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BANK NOTES is a quarterly newsletter published by Infinite Banking Concepts
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VERY SPECIAL THANKS to TONY WALKER of Bowling Green, KY for putting together three groups of his clients and prospects for seminars in his hometown on September 6 and 7. What an outstanding job he did! It was a privilege to meet all of them. There should be some good results from that activity.

And just a few days later I went to San Diego, CA for a group of agents that were assembled through the efforts of **LEE LOPEZ** on the 10th and 11th. Lee and his assistant, Gloria, did a great job, too, in making all the arrangements for the seminar. Thanks, Lee and Gloria. Lee is my idea of the perfect gentleman.

Unfortunately, we all will remember the 11th -- what a tragic day! I'm sure that was the furthest thing from all our minds earlier that morning. Of course, all flights were cancelled and there was the problem of getting back to Birmingham, AL. To my rescue came the good graces of **MIKE WOOD**, who took me up to Long Beach and arranged for me to stay at the home of his mother until I could arrange a flight out on the 14th. Mike even got up at 4:00 a.m. to take me to LAX airport to catch my flight. After arriving at the parking lot it took one hour of standing in line to get the shuttle to the terminal -- then two more hours of lines to see a ticket agent and check baggage. No flights were available to Birmingham and the best I could do was catch one to Nashville, TN. It was supposed to take off at 9:00 a.m. but no complete flight crew was available. We finally took off at 1:00 p.m. My wife had to drive to Nashville to pick me up and we finally arrived home at 11:30 p.m. What a week!

The following week my wife accompanied me to Sun Valley, ID to do a seminar for clients of **ALBERTO URANGA**. What a beautiful place! We thoroughly enjoyed the hospitality of Alberto and the opportunity to meet his clients -- and his assistant, Karen. We also had the opportunity of dining with **KEN ASHCOM** and his wife, who live in the same village.

Then, it was on to Salt Lake City where we stayed at the marvelous **BLUE BOAR INN** in Midway, UT operated by Jay and Sandy Niederhauser. They are the parents of the wife of **MIKE SINGER** (of the Detroit area). If you are ever in that area -- this is the place to stay!! The area is known as Soldier Hollow and will be one of the primary sites for the upcoming Winter Olympics, February 2002. Thirty percent of the medals to be awarded will be earned at this site.

OCTOBER 1ST was the first anniversary of my book, **BECOMING YOUR OWN BANKER**. 10,050 copies were sold in the first year of its existence -- I have so many people to thank for the success of it. I'm truly amazed at what is happening. Truly, "my cup runneth over." To give you an idea of it just look at the three letters that follow:

WHAT OTHERS ARE SAYING --

Dear Nelson,

I received your book today at 6pm, and it's now midnight and I just finished it. The epiphany came on page 54 during the truck example. I'm now a born-again banker and am delighted to have discovered all this through the help of you via Kim Butler via Robert Kiyosaki.

I'm 24 and after selling my internet company last year, I'm moving to the States from Australia as a consultant and now soon-to-be banker. The concepts are 180 degrees from what I would have expected a few years ago.

Thank you very much for your book and I hope that I can return the good fortune to you in the future.

Regards,

Lincoln Gasking

Mr Nash,

My name is Greg Noerr and I'm a 32 year old truckdriver from Mooresville, IN. I've been driving for almost 10 years and saving for my retirement for only 5 years. A friend, Bruce J Maginn of The Financial Resource Group of Indiana, gave me a copy of your book. I lost a nights' sleep because of that book.

On a recent night, I had gone to bed and couldn't sleep. I just wasn't tired. My usual remedy is to read a couple of chapters from some textbook. That worked in High School and still does today. Unfortunately/Fortunately the book I choose that night was "Becoming Your Own Banker - The Infinite Banking Concept." It was too good to put down. I read the whole book. I was excited that I had already started a policy and finally understood what that policy was about and how I could benefit from it. I was also kicking myself, that I didn't have this information years ago. If I had only known when I first started driving, my net worth would be four to five times larger and I could look forward to an early retirement.

The next morning, still awake, I put in 10 hours of driving. I drank more coffee that afternoon than I usually drink all week long. I've recently placed an order for 20 more copies of your book. I'm going to share them with the many people I care about. I'm confident that I'll

have more than enough when I retire and I'm happy that my beneficiaries will be well taken care of in the future. In fact, my beneficiaries will receive a copy of your book as well.

I'm very glad that you came up with the Infinite Banking Concept and I am extremely glad that you wrote this book.

Thank you very much!

Gregory E. Noerr

Dear Mr. Nash:

I read the book "Becoming Your Own Banker – The infinite Banking Concept" two days after I received it. It was so interesting that I could not put it down until I finished it. I have never done that with a book before. I just want to say thanks for your insights and knowledge that you have shared. I plan to use the concepts immediately. **Kim Butler** from the **Partners for Prosperity** group will help me set up real systems to become my own banker. That is definitely an infinite banking concept.

I would like to order a case of 10 books to spread the word about this interesting concept. I have enclosed a check for \$85.00 along with a \$17.00 check for the initial book. Also, I have enclosed a **prepaid** self-addressed Airborne Express label.

Sincerely,
Tony Braddock

These three men are not in the life insurance business but, as you can see, they are enthused about sharing the message of the book with others. This ought to tell us all something!

If you are wealthy you can be prodigal for a longer time than if you are poor – but, eventually, prodigality will catch up with you and you will end up "slopping hogs."

----- Paul Cleveland, PhD, Birmingham, Southern College

Tentative efforts lead to tentative outcomes. Therefore give yourself fully to your endeavors. Decide to build your character through excellent actions and determine to pay the price of a worthy goal.

----- Epictetus, Roman Teacher and Philosopher, A.D. 55-135

The Federal Reserve Has Destroyed the Meaning of Saving

by [Eric Englund](#)

For those who understand the dangers of central banking, it should not come as a surprise that the Federal Reserve's systematic debasement of the dollar has also led to the debasement of our language (in this case, the very meaning of saving). In turn, the debasement of our language has led to dangerous financial behavior on the part of the common man. What is at risk here is more than our savings and capital formation. Nothing less than liberty is at stake here. Let me explain.

In a free-market society (which would include a 100% gold dollar), a natural tendency would be for the prices of goods and services to decrease over time. The beauty of a gold dollar is that, conversely, its purchasing power would increase over time. Therefore, setting aside part of one's money income (as savings) would be an attractive proposition for two key reasons. First, as mentioned above, the purchasing power of money would increase over time, thus rewarding savings. Secondly, a bank would pay the saver interest which is an additional reward for saving. Clearly, having a 100% gold dollar would provide an economic environment conducive to saving.

Since the establishment of the Federal Reserve, in 1913, the U.S. dollar has lost over 95% of its purchasing power. Hence, it is not surprising that the Federal Reserve's reckless inflation has led to the common man's expectation for the dollar to lose value over time. As the Federal Reserve intensifies the rate at which it creates money out of thin air, the common man's behavior (in the sphere of personal finance) tends to change for the worse. He is led to speculate in response to a constantly depreciating currency.

With the expectation for money to lose value over time, there is a tendency for people to seek higher rates of return than offered by passbook savings accounts, certificates of deposit, and other savings vehicles. During particularly acute periods of money creation by the Federal Reserve (in the 1920s and the 1990s for example), the common man turned to the stock market in search of higher rates of return. However, it is clear that the common man does *not* understand that his behavior had changed from being a saver to becoming a speculator. Herein lies the key as to how the debasement of our currency has led to the debasement of our language (i.e. eliminating the word "speculation" from Wall Street's vernacular and ultimately replacing it with "saving").

As a quick aside, it is crucial to understand that investing is spending, and thus the opposite of saving. Therefore, speculating falls into the category of spending as well (perhaps reckless spending would be a better description).

The corruption of what it means to save occurred incrementally. The first step was to eliminate the distinction between "investment" and "speculation" in common stocks. In Benjamin Graham and David L. Dodd's classic textbook *Security Analysis*, the authors

point out that: "An investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative." Most Americans are economically illiterate (thanks largely to public schools) and most certainly cannot perform basic security analysis such as reading (and understanding) a company's balance sheet and income statement (which a true investor should be able to do). However, Wall Street knows that people do not want to be called speculators even though most individual investors really are. On this point, Benjamin Graham stated (in his wonderful book *The Intelligent Investor*): "...in the very easy language of Wall Street, everyone who buys or sells a security has become an investor regardless of what he buys, or for what purpose, or at what price, or whether for cash or on margin." Indeed, Benjamin Graham was on to something here. The corruption of our language can lead to reckless behavior on the part of the common man (i.e. speculating in the name of investing). In the same book, Mr. Graham conveyed the following warning: "The distinction between investment and speculation has always been a useful one and its disappearance is a cause for concern. We have often said that Wall Street as an institution would be well advised to reinstate this distinction and to emphasize it in all its dealings with the public. Otherwise the stock exchanges may some day be blamed for heavy losses, which those who suffered them had not been properly warned against." Unfortunately for Wall Street and the ill-educated common man, Graham and Dodd's wise words have fallen upon deaf ears.

With the advent of the Individual Retirement Account (IRA), the 401K, the Keogh Plan, and Thrift Incentive Plans, came a further corruption of our language. All of these aforementioned investment (speculation) vehicles have been broadly mislabeled as retirement *savings* accounts. In talking to acquaintances, colleagues, friends, and family, it is disturbing to consistently find that people think that simply putting aside a portion of current income, to purchase common stocks and mutual funds (for a retirement savings account), is the same thing as saving. I know individuals who have purchased high-tech mutual funds, aggressive growth funds (and specific stocks such as Amazon.com and Cisco Systems) for their retirement savings accounts. To a person, each one believed that foregoing current consumption to speculate (by Graham and Dodd's accurate definition) was equivalent to saving. Heck, the meaning of saving has been so debased that some people even believe that paying down mortgage debt is a form of saving. Indeed, Wall Street and its federal watchdog (the Securities and Exchange Commission) absolutely refuse to use the word speculation in its proper context. Instead, we now call speculation "saving". Thus, the debasement of the incredibly important word (saving) has become complete (save for the adherents of Austrian economics).

How did the problem of speculation, in internet stocks, tech stocks, and other common stocks, reach such massive proportions? We do know that the Federal Reserve created massive amounts of money after the Long Term Capital Management fiasco (in 1998), and inflated further (in early 1999) in anticipation of a Y2K disaster (thus providing the liquidity for rampant stock speculation). Moreover, as should be clear by now, the meaning of the word saving has been corrupted to the point that sheer speculation has become the path to safety, comfort, and personal welfare in the present, and in one's retirement years. So, once again, how has the problem of *speculation*, in common stocks,

occurred on such a massive scale? Ludwig von Mises provides an answer in his magnum opus *Human Action*. He states (on page 46 of *The Scholar's Edition*):

Common man does not speculate about the great problems. With regard to them he relies upon other people's authority, he behaves as "every decent fellow must behave," he is like a sheep in the herd. It is precisely this intellectual inertia that characterizes a man as a common man. Yet the common man does choose. He chooses to adopt traditional patterns or patterns adopted by other people because he is convinced that this procedure is best fitted to achieve his own welfare. And he is ready to change his ideology and consequently his mode of action whenever he becomes convinced that this would better serve his own interests.

Undoubtedly, millions of Americans followed the herd into the stock market seeking the "selfish" interest of financial security (convinced that his money was safe as long as he was in the stock market for the long term). The common man has been duped, by our corrupted language, into speculating in the name of saving. Indeed, an economic environment, dominated by an ever-depreciating currency (thanks to the Federal Reserve), can lead to the corruption of our language and to risky financial behavior on the part of the common man.

With the economy clearly weakening and the fiat money, jet-fuelled ride on the stock market plummeting back to earth, Americans are becoming quite concerned about their "savings". To quell these concerns, brokers (such as Charles Schwab) are running ad campaigns to soothe brokerage customers' nerves with the irresponsible platitude that your money is *safe*, in the stock market, as long as you are in it for the long term (sound familiar?). Just relax, Alan Greenspan's seven interest rate cuts in 2001 will come to the rescue. All will be well.

As the three major stock indices (the Dow Jones Industrials, the S&P 500, and the NASDAQ) regress back to their respective means, much further financial pain lies ahead for Americans. With such pain inevitably comes calls for government action. Perhaps the Federal Reserve will incrementally cut short-term interest rates to 0% (just look at Japan). Perhaps large brokerage houses will have to be bailed out at taxpayer expense (does this smell like a justification for tax hikes?). In the event the economy busts into a deep depression, be assured that another "new deal" type of scheme will be hatched in Washington, D.C. All of this will come at the expense of further eroding our liberty.

So here is a quick summary. In the pernicious economic environment created by the Federal Reserve's continuous debasement of our money, it is clear that a simple, yet crucial, word such as "saving" can literally lose its meaning. In turn, it is apparent that Americans have speculated in the name of saving. This can only lead to economic disaster, more government intervention, and eventually, loss of liberty.

F.A. Hayek understood the extreme danger of corrupting our language. In *The Fatal Conceit: The Errors of Socialism*, Hayek dedicated an entire chapter (titled "Our Poisoned Language") to this topic. He opened this chapter with a chilling quote from

Confucius: "When words lose their meaning people will lose their liberty." Debasing the very meaning of saving may prove to be a crippling blow to our free-market society and, thus, our liberty. For this we can lay the blame at the doorstep of the Federal Reserve and its inflationary policies.

September 7, 2001

Eric Englund [[send him mail](#)], who has an MBA from Boise State University, is a surety bond underwriter in Bellevue, WA.

Eric's message is so very important! I hope that you will read it as many times as it takes to get it firmly implanted into your mind. Thanks, Eric!

If one pays the minimum required payment on a credit card each month until the debt is fully amortized, it will take over 30 years to do so!

Of course, when the stock market opened on September 17 all the indices went down because, as P.J. O'Rourke says in his book, Eat The Rich, "When we own any 'financial instrument,' what we basically own is an opinion."

The cash values of my life insurance policies went up that day, and the day before, and the day before that. What's more, they will go up again tomorrow. I can count on it -- it is not an opinion.

September 11, 2001: The Day the Crisis Arrived?

by [Steven Yates](#)

1.

With Tuesday's nightmarish scenes of the crumbling towers of the World Trade Center and the burned-out section of the Pentagon still fresh in our minds, it might be useful to revisit a book that created a stir when it first appeared in January of 1997: *The Fourth Turning: An American Prophecy*, by historians William Strauss and Neil Howe. Strauss and Howe did not predict anything as specific as an assault on the World Trade Center and the Pentagon. But they did predict that *something* shocking would happen to this country early in the 2000 decade, and the result would be a seismic shift in the country's overall mood.

The Fourth Turning offers a cyclical account of U.S. history. As a theory of history, it isn't perfect, and would never satisfy those who need exactitude. But it is worth

pondering. Strauss and Howe make use of the indisputable fact that our history has been punctuated by crisis-precipitating events that occurred an average of just over 70 years apart. A period of crisis followed each event, and the country emerged changed. In 1787, a group of men convened in Philadelphia to revise the Articles of Confederation. They emerged from behind closed doors with a different document: the Constitution of the United States of America. A battle ensued over the acceptability of the new document, with battle lines drawn between the so-called Federalists who favored ratification (James Madison, John Jay, and so on) and the so-called Antifederalists who believed the new Constitution gave the federal government it created too much power (Richard Henry Lee, for example, or cohorts such as George Mason). Out of that battle emerged our Bill of Rights.

Fast-forward to December of 1860. That was the month and year South Carolina signed its Ordinance of Secession. Early in 1861 – several other Southern states followed South Carolina out of the Union and established the Confederate States of America. This triggered the next major crisis – regardless of what we believe caused the devastating war that followed, or who was right. Note the number years elapsed: 73.

Fast-forward again. In October of 1929, the bottom fell out of the stock market. The effects immediately snowballed, and several economies were traumatized. There were cases of people losing everything and committing suicide. The whirlwind of exuberance that characterized the 1920s was shattered. The stage was set for the Great Depression and, eventually, the Second World War. Again, the country was transformed. As before, we are not here discussing who did what to whom, or who was responsible; we are only observing the time span: 69 years.

The number of years between the stock market crash to September 11, 2001: roughly six weeks shy of 72. Do the arithmetic. Either this is an amazing coincidence or it reflects a pattern, or system.

2.

According to William Strauss and Neil Howe, each of the cycles of history is divided into four smaller units called *turnings*, each turning lasting anywhere from a dozen or so to 20 years and each characterized by its own distinct mood. Transitions from one turning to the next can be propelled by a nasty jolt, or a turning can yield to its successor smoothly and almost unnoticed as old preoccupations grow stale and are replaced by new ones. The first turning in any new cycle is a High. The second turning is called an Awakening. The third, an Unraveling. Crises are actually the fourth turning – from which *The Fourth Turning* derives its name.

Highs begin when the country achieves a given self-definition. According to Strauss and Howe, they are periods of strong institutions, identification with them by individuals, respect for the "tried and true," and cultural optimism. They offer the period 1947-1963 as exemplifying our most recent High. Awakenings begin when something occurs to call the institutions and values into question. Our most recent Awakening no doubt began

with the assassination of President John F. Kennedy. There can be no doubt that this event jolted the national consciousness. It is amazing how many people can remember where they were and what they were doing when they received word that the President of the United States had been shot (including myself even though I was only six years old). This sense of shock transcended party loyalty; one did not have to agree with Kennedy's policies to have sensed that the country had been changed overnight. If the mood of a High is shattered, however, its cultural optimism tends to be carried over and recast in the form of various sorts of extreme idealism, even Utopianism. Consider the period that began in 1964 and probably ended in the early 1980s. It featured civil rights activism, feminism, environmentalism and so on. These movements challenged the dominant institutions and values of society, but presumed an unbridled optimism about human nature that held out hope for transforming every institution in society.

An Unraveling begins when not just the old institutions but the new movements run out of steam. The utopias have not materialized; people have grown cynical and indifferent, and optimism is replaced either by pessimism or escapism. Many people saw in the Reagan era a resurgence of national honor and a repudiation of the excesses of the late 1960s and 1970s. The problem was, the resurgence was more cosmetic than substantive; it was more exemplified in movies such as *Rambo* than in substantive national achievement. While the economy arguably improved and Soviet Communism disintegrated, our culture also deteriorated. The excesses of the two previous decades merely went underground, and would reappear with a vengeance during the 1990s. Movements that begin during an Awakening display their darkest tendencies during an Unraveling (the transformation of civil rights and feminism into identity-politics, political correctness and thought control). Awakenings may yield important and useful ideas and movements – for example, the Libertarian Party started during 1973. It is, in this view, the product of an Awakening. But during an Unraveling, the best of such movements may seem to lose their momentum, their concepts of rights translating (at least for some adherents) into I-have-a-right-to-do-as-I-please, a notion more likely to yield chaos than freedom. A stale cynicism and latent hostility permeates the culture.

Bill Clinton was the perfect person to preside over an Unraveling. Here was a man driven by the need for power and recognition, his primary concern being his "place in history." He will be remembered for his lust for female staffers, his cynical manipulations of the military (e.g., bombing Sudan to remove attention from Monica Lewinsky's testimony) and his tortured rationalizations ("It depends on what the meaning of 'is' is."). His unholy Regime deepened public cynicism and helped propel the country ever deeper into a materialism as vulnerable to Fed-manufactured booms as it was complacent about its ability to control the entire world.

Finally, according to Strauss and Howe, an Unraveling ends with a bang: that is, with an event that sends shock waves through the entire country – and, perhaps, the entire world. The mood shifts into Crisis mode. During that Crisis, old preoccupations are suddenly irrelevant, and new alliances formed. As the Crisis progresses, it may be punctured by additional shocks, e.g., the attack on Pearl Harbor which we now know the tyrant Roosevelt knew was coming. But we also see acts of tremendous heroism (e.g., in World

War II). Crises, unlike the other four turnings, may at points seem to challenge the very survival of the country. When they end, the country has a new conception of itself – for better or for worse.

3.

Three additional points are worth making. First, it should be clear that we are discussing tendencies here, not absolutes that apply to every person or institution. Turnings are actually very complex, and generate subcultures of their own. There were Beatniks during the 1950s and Young Republicans during the late 1960s and 1970s. But both were essentially outsider groups; they did not define or dominate the mood of the period. Arguably, William Whyte's *The Organization Man* did more to spell out the former era's philosophy of life than Jack Kerouac's *On the Road*. Hippies and rock and roll defined and dominated our most previous Awakening. Genuine conservatives (which manifestly did *not* include Richard Nixon) all but disappeared; those whose thinking hearkened back to the "happy days" that preceded the Kennedy assassination were simply ignored. Finally, politicians like Clinton and Janet Reno will forever be associated with the 1990s; the so-called Christian Right slowly fell apart.

Second point: this cyclical tendency is not unique to our own history or times. Strauss and Howe believe they have traced the cycles and turnings of history all the way back to the 1400s. They offer the details in pp. 123-38 of their book in the form of a chart. They do not dwell overly on the cycles and turnings that precede modern history, because although it constitutes supporting evidence for their vision none of the events involved help make their argument – and warning – relevant today.

Third and final point: no turning is either all good or all bad. Consider Unravelings. The term has a negative connotation, but the systemic "unfreezing" that occurs during an Unraveling allows for innovations of all kinds, the most important being technological. The Unraveling that began around 1914 and ended in 1929 gave us the automobile. Our own period has given us the Internet and the World Wide Web. News and commentary sites on the Web have proven to be the most formidable means of countering the power-hunger and stale cynicism of the Clintonistas and other statist. On the other hand, of course, the past several years have arguably achieved new heights (or depths) of materialism. *Academe* has disintegrated into a collective orgy of political correctness, and getting ideas related to this country's founding principles have often seemed like pulling teeth. While there are signs of religious revival, and while a number of Christians have remained somewhat visible critics of the Clinton-era status quo, by and large our society 1984-2001 was driven by secular preoccupations: technology, the economy, and special-interest political agendas.

4.

The Fourth Turning predicted at the beginning of 1997 that something would happen in the then-near future that would send shock waves through the country. I recall thinking, as I watched the horrifying events unfold on television Tuesday morning, that now might

be a good time to dig this book out. A couple of people who knew of my interest in it patted me on the back, telling me I had been right.

Actually, I would prefer not to have been right. Strauss and Howe have a vision of history that is disturbingly fatalistic, suggesting that because of broad tendencies there might have been little we could have done to prevent what happened on September 11, 2001. Their theory incorporates a kind of generation-based sociology holding that different turnings produce different kinds of generations. A Hero generation is born during an Unraveling and comes of age during a Crisis. Those who fought and won World War II are certainly candidates for Heroes in this sense. A Silent generation is born during a Crisis and matures during a High. Think again of the "organization man," the "man in the gray flannel suit" who existed in the shadows of the Heroes. A Prophet generation is born during a High and comes of age during an Awakening. Think of the hippies, rock stars, civil rights activists – and also the founders of the modern Libertarian Party. The Prophets – Baby Boomers – are indeed a diverse lot, but all shared a vision that the world to come could be better than the world that was. And finally, a Nomad generation is born during an Awakening and comes of age during an Unraveling. Nomads tend to find their own self-definitions, whether it be trying to found a high-tech software company or joining the goth subculture. While many are very creative, others have no goals or larger vision of society and find themselves simply drifting through life. A few embrace violent and nihilistic philosophies; the result is a Columbine massacre.

How do these differences emerge? Each generation, according to the Strauss and Howe, is shaped in large part by the times in which it grows up – and by the attitudes of its parent generation. The Heroes, having come of age during the Depression and then being sent off the fight in World War II, had a sense of the precariousness of human life. Freedom and prosperity were not givens; they were not entitlements but had to be earned through specific courses of action. Even though they never read Mises, the Heroes absorbed enough basic economics by living in the world as it is to be able to craft the society of the 1950s.

However, they also tended to overprotect and spoil their children: the Prophets – or Baby Boomers. The latter grew up with a sense of entitlement instead of precariousness – a dangerous mindset, if we want a generation capable of maintaining a free society. The Prophets, because of their nonchalance about life's precariousness, began to *underprotect* their own offspring, the Nomads – today's "Generation X." Having grown up without firm rules, many of the latter have remained single or treated marriage as merely one "lifestyle choice" among many – hence the breakdown of the family and the sense of many youth that they are on their own. Again, these are tendencies and do not describe everyone; there are many strong, stable families out there.

Now, of course, many of today's Nomads have children of their own, and the oldest of those children are starting to come of age. The children of Nomads become Heroes. This is indeed an important generation. Strauss and Howe predict that those who began to be born around 1984 and whose leading edge is now moving through the high schools of the country, will have to shoulder the enormous responsibility of pulling the country through

the next Crisis – as did the Heroes who fought and won World War II. Their latest book addresses *Millennials Rising: The Next Great Generation*.

5.

Let us attempt to apply all this. We have said that *The Fourth Turning* predicted that something like the attack on the World Trade Center towers and the Pentagon was going to happen. Our most recent Unraveling included the irrational foreign policy of the past two presidential administrations and helped create the conditions for the attacks by fomenting resentment against this country. Our materialism, our "liberated" attitudes about women (for example), combined with U.S. economic prowess and military might, also add up to a perceived threat to an Islamic fundamentalist culture. This helps explain why the Iranians who ousted the Shah of Iran back in 1980 called our society the "Great Satan." People fear and tend to demonize what they do not understand.

This does not, of course, justify the horrible attacks that occurred last Tuesday, and it does not mean that some kind of response isn't called for. But any response by our fearless leaders had better be thought through very carefully, because actions have consequences and matters could end up being made worse. We have an enemy that manifestly does not think like we do or wage war according to our rules. We have fought and won wars on open battlefields, but missiles and armies are ineffective against guerrillas and underground cells such as those directed by Bin Laden who provide no clean targets to hit. So what can we do? One thing we should do immediately is abandon interventionism as a foreign policy. The means no longer attempting to force "democracy" and "Western values" (often those of secularism and materialism) on peoples who don't want them. It means resurrecting George Washington's warning against "foreign entanglements." We should also do more to protect our borders. We need to realize that our individualism has been both our strength and our weakness. We alone as individuals can (up to a point) define ourselves and find our own way, whether as entrepreneurs or as philosophers (or both). This has unleashed the greatest prosperity the world has even seen. But because of it we (especially American whites) lack the kind of ethnic identity that characterizes most other groups in the rest of the world. We alone see ourselves primarily as individuals without realizing that most of the rest of the world does not look at people this way. This makes us vulnerable, because by treating people as individuals we have made it easy for those who wish us harm to gain access to our soil. This simply has to stop. I believe we will have no choice in the upcoming months except to engage in what liberals call discrimination. We need to say it: no one who wasn't born here is *entitled* to be here. This calls for protecting our borders, instead of opening them to people who not only know nothing of individualism and Constitutionally-based republican values but might wish us harm. Other peoples of the world will likely have to discover a Constitutionally-based republican form of government for themselves, or not at all. The United States simply cannot carry them on its back; and even if it could, if indigenous peoples do not want our help then our efforts will only generate resentment and hatred.

6.

There is a still more ominous warning embodied in *The Fourth Turning*, and Strauss and Howe seem not to have noticed it: during each previous Crisis period, the central government increased in power. The federal government created by the U.S. Constitution was larger and more centralized than that of the Articles of Confederation, and this was what bothered the Antifederalists. Then, as Jeffery Rogers Hummel was able to show in great detail in his masterful *Emancipating Slaves, Enslaving Free Men*, what emerged after 1865 was more a powerful state than had existed in 1860. It was vulnerable to forces already at work that would serve up still more centralization, in the form of a central bank, the IRS, etc. No one seriously doubts, finally, that the Crash of 1929 set the stage for the rise of the welfare state under Franklin Delano Roosevelt. Roosevelt's policies were those of a Crisis.

Crisis-precipitating events are fundamentally destabilizing. Instability is easy to exploit. What truly jolting events do, in the hands of politicians and master-manipulators both behind the scenes and in the mass media, is create a sense of panic in the minds of the public that can be assuaged only if "we all pull together and trust our leaders." We are already seeing this in the sudden outbursts of patriotism visible everywhere, with people putting American flags on their cars, wearing them on their lapels at work, etc. Everywhere, though, too, one hears renewed concerns for public safety. This makes us ever more vulnerable to those who would take away what remains of our liberties. A number of polls all show that the majority of the public will sacrifice personal freedoms in order to feel safer! Therefore, there is now a danger that the American public might serve itself up on a silver platter to a New World Order regime that would emerge at some point in the ensuing Crisis, leaving us in the hands of a full-fledged police state. This regime would be a *de facto* dictatorship of superelites that might even be identified with by the majority of people when it arrived! The next High would be far less free than any of its predecessors. Unfortunately, all too many people prefer safety to freedom, and they trust the government more than they should.

The country's shifting into a Crisis mode will doubtless propel enormous changes. These changes will be as difficult to predict as any historical specifics. They might propel a revival of religious conviction, as opposed to the materialism that has characterized the most recent decade; this might lead to a long-term trend toward private, Christian education and against failed "public schools." The changes might also vault into prominence movements that have been dismissed out of hand in the "mainstream," such as those favoring the secession of various states or groups of states from the central government in Washington, that government's blunders having had a hand in precipitating the Crisis. Crises are periods of great danger and destabilization. No doubt the question will soon be floated: could the federal government and the international superelites have known in advance that an assault somewhere on U.S. soil was coming, in a manner similar to Roosevelt's having known in advance about Pearl Harbor. Is there a behind-the-scenes effort underway to foment a major war in the Middle East, with the full cooperation of Washington elites? Wars, after all, help elites consolidate power. Time, hopefully, will help answer such disturbing questions, and if the answer is Yes, this could engender a sense that secession from the Washington government is our last, best hope for liberty.



Our current ace in the hole is that with this cognitive machinery about cycles, turnings, and their advantages as well as dangers, we have the potential to control the changes ahead instead of allowing them to control us. That would be an enormous and unprecedented achievement, because in this case, out of this Crisis could emerge for the first time in over 200 years the first new culture that is freer than its predecessors. That would be a High worth celebrating! But only if we are willing to do what is necessary to ensure it. This includes ensuring that we value liberty more than mere security, and agree to acknowledge the legitimacy only of a government that knows its place and recognizes that one of its legitimate functions is the protection of our borders.

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After reading Steven's article I remembered that the former USSR lasted a little over 70 years. And then, with further recollection, recall that the abominable idea of Social Security in America started in 1937. Add 70 years or so to that figure and this will be the time that reality will set in -- and it will all come apart. There is no way to *reform* that monster. There is no right way to do wrong! Socialism, no matter what sweet sounding name we give it, can never work.