

Users are able to exchange currencies (yen and dollars) in amounts of their choice for gold at the e-gold site (for which e-gold as a company charges a commission based on the prevailing rate of exchange). These deals are depicted on-screen as virtual exchange transactions. Presumably clients then make purchases at other sites, which they pay for using their own gold accounts. Who knows -they might even use the gold to pay their gas bills. The role of e-gold is to carry out clients' instructions for the requisite account transfers and reverse exchanges from gold into dollars or yen.

Jackson describes the instant in which customers acquire gold on-screen as a moment in which they are liberated from State-issued currencies whose values are constantly vulnerable to the threat of policy immoderation. What people acquire when they purchase gold is mankind's most trusted substance as a living currency. What is more, this gold possesses the attributes of the virtual world, so that whereas gold in the form of coins or bullion bars cannot be broken down and used in discretionary amounts, such usage is possible in the virtual setting. This could well be the first time ever that gold has acquired practical usefulness in minute settlement. As part of my investigations for this article I set up my own experimental account, and I now own 2.639774g of gold, which I bought for 2,567 yen.

Behind the scenes, a doctor-lawyer partnership is involved in purchasing gold in the real world, and in running a related custody business. The volume of gold in their care currently stands at 232 kilogrammes, and they also have 2.4 tonnes of silver. The metals themselves are held in Zurich and Basle in Switzerland, where different Canadian financial institutions are named as the respective repositories. The gold that actually makes this new means of settlement possible is purchased by a third party after customers place their orders.

If anything went wrong, this business could be very vulnerable to fraud of a complicated nature, and so it is essential to win trust. The business has clearly been successful from this angle as, according to Jackson, the equivalent of 300 million dollars in gold (or silver or other precious metals) is currently in circulation as e-gold. This figure is much higher than that attained by previous US ventures such as DigiCash, which

did not manage to break through the 100,000 dollar mark.

Even so, if it were all to end here, Jackson and Downey would not have achieved anything that their concept envisages. All that e-gold constitutes is the exchange of clients' money for gold at a particular rate. The service cannot of itself create a currency.

This is where DigiGold comes in. The essence of this set-up is that the issuer (the DigiGold company) has a balance sheet containing the DigiGold currency in the right-hand liability column. Thus a bank of issue is born.

On the asset side of the balance sheet, at least 25% of the volume of DigiGold in circulation is always kept in e-gold (i.e., nominal gold or silver), while the remainder is made up of short-term certificates of indebtedness issued by national governments (i.e., US Treasury Bonds and their equivalents). Below this is a bank (naturally an Internet operator) which uses DigiGold to fund loans and take deposits (in order to establish credit). There is little material difference between what DigiGold does and the functions of a central bank. Furthermore, this is a central bank with generous gold reserves (In the balance of notes at the Bank of Japan the gold ratio stands as 0.7 to 100), and one with a superb asset make-up featuring the securities of its choice.

Naturally, DigiGold has been designed as a currency that guarantees anonymity in circulation. The question of where DigiGold is going in its ultimate development is probably too much of a speculation and may be best left unasked, yet there is probably no harm in saying that of all the ideas for digital money that have been mooted so far, this one poses the greatest threat to those on the ground with currency issuing rights.

A beta version of the wallet-replacement software that holds DigiGold in consumers' computer is currently being developed. Meanwhile, DigiGold is starting to circulate in amounts worth 2 kilogrammes of gold. In answer to the question of how management at DigiGold the company plans to ensure profitability from here on, probably the most important point to consider is the fact that this 'currency' provides its issuer with an interest-free means of raising funds. End