to the Federal Reserve System, the first time we trade a single FRN for property, legal title to that property probably goes to the Federal Reserve System. Remember – the man who owns the money, owns whatever it buys.)

OK, who could’ve donated the legal title to “your” car to the STATE? The car manufacturer had original legal title and therefore an agreement between the manufacturer and corporate STATE might explain and legalize the donation. However, I doubt that a direct donation from the manufacturer could be achieved without committing fraud against the alleged “buyer” (actually, *purchaser*) of the car who assumed “tax, title and license” meant “tax, legal title and license”.

If I had to guess, the dona-

tion was made by the Federal Reserve System who received legal title to “your” car by virtue of your voluntary use of FRNs to purchase “your” car. That is, as soon as you complete the bill of sale and designate your payment in \$ FRNs (not \$ lawful money), the evidence of the Fed’s ownership of legal title to “your” car is apparent.

Note that until 1933, all lawful money (gold, silver) of the United States was designated by a capital S with *two*, superimposed vertical lines:  $\$$ . This designation was originally a capital S with a superimposed capital U which stood for “U.S.” Over time, the bottom of the “U” disappeared and convention reduced the “U” to two vertical lines:  $\$$ .

Since 1933, our FRNs have been designated with a capital S and *single* vertical line ( $\$$ ) – presumably, to distinguish this “legal tender” from lawful money. I find it helpful to remember that lawful money is designated with *two* vertical lines ( $\$$ ) and will convey *two* kinds of title (legal and equitable) to buyer while FRNs are designated with just *one* vertical line ( $\$$ ) will transfer only *one* title (equitable) to the purchaser.

More importantly, every time you designate the price of a transaction in \$, you are conceding the transaction took place with money owned by the Federal Reserve System. Thus, if the



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price on your receipts and bills of sale are designated in \$ (rather than \$), they don't prove that you own that property. Instead, they prove that the Federal Reserve System (which owned the money used in the transaction) owns legal title to "your" property. By accepting a receipt with a price denominated in \$ FRNs, you prove you agreed to only purchase equitable title. Thus, the receipts government advises you to keep to "prove ownership" of property may actually prove you don't own "your" property. (Interesting possibility, no?)

In fact, most automobile title applications ask you list the price of the car for "tax purposes". A lot of people cheat on the price to reduce the tax. But the numerical size of price may be a triviality compared to the price's denomination (lawful money "\$" or FRNs "\$"). It's possible that by admitting any value for that car denominated in FRNs may be the key factor to conceding the Federal Reserve System owns legal title to the vehicle. This raises the possibility that denominating the price of a car in lawful money (\$) instead of FRNs (\$) might lay a foundation for claiming legal title.

In any case, once it's clear that the car was purchased with FRNs rather than bought with lawful money, legal title to the car should accrue to the Federal Reserve System. Then, based on another agreement between your corporate STATE and the Fed-

eral Reserve System, legal title might be automatically "donated" by the Fed to the STATE.

Result? The STATE gets legal title, actual ownership and absolute control of "your" car. Your title to "your" car is merely equitable and analogous to that of the teenage boy using his daddy's car for a date. If daddy sez you must wear your seat belt, you must wear it or lose the equitable right to use "daddy's" car. Likewise, if the STATE-daddy sez you can't drive over 65 m.p.h. or must keep your taillights in repair, you must do so or risk being punished for not properly operating or maintaining the STATE-daddy's car. Thus, virtually all traffic and auto maintenance regulations may be based on the fact that you don't actually own legal title to "your" car - the STATE does since you used FRNs to merely purchase the car's equitable title.

If use of FRNs affects legal title for automobiles, the same principle should apply for

houses, buildings, bicycles, computers and all other forms of tangible property. In fact, legal title to everything you purchase with FRNs would instantly accrue to the Federal Reserve System (and perhaps later, to the corporate STATE if the Fed donated that legal title). If so, you and I have been reduced to the status of children, serfs or slaves by use of FRNs.

**Sham trusts**

If you and I don't own legal title to (virtually) any of our property, how can we create a legitimate trust? As I understand trusts, the Grantor (who creates the trust) must own legal title to any property he donates into a trust. But if a Grantor purchases property with FRNs, he apparently doesn't have legal title to that property. Without legal title, I doubt that anyone can legally "grant"/ donate a particular property into a trust. Implication? Except for trusts containing property granted/donated by the Federal Reserve System, virtually all modern trusts may be shams if the alleged "Grantor" purchased the donated property with FRNs. If the Grantor didn't actually own legal title to the property donated, the trust could not receive both legal and equitable titles and then divide them (the hallmark of trusts). Thus, if the grantor only "owned" equitable title to "his" property, he could



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not create a trust and any attempt to do so would be a sham.

If this speculation is valid, those of you who rely on trusts to shield your property from government – or even from other private individuals – may be trusting in a faulty shield.

Conversely, those of you who wish to attack seemingly impregnable trusts might be able to do so by simply determining whether the original Grantor used FRNs to purchase whatever property he “donated” into the trust. If the alleged grantor merely *purchased* property, he can’t donate *legal* title to that property since he never had legal title in the first place. Thus, the trust (which must hold both legal and equitable titles) is a sham, and might be easily “cracked” in court to expose trust property to suit.

### Good for the gander

Since *legal* rights flow from *legal* title, loss of legal title due to use of FRNs may be devastating to our presumed “rights”. However, if we lose legal title and legal rights by using FRNs, so does government.

For example, if government builds a new street or highway and pays for it with FRNs, legal title to that highway should go to the Fed Reserve. If so, even if the government deposits whatever equitable title it has to that highway into a National Highway Trust, that trust might still lack legal title to the highway property (since equitable title was all the government had to donate). If so, that Trust, government and their agents should have only *equitable* interest or rights in the highway and therefore, only have *equitable* rights to enforce trust rules against people who commit traffic offenses, infractions, etc. This implies that government and its agents (police) might have no *legal* right to stop, ticket, arrest, charge or convict



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individuals who commit an offense while driving on the highway.

Determination of who or what holds actual legal title to land may play an important role in determining the government’s *territorial* jurisdiction. For example, suppose the Federal government purchased a parcel of land to build a Federal building. Unless legal title to that land is subsequently donated to the Federal government by the Federal Reserve System, it appears that the government might only have equitable title to that land and perhaps only an “equitable jurisdiction” over offenses committed on that property. It’s theoretically possible that virtually all Federal territory *purchased* with FRNs might only include equitable (not legal) title and therefore include only equitable jurisdiction. Similarly,

most modern state and municipal territorial jurisdictions might also be only equitable.

However, if the Federal Reserve System actually receives legal title to property by virtue of purchasing property with FRNs, government might still be able to acquire legal title to property if the Federal Reserve System donated that legal title after the government purchased equitable title.

Wheels within wheels. Mysteries cloaked in enigmas shrouded with FRNs. The whole argument is speculative, complex, confusing – and quite possible wrong. Nevertheless, the possibilities and insights are intriguing and undoubtedly point us toward a better understanding of the relationships between our money, currency, purchases, property and rights. ■



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# Letters

I've received numerous comments from readers who – like me – regard the insights in Vol. 8 No. 2 (which focused on money) as remarkable. The following letter is typical of those that commented on the “IMF Colonizes Korea” article’s analysis of the International Monetary Fund’s (IMF) agreement with Korea. This agreement (which was not supposed to be made available to the public) revealed that in order to receive the “benefit” of billions of dollars in credit from the IMF (a trust) to shore up the sagging Korean economy, Korean leaders had to agree to surrender the financial and political levers of national power to the IMF.

If the IMF agreements to help Indonesia, Russia and other troubled economies are similar to the Korean agreement, the IMF is not really “here to help us,” but rather to conquer sovereign nations through the use of credit and by their debts render them vassals to the New World Order.

In 1998, the IMF made another “offer they can’t refuse” to Japan. For a while, Japan refused. The following letter from a subscriber in Japan supports the monetary insights exposed in Vol. 8 No. 2, as well as additional insights into the real purpose behind the IMF (a trust, incidentally) and the “benefits” of debt-based currency.

What an “odyssey”! What a “voyage”! Issue Vol. 8 No. 2 [dealing with the nature of money] was sort of like being hit with a 200-mph tsunami.

I'm enclosing a short article (“Castro: IMF the kiss of the devil”) printed in an English newspaper (*Asahi Evening News*) here in Tokyo. The article reads:

“Salvador, Brazil – Cuban leader Fidel Castro blamed U.S.-led globalization for the world’s economic turmoil and blasted financial bodies like the International Monetary Fund (IMF) . . . . ‘The markets are falling. This is the inevitable consequence of (market) rules but also of globalization, of the new world order,’ he said. ‘The IMF is the kiss of the devil. It kills those who embrace it while pretending to help.’”

I couldn’t believe the article was printed! The sad truth is Castro is probably correct in his assessment of the nefarious operations of the IMF.

Essentially, these “aid” agencies are accountable to *no one* except other institutions of the same type. It really does seem incredible that we have allowed agencies like the IMF to act as our go-betweens with a virtually unrestricted mandate to make secret deals that effect millions of people (like the recent “aid” to Korea). At *our* expense, too!

According to author Graham Hancock (*Footprints of the Gods*), “These institutions have perfected the art of bureaucratic impenetrability . . . international civil servants on the one hand working in a veil of secrecy, and gangsters and sycophants on the other who are often the recipients of the aid.”

Horror stories abound all over the world where agencies such as the UN, EDF, FAO, USAID, IDA, IMF and others target the ineptitude and ignorance of leaders in foreign countries and systematically turn them and their unknowing populations into welfare recipients. Look at the tragedy they unleashed in Indonesia!

Ezra Pound often argued . . . begged . . . No! Demanded a “standard”. Your publication is my standard. In war there is NO negotiating or compromising with the enemy. The truth – ALWAYS! God bless!

T.R. Cowan

Hamura-shi, Tokyo, Japan

Thank you. In addition to the fragrance of far-eastern flattery, Mr. Cowan’s letter also offers a lot of insight. For example, I’m fascinated to find that the “evil communist” Fidel Castro is not only critical of the IMF but also “globalization” and the “New World Order” (NWO). That’s an



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eye-opener.

After a lifetime of hearing the media preach that all Communists want a one-world government, I'm surprised to find Fidel favors national sovereignty over globalism. Who'd've thought a Cuban Commie could be just as critical of the NWO as most American "right-wing" constitutionalists?

Is Cuba still isolated (years after the Cold War's end) because Cuba is Communist - or because Castro is critical of globalization and retains enough political charisma to pose a public relations threat to the IMF and NWO? Was Castro's primary offense being a Communist - or being a Cuban patriot unwilling to surrender his nation's sovereignty?

This year in Congress, the Republican Party ran from support of firearms' freedoms. That was one of the major reasons so many expected GOP victories did not materialize. However, staunch pro-gunners such as Reps. Ron Paul (TX), Helen Chenoweth (ID) and Roscoe Bartlett (MD) were re-elected. Ron Paul's district leans Democratic and a tremendous effort to beat him was mounted. The voters clearly appreciate a humble man who is steadfast in his defense of the Constitution. Please pray for the Lord's protection of Ron Paul.

Paul has organized a think

tank, the Liberty Study Committee, to supply ideas, bill analysis and pro-Constitutional legislation for conservative congressmen. Neither party produces such material. Pray that the Lord will use the LSC to encourage more congressmen to join Ron Paul in defending the constitutional liberties of the people.

Sen. Bob Smith (R-NH) continues to take the lead in the defense of the Second Amendment. He plans to introduce Brady-blocking legislation to keep the FBI from having the money to register gun owners. As of this month the FBI will process all instant background checks on gun buyers and promises to break federal law by keeping the names on a registration list. Smith's bill could conceivably pass over the President's veto, but it will be an intense battle. Smith's measure was offered as an amendment to an appropriations bill and passed in the Senate with a veto-proof ma-

majority (69-31). It died in the House. Please pray for Sen. Smith and for the Representative(s) who will have to collaborate with Smith in the House.

Please continue to keep Gun Owners of America in your prayers. We know that the finances that pay our bills come ultimately from God. We also need His wisdom and guidance as we engage the forces of tyranny here in Washington and in many other government centers around the country.

Larry Pratt  
Gun Owners of America  
703-321-8585

Thanks! I received your latest issue of *AntiShyster* and it truly made my Christmas. I thank you from my heart. I make \$25 a month as a law clerk here and I admire your publication so much. I wrote you about 6 months ago. I'm the one that was caught with 13 grams of pot and pled for 115 lbs. and got sentenced for 40,750 lbs. and had my appeal dismissed for an "intelligent" waiver of appeal in my plea trap! My wife of 17 years abandoned me and filed for divorce. My court appointed a—h—e filed a reply to the divorce and didn't bother to show up and they took all my stuff and now I cannot even get an address for my 3 children because the %\$%#\$@ Judge will not look at



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my motions! There are no Texas law books here (just federal) so I'm stumped on what to do now. It has been a year since I have not seen my children. If anybody can help me on this please write.

My "liar" duped me into pleading guilty for the 115 lbs. for a promised sentence of 2 or 3 years. On a snitch's word I got sentenced for 20 tons. I got an affidavit off the snitch but the 5th Circuit appeals said my waiver was voluntary and dismissed my appeal. I put in a writ for certiorari to the Supreme Court but it was DENIED. I have a \$2255 Habeas left but am waiting till I get more knowledge of the tricks and evil traps of the persecutors. I would like to offer my research services to you, if you need Federal research I would be glad to find a case for you. N/c. Your magazine is my payment.

I would like to see more Federal and prisoner articles as this is where we are literally fighting for our lives. This is the trenches. The Fed has narrowed our time for habeas corpus to 1 year. Over that - tuff. The only thing is there is no state books at the fed. My state case is going to go down the tubes for lack of knowledge. I miss my kids so much - do you know why the State Court does not see or respond to my motions? I cannot get an answer or ruling, any aid will be appreciated. May God bless you and yours. Oh, the Attorney (State) General has been sending a bunch of cons here the child support ultimatums and your article was very helpful. God bless and don't forget about the litigation engines in prison fighting the US with no ammo.

Sincerely,  
Angel Lerma  
Federal Medical Center  
Fort Worth, Texas

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The idea that any private person should be imprisoned for using - or even selling - marijuana (which, so far as I know, has never caused a single death) while government welcomes (and taxes) the corporate sale of tobacco (which reportedly causes about 400,000 American deaths each year) and alcohol (which causes roughly 50,000 fatalities each year) is too bizarre to be shrugged off as merely absurd. The real reasons may be debatable but, unquestionably, drug laws applying to marijuana are intentionally draconian, arbitrary, excessive and arguably a violation of the constitutional prohibition against "cruel or unusual punishment."

But if the excess of mandatory sentencing guidelines were not enough, lying and trickery by government prosecutors is not only a violation of prosecutorial fiduciary obligations to "ensure that justice is done" rather than convictions at any cost- in some instance (like Mr. Lerma's) it raises some interesting ques-

tions that suggest an underlying intention to deceive or defraud the American people.

For example, if Mr. Lerma was sentenced for possessing over 20 tons of nonexistent marijuana - what happened to all that imaginary grass? Has it been included in some bureaucrat's report used to justify sending tax dollars to a particular drug enforcement agency? Has some federal agency taken credit (perhaps even received a commendation and plaque suitable for framing) for removing those 20 nonexistent tons from our nation's streets?

A couple of years ago, we published excerpts from a study conducted by a sitting judge who was concerned with the obvious excessive sentences handed out in drug courts. According to that judge, if you added up the weight of all the drugs seized in all the criminal prosecutions for drug use, you'd find the average "evil" drug user was convicted for possessing only a few grams of "prohibited substance" (just as Mr.



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Lerma alleges in his case). The judge complained that, if you divide the weight of marijuana removed from the streets by the number of associated convictions, it averaged out to something like a paper-clip's weight in drugs seized for each year of incarceration. While President Clinton takes political campaign money from the Red Chinese army, we are jailing people for years based for possessing a quantity of marijuana similar to the amount of loose tobacco found in the bottom of any spent package of Camels.

Is it possible that an occasional huge exaggeration of the amount of drugs seized in a plea bargain case (where there'll never be an actual accounting of those drugs under oath in a court) helps government "cook" their books and create the statistical appearance that the average drug conviction removes a significant amount of drugs from the streets?

For example, by adding Mr. Lerma's alleged 20 tons of imaginary marijuana to the actual weight of grass seized from the next 999 drug convictions, the average amount of grass seized would be a minimum of 20 pounds (almost 10 kilos) per conviction.

Well, if statistics indicate the average drug convict is guilty of possessing at least 20 pounds of prohibited substance, then clearly they must be drug deal-

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ers and very bad men (or women). Joe Sixpack and Suzy Secretary will not only thank their beloved government officials for removing so much marijuana and so many evil drug dealers from the streets, they might even support increased funding for more equipment, personnel, and promotions in our sacred Holy drug war.

In short, if Mr. Lerma's allegations are correct, perhaps the reason no one will hear his motions for appeal is that government needs, has used, and doesn't dare expose the 20 non-existent tons of marijuana. After all, what can anyone do with 20 nonexistent tons of marijuana - except use 'em as fictional evidence in a report or statistical analysis to exaggerate some government drug agent or agency's performance.

I don't know how to go about it, but if I were Mr. Lerma, I'd start looking to see who profited from the removal of the 20 nonexistent tons of grass. Who used

those 20 imaginary tons in his reports? That person or agency is just might be responsible for ignoring his appeals.

But no matter what kind of excess, idiocy or injustice occurred in Mr. Lerma's case, he is finally guilty of accepting a plea bargain with our judicial system. Mr. Lerma agreed to go to jail. No matter how wrong the government may be, the ultimate fact is this: Mr. Lerma agreed to go to jail.

Our criminal justice system is absolutely dependant on terrorizing impoverished defendants with the threat of excessive punishments for what are often insignificant crimes. This is especially true in the arena of drug use. Faced with terrifying prospect of being convicted in court for possessing 13 grams and being sent to jail for ten years, almost anyone would agree that a two or three-year plea bargain (no trial) looks pretty good. Thus, virtually all defendants are "scared" into signing plea bargains rather than straining the "limited resources of our judicial system" with a trial that allegedly guarantees conviction and a sentence five times longer than the plea bargain.

Nevertheless, Mr. Lerma's lost his wife and kids. The consequences of his agreement and incarceration go far beyond just missing a couple years of freedom.

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sentences? Don't plea bargain. For example, if just 20% of all the people receiving traffic tickets would take their case to court without an attorney, and then appeal their cases when they're found guilty, and appeal again and again until the Supreme Court refuses to hear their case and they actually had to pay their \$200 fine, the whole traffic court scam would collapse. No municipality can afford spend \$5,000 in legal cost litigating \$200 traffic tickets.

Same thing in criminal law. We can complain forever that our courts and legislators passed onerous laws and exact excessive fines and penalties, but nothing will change until we'd rather fight than bitch. The quickest way to end oppressive drug laws is to encourage drug users to go to trial and risk being sentenced for ten or twenty years rather than plea bargaining for two or three.

Would there be casualties? Yes. At first, some decent people would be subjected to life-destroying periods of incarceration. They'd be forgotten and abandoned by their families and friends and in the end spend much of their lives in prison with nothing to sustain them other than the knowledge that by sacrificing their lives, they were saving the lives of thousands of others.

But once government realized that the average marijuana user would insist on a jury trial

(and already, some juries are refusing to convict) and drag the government through five years of appeals, and tie up some prison bunk for another twenty years, the government would become suddenly "liberal" and "humane" and at least legalize the private use of marijuana.

Government shears us like sheep because we bleat but never bite. We lack courage or integrity. Afraid to risk resisting a gross injustice, we instead agree (plea bargain) to accept a small injustice. But who can legitimately complain about a huge injustice if we routinely agree to the little injustices? Government knows most Americans don't have the guts to fight. That failure in courage guarantees we'll be bullied and exploited until our lives are gone or we find the will to fight.

To escape a gross injustice, Mr. Lerma agreed to accept a lesser injustice. No matter what level of government corruption sent Mr. Lerma prison, in the final analysis, he's in prison be-

cause he agreed to go. Like most of us, he'd rather sign (the plea bargain) than fight. And who can blame him? If he gets out in three years, he may still restore some measure of his relationship with his wife and kids. Obviously, that chance would be hugely reduced if he were imprisoned for ten years rather than three. Unfortunately, almost no one will still care for us after we've been missing for ten years. Life goes on.

And yet, if we actually stand up and fight rather than surrender, maybe, just maybe, our wives and children might see a reason to remember us. "Yes, my dad's in jail, but by God, the old bastard stood up and fought - and his courage makes me proud."

Does anyone really think that way (except in the movies)? Probably not. But if it's unlikely that anyone will truly recall our clumsy attempts at courage, it's certain that no one wants to remember our surrenders, acts of cowardice, and thereafter, us.

"You expected much, but see, it turned out to be a little. What you brought home, I blew away. Why?" declares the Lord Yahweh. "Because of my house which remains a ruin, while each of you is busy with his own house." Haggai 1:9

We agree to plea bargains so we can quickly get back out to work on our own "houses" (lives and families). But in doing so, we sign away something pre-

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cious (our integrity? dreams?) to an adversary whose spiritual credentials are at best ambiguous. And more importantly, by focusing only on our selves and our immediate family, we neglect larger obligations to our neighbors, nation and God.

Nobody wants to make the kind of self-sacrifice necessary to stop government abuse. And yet, self-sacrifice is the only solution. That sacrifice does not necessarily require fists, guns or bombs. Ghandi simply sat down and refused to move, work, or assent to British injustice. It took time, but eventually the Brits simply packed up and left. Once Indians stopped empowering the English with *agreements* to accept injustice, the English lost the source of their power and had to leave.

Same is true in the U.S.A.

I hear unconfirmed rumors that – Omigosh! – concentration camps are being built right here in America by our evil government. But I know those rumors aren't true. Oh, there may be concentration camps, but it's not government that's building them. It's you and me, every time we take the easy way out, every time we empower our adversaries with our signatures, agreements, applications and quiet assents to injustice.

Are there concentration camps in America? I don't know. But every time we send a \$75 check in the "convenient envelope" after being ticketed for not wearing a seat belt, we're increasing the probability that there will be camps. Every time we plea bargain, we help build those camps. And rightly so. Camps are for cowards.

Based on allegations of drug use, drug dealing, trading top secret missile technology to Red China for campaign contributions, and even murder, some people believe President Clinton is the biggest psychopath we've ever had in the White House (and that's saying something). But no one accuses Clinton of cowardice. It seems crazy, but during the Lewinski scandal, Clinton wouldn't even admit to the House of Representatives that he's the nation's chief law en-

forcement officer. The guy's got nerve.

Will Clinton ever do time? Not unless he shows fear. He may be the biggest crook America's ever elected, but so long as he shows courage, his approval ratings will remain high and the probability remain small that he'll be convicted for even a parking ticket. On the other hand, the vast majority of convicts in federal and state prisons aren't there because they were convicted in a court, but because – out of fear – they signed a plea bargain and agreed to accept incarceration.

There's a lesson there. Americans would rather be led by a courageous crook than a good man filled with fear. Whether you're a good man or bad, courage can take you to the White House and fear will put you in prison. ■



# Your Money's No Good Here!

Here's an administrative notice that's reportedly worked in Texas to stop enforcement of traffic ticket fines and similar fees or monetary penalties. The notice boils down to this: 1) the State of Texas is prohibited by state law from accepting anything other than "lawful money of the United States" as payment for fines, fees and penalties; 2) such "lawful money" is defined by federal law as gold or silver coins; 3) the government removed virtually all gold and silver coins from circulation;

Therefore 4) it is impossible to pay Texas fines in "lawful money"; 5) no person can be jailed or otherwise penalized for failing to do the impossible; and thus 6) the "Accused" can not be forced to pay his traffic fine in "non-lawful" money such as Federal Reserve Notes. In sum, the State of Texas appears paradoxically prohibited from collecting fines in modern currency.

This argument sounds far-fetched, but I know several individuals who've used it successfully to avoid paying traffic tick-

ets (one reportedly used this argument over a dozen times, and each time the government's collection effort simply disappeared).

Note that this strategy does not purport to stop prosecution, conviction or assessment of fines- only collection of fines.

Anyone wishing to test this strategy in Texas should confirm the relevant cites are currently accurate. Anyone outside of Texas who wants to test this strategy should fish through his state's laws to discover if his state government is also prohibited from accepting fines, fees, etc. in anything but "lawful money of the United States" and then use whatever cites create proper administrative notice for his state.

Finally, this strategy is reprinted here almost exactly as it was found. However, I disagree with the capitalization used in the phrase, "the Constitution for the united states of America" - in my opinion, "united states" should be capitalized.

City of Dallas,  
State of Texas, ACCUSER  
V.  
John Doe  
In Propria Persona, ACCUSED

Cause # 123456789

## **NOTICE OF DESIRE TO PAY ALL TRAFFIC FINES, FEES, COSTS AND PENALTIES**

I, John Doe, ACCUSED, give this, my "NOTICE OF DESIRE TO PAY ALL TRAFFIC FINES, FEES, COSTS AND PENALTIES" to the Judge of the Court, on this the 28<sup>th</sup> day of February, 1999.

However, due to the Constitution for the united states of America, at Article 1, Section 10, Clause 1, which mandates that "No state shall make any Thing but gold and silver Coin a Tender in Payment of Debts," said Clause remaining UNREPEALED to date, and

Due to the Texas Code of Criminal Procedure at Article 43.02, which states that all fines, taxes, penalties and remunerances "shall be collected in

the lawful money of the United States only”, said Article remaining UNREPEALED to date, and

Due to Federal Law, Title 12, Section 152, which defines “Lawful Money of the United States” to ONLY be “gold coin” and “silver coin”, said section remaining UNREPEALED to date, and

Due to 48 Stat. 2, (March 09, 1933) and 48 Stat. 113, (June 05, 1933) all gold coin was removed from common circulation, at par, at the banks in America, said Statutes, remaining UNREPEALED to date, and

Due to Public Law 8931, (July 23, 1965) Senate #2080, and Public Law 9029, (June 24, 1967) Title 50, Section 9898 H, and 60 Stat. 596, all silver coin was removed from common circulation at par, at the banks in America, said Public Laws, Sections and Statutes remaining UNREPEALED to date,

I, the accused, AM THEREFORE CONSTRAINED BY THE LAW FROM PAYING THIS CLASS C fine, fee, cost or penalty.

Since Federal Reserve Notes, or checks or money orders payable only in Federal Reserve Notes are not within the definition of those things allowed by law to be received by the court, any threat to incarcerate me for “failure to pay” those things will be deemed to be an attempt to solicit an honorarium in violation of Texas Penal Code, Title 8, Section 36.07 or 36.08.

This is neither contempt, nor default, but merely a declaration that until Congress returns America to a Constitutional monetary system, it is impossible for me to pay fines, and IMPOSSIBILUM NULLA OBLIGATIO EST, that is; There is no obligation to do impossible things.

Further, ACCUSED sayeth naught

S/ John Doe

Etc.

How do crazy people go through the forest?

They take the psycho-path.

How do you get holy water?

Boil the hell out of it.

What do Eskimos get from sitting on the ice too long?

Polaroids.

What do you call a defective boomerang?

A stick.

What do you call Santa’s helpers?

Subordinate Clauses.

What do you call four bull fighters in quicksand?

Quatro sinko.

What does it mean when the flag is at half-mast at the Post Office?

They’re hiring.

What kind of coffee was served on the Titanic?

Sanka.

Disorder in the Court: a Collection of “Transquips” Collected by Richard Lederer, reprinted in *N.H. Business Review*:

Q. Did you ever stay all night with this man in New York?

A. I refuse to answer that question.

Q. Did you ever stay all night with this man in Chicago?

A. I refuse to answer that question.

Q. Did you ever stay all night with this man in Miami?

A. No.

Q. What is your brother-in-law’s name?

A. Borofkin.

Q. What’s his first name?

A. I can’t remember.

Q. He’s been your brother-in-law for years, and you can’t remember his first name?

A. No. I tell you I’m too excited. (Rising from the witness chair and pointing to Mr. Borofkin.) Nathan, for God’s sake, tell ‘em your first name!

Q. Are you married?

A. No, I’m divorced.

Q. And what did your husband do before you divorced him?

A. A lot of things I didn’t know about.

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Q. Mrs. Smith, do you believe that you are emotionally unstable?

A. I should be.

Q. How many times have you committed suicide?

A. Four times.

Q. Doctor, how many autopsies have you performed on dead people?

A. All my autopsies have been performed on dead people.

Q. When he went, had you gone and had she, if she wanted to and were able, for the time being excluding all the restraints on her not to go, gone also, would he have brought you, meaning you and she, with him to the station?

MR. BROOKS: Objection. That question should be taken out and shot.

Here's an exchange involving a child:

Q. And lastly, Gary, all your responses must be oral. O.K.? What school do you go to?

A. Oral.

Q. How old are you?

A. Oral.

The following was just posted on the Postnet Forum of the *St. Louis Post-Dispatch*:

\* 99% of lawyers give the rest a bad name.

\* 50% of all lawyers graduated in the lower half of their class.

\* 50% of lawyers lose their suits.

True stories:

Police in Oakland, California spent two hours attempting to subdue a gunman who'd barricaded himself inside his home. After firing ten tear gas canisters, officers discovered that the man was standing beside them,

shouting please come out and give himself up.

In Ohio, an unidentified man in his late twenties walked into a police station with a 9-inch wire protruding from his forehead and calmly asked officers to give him an X-ray to help him find his brain, which he claimed had been stolen. Police were shocked to learn that the man had drilled a 6-inch deep hole in his skull with a Black & Decker power drill and had stuck the wire in to try and find the missing brain.

In Medford, Oregon, a 27-year-old jobless man with an MBA blamed his college degree for murdering three people. "There are too many business grads out there," he said. "If I had chosen another field, all this may not have happened."

Police in Los Angeles had good luck with a robbery suspect who just couldn't control himself during a lineup. When detectives asked each man in the lineup to repeat the words, "Give me all your money or I'll shoot," the man shouted, "*That's not what I said!*"

A bank robber in Virginia Beach got a nasty surprise when a dye pack designed to mark stolen money exploded in his Fruit-of-the-Looms. The robber apparently stuffed the loot down the

front of his pants as he was running out the door. According to a police spokesman, "He was seen hopping and jumping around with an explosion taking place inside his pants." Police have the man's charred trousers in custody.

A man spoke frantically into the phone, "My wife is pregnant and her contractions are only two minutes apart!"

"Is this her first child?" the doctor asked.

"No, you idiot!" the man shouted, "this is her *husband!*"

In Modesto, CA, Steven Richard King was arrested for trying to hold up a Bank of America branch without a weapon. King used a thumb and a finger to simulate a gun, but unfortunately, he failed to keep his hand in his pocket.

Yesterday scientists revealed that beer contains small traces of female hormones. To prove their theory, the scientists fed 100 men 12 pints of beer and observed that 100% of them gained weight, talked excessively without making sense, became emotional, couldn't drive, couldn't think, and refused to apologize when wrong.

No further testing is planned.

Why do they have Interstate Highways in Hawaii? ■



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