The Infinite Banking Concept™
2957 Old Rocky Ridge Road, Birmingham, AL 35243
Nelson Nash, Founder

David Stearns, Editor
205-276-2977
1233 Branchwater Lane, Birmingham, AL 35216

Nelson Nash's live seminars for the next two months (The seminar sponsor or contact person is listed with phone and e-mail address in case you want to attend)

Thursday-Friday, March 5-6, Salem, OR - Tom McFie, 866-502-2777, Michele@Life-Benefits.com

Tuesday-Wednesday, March 10-11, Overland Park, KS - Levi Clock, 816-225-3715, lclock@kc.rr.com

Thursday-Friday, March 12-13, Austin, TX - Kirk Attwood at 512-563-9827, kirk@uniqueconomics.com

Thursday-Friday, March 19-20, Boerne, TX - Janet Sims, 830-331-9805, janet_sims@financialprocessgroup.com or Larry Holder 512-799-1464

Saturday, March 28, Las Vegas, NV - Joe Pantozzi, 702-430-4400, joe@aofswest.com

Friday-Saturday, April 3-4, Pittsburgh, PA - Leah Stussy, 866-316-5071, leahn@quixnet.net, or Tom Young, 724-728-6820, firedupt@comcast.net or Donn George, 724-452-0481, donn@georgefinancial.net

Thursday-Friday, April 9-10, Austin, TX - Paul McDonald 512-345-2734, paul@econwbs.com or Ben Waggoner 512-965-0391, tbwaggoner@gmail.com

Friday-Saturday, April 17-18, Honolulu, HI - Jennifer McTigue, 808-636-4199, jenn.mctigue@gmail.com

Here is a listing of Nelson's newly added Book Recommendations

Money, Bank Credit, and Economic Cycles by Jesus Huerto DeSoto

The Left, The Right, and The State by Lew Rockwell

The Strangest Secret by Earl Nightingale

Nelson's Favorite Quotes of the Month

"[T]he English regard and practice their religion only insofar as it relates to their duty as subjects of the king. They live as he lives and believe as he believes; indeed, they do everything he commands. ... [The English] would accept Mohammedanism or Judaism if the king believed it, and told them to believe it."- Giovanni Micheli, Venetian ambassador to England during the reign of Henry VIII

Trying to control tax shelters is like stepping on Jell-O. It just squeezes out between your toes and the mess is worse than when you began." - Anonymous Congressional Staff Member

I can't define tax evasion, but I know it when I see it." - Fred T. Goldberg, Jr.

The following articles are Nelson's favorite finds from the last month's reading

Financial Crisis: The Failure of Accounting Reform

Daily Article by Jesus Huerta de Soto | Posted on 2/4/2009

The years of "irrational exuberance" that have characterized the current economic cycle have culminated in a profound crisis in both the banking system and financial markets, a crisis that threatens to trigger an acute, global economic recession. A central feature of the recent period of artificial expansion was a gradual corruption, on the American continent as well as in Europe, of the traditional principles of accounting as practiced globally for centuries.

To be specific, acceptance of the International Accounting Standards (IAS) and their incorporation into law in different countries (in Spain via the new General Accounting Plan, in effect as of January 1, 2008) have meant the abandonment of the traditional principle of prudence and its replacement by the principle of fair value in the assessment of the value of balance-sheet assets, particularly financial assets.

In this abandonment of the traditional principle of prudence, a highly influential role has been played by stock brokers, analysts, investment banks (fortunately now on their way to extinction), and in general all parties interested in "inflating" book values in order to bring them closer to supposedly more "objective" stock-market values, which in the past rose continually in an economic process of financial euphoria.

In fact, during the years of the "speculative bubble," this process was characterized by a feedback loop: rising stock-market values were immediately entered into the books, and then such accounting entries were sought as justification for further artificial increases in the prices of assets listed on the stock market.

In this wild race to abandon traditional accounting principles and replace them with others more "in line with the times," it became common to evaluate companies based on unorthodox suppositions and purely subjective criteria that in the new standards replace the only truly objective criterion (that of historical cost). Now, the collapse of financial markets and economic agents' widespread loss of faith in banks and their accounting practices have revealed the serious error involved in yielding to the IAS and their abandonment of traditional accounting principles based on prudence, the error of indulging in the vices of "creative," fair-value accounting.

It is in this context that we must view the recent measures taken in the United States and the European Union to "soften" the impact of fair-value accounting for financial institutions. This is a step in the right direction, but it falls short and is taken for the wrong reasons.

Indeed, those in charge at financial institutions are attempting to "shut the barn door when the horse is bolting"; that is, when the dramatic fall in the value of "toxic" or "illiquid" assets has endangered the solvency of their institutions. However, these people were delighted with the new IAS during the preceding years of "irrational exuberance," in which increasing and excessive values in the stock and financial markets graced their balance sheets with staggering figures corresponding to their own profits and net worth, figures that in turn encouraged them to run risks with practically no thought of danger.

Hence, we see that the new standards act in a procyclic manner by heightening volatility and erroneously biasing business management: in times of prosperity, they create a false "wealth effect" that prompts people to take disproportionate risks; when, from one day to the next, the errors committed come to light, the loss in the value of assets immediately decapitalizes companies, which are obliged to sell assets and attempt to recapitalize at the worst moment, i.e., when assets are worth the least and financial markets dry up.

Clearly, accounting principles that, like those of the IAS, have proven so disturbing must be abandoned as soon as possible, and all of the accounting reforms recently enacted (specifically the Spanish one, which came into effect January 1) must be reversed. This is so not only because these reforms mean a dead end in a period of financial crisis and recession, but especially because it is vital that, in periods of prosperity, we stick to the principle of prudence in valuation — a principle that has shaped all accounting systems from the time of Luca Pacioli at the beginning of the 15th century to the adoption of the false idol of the IAS.

In short, the greatest error of the accounting reform recently introduced worldwide is that it scraps centuries of accounting experience and business management when it replaces the prudence principle, as the highest ranking among all traditional accounting principles, with the "fair-value" principle, which is simply the introduction of the volatile market value for an entire set of assets, particularly financial assets.

This Copernican turn is extremely harmful and threatens the very foundations of the market economy for several reasons.

First, to violate the traditional principle of prudence and require that accounting entries reflect market values is to provoke, depending upon the conditions of the economic cycle, an inflation of book values with surpluses that have not materialized and which, in many cases, may never materialize. The artificial "wealth effect" this can produce, especially during the boom phase of each economic cycle, leads to the allocation of paper (or merely temporary) profits, the acceptance of disproportionate risks, and, in short, the commission of systematic entrepreneurial errors and the consumption of the nation's capital to the detriment of its healthy productive structure and its capacity for long-term growth.

Second, we must emphasize that the purpose of accounting is not to reflect supposed "real" values (which in any case are subjective and which are determined and vary daily in the corresponding markets) under the pretext of attaining a (poorly understood) "accounting transparency." Instead, the purpose of accounting is to permit the prudent management of each company and to prevent capital consumption, by applying strict standards of accounting conservatism (based on the prudence principle and the recording of either historical cost or market value, *whichever is less*), standards that ensure at all times that distributable profits come from a safe surplus that can be distributed without in any way endangering the future viability and capitalization of the company.

Third, we must bear in mind that market value is not an objective value: in the market, there are no equilibrium prices that a third party can objectively determine. Quite the opposite is true; market values arise from subjective assessments and fluctuate sharply, and hence their use in accounting eliminates much of the clarity, certainty, and information balance sheets contained in the past. Today, balance sheets have become largely unintelligible and useless to economic agents.

Furthermore, the volatility inherent in market values, particularly over the economic cycle, robs accounting based on the "new principles" of much of its potential as a guide for action for company managers and leads them to systematically commit major errors in management. Moreover, if this state of affairs is serious for a financial institution, it is much more so for any of the small and medium-sized enterprises, which make up 90 percent of the industrial base.

Fourth, we must remember that the abolished accounting standards already stipulated that in the additional notes of the annual report, stockholders be informed as of a certain date of the market value of the largest assets; but this in no way affected the stability nor the traditional principles of prudence demanded by any accounting assessment of the different entries in the balance sheet. Furthermore, the accounting standards abolished were prudent and anticyclic, and they allowed for provisions to cover all sorts of contingencies, provisions sadly missing now.

Conclusion

Just as "war is too important to be left to the generals," accounting is too vital for the economy and everyone's finances to have been left to the experts, whether they be visionary professors, auditors eager to strengthen their position, analysts, (ex-)investment bankers, or any of the manifold international committees. All have been as arrogant in the defense of their false science as they have been ignorant of their role as mere sorcerer's apprentices playing with a fire that has been on the verge of provoking the most severe financial crisis to ravage the world since 1929.

Jesús Huerta de Soto, professor of economics at the

Complutense University of Madrid, is Spain's leading Austrian economist. As an author, translator, publisher, and teacher, he also ranks among the world's most active ambassadors for classical liberalism. He is the author of *Money, Bank Credit, and Economic Cycles*. Send him mail. See his article archives. You can subscribe to future articles by this author via this RSS feed. Comment on the blog.

Never Fear, the Feds are On the Case

By Bill Bonner

02/06/09 Paris, France We live in a world run by simpletons.

In this morning's paper is a front-page article describing how Japan "wasted trillions" on its various stimulus programs.

The International Herald Tribune:

"Japan's rural areas have been paved over and filled in with roads, dams, and other big infrastructure projects, the legacy of trillions of dollars spent to lift the economy from a severe downturn caused by the bursting of a real estate bubble in the late 1980s."

Public spending was so aggressive, it boosted Japan's government debt to 180% of GDP – more than two times the current U.S. level. But did all that cement buy Japan out of its slump?

You be the judge. Housing prices in Japan are now back down to where they were in 1975 – nearly 90% below the late-'80s peak. And stocks? The Nikkei index is back down to where it was a quarter century ago. Stocks sell for half their book value – and they're still considered too expensive for beaten-down, hyper-fearful Japanese investors. The downturn began in 1990. Over the following 19 years, it did more property damage than the Great Tokyo Fire of '23 and the Enola Gay combined, wiping out wealth equal to three times the country's GDP. This was despite interest rates at zero…and a heroic effort at Keynesian stimulation.

If America were to follow Japan's example, it would have to leave its interest rates near zero for the next decade…and add about $10 TRILLION to its public debt. And if it got the same results, you'll be able to sell your house in 2026 for the same price you paid in 1992.

But the simpletons have no other idea.

"In a nutshell," continues the IHT report, "Japan's experience suggests that infrastructure spending, while a blunt instrument, can help revive a developed economy, say many economists."

Are these, perhaps, the same economists who thought America's super-consumption, eternal-debt economy would never fail? The same economists who thought the bankers were providing a public service, by offering so many people so much credit…and then planting their debt bombs all over the planet? The same economists who forecast rising stock prices in 2008?

Probably.

The Dow gained 106 points yesterday. The dollar gained ground too – rising to $1.27 to the euro. And gold rose too…plus $12 to $914.

In the United States, jobs are being lost at the rate of 6 million per year. New jobless claims just rose to a 26-year high.

Little by little, the word "depression" is creeping into the press. Yesterday, GE's top man warned that the downturn could turn into a depression. And Britain's Prime Minister, Gordon Brown, let slip the d-word during a parliamentary session.

The TIMES of London reports:

"Gordon Brown appeared to acknowledge for the first time today that the world economy was heading for a 1930s-style 'depression'.

"Mr Brown stumbled slightly over his words at

Commons question time, just a week after admitting that Britain was facing a 'deep' recession.

"As the financial gloom deepens, he told the Tory leader David Cameron today: 'We should agree, as a world, on a monetary and fiscal stimulus that will take the world out of depression.'"

But not to worry…the simpletons are on the case. The price tag on Obama's emergency plan had risen to nearly $1 trillion last time we looked. The Senate bowed to global scorn and ridicule, taking out many of the "Buy America" provisions. Of course, they didn't do it as a matter of principle…they don't have principles. Instead, someone must have warned them that if Americans insist on "buying American" the Chinese might insist on "investing Chinese." And then the whole game would be up. The Ponzi scheme that is U.S. finance requires new money from foreigners in order to pay off the old money that foreigners put in last year and the year before.

The news this morning is that the senators burned the midnight oil…taking out the protectionism and putting in more boondoggles – including a $15,000 tax break for people who buy houses.

So, here at The Daily Reckoning, we have no worries. The feds are on the case. And they're going to spend, spend, spend…until daddy takes the T-bird away!

*** Wait a minute. The feds are on the case…but haven't they been on the case for the last 18 months…ever since Bear Stearns went broke? And wasn't Tim Geithner right there in the room when they decided to let Lehman Bros. go broke…while saving AIG?

Albert Einstein: "Never expect the people who caused a problem to solve it."

And aren't the feds' new plans to save the economy little different from their last plans? Bailouts, stimulus, tax breaks, new, looser credit…aren't these the same things that were used not only for the last 18 months…but in the Great Depression in the '30s…and in Japan in the '90s? Have they ever worked? Nope. Never.

Of course, there's a good reason they don't work. As we explained yesterday, you can't really buy your way out of a depression. Because the problem is deeper than that. The economy is not just taking a rest. It is dead. It needs to be restructured, not revived. And for that, the old structures must be destroyed. That's what Schumpeter's 'creative destruction' is meant to do. But the feds don't appreciate it. They talk "change," but the only change they want is for things to go back to the way they were. So, they're trying to stop the correction. And they're using every worn-out trick, every blunderbuss weapon and every claptrap theory they can think of. Bailout the banks…create a 'bad bank'…nationalize the banks…stop the foreclosures…send out checks…lower interest rates…build bridges to nowhere – they'll do it all. But it won't work. All these measures are designed to encourage consumption…in order to support the old structures. But more consumption is just what the economy doesn't need. It is in trouble because people have spent too much. Now, they have to cut back…and when they do, every enterprise, speculative investment, and household that depended on excess consumption is in trouble.

Ah yes, dear reader…that is where we are. In trouble. At the beginning of a depression. The old structures must be swept away to make way for new ones.

Change! Can it be stopped? Yes we can't!

"So, what's the solution?" asked a colleague this morning, after we explained why the stimulus programs cannot work.

"The solution to a depression is a depression," we replied.

*** Here's another idea that won't fly, abolish America's central bank, the Federal Reserve. From our old friend, Dr. Ron Paul:

"From the Great Depression, to the stagflation of the seventies, to the current economic crisis caused by the housing bubble, every economic downturn suffered by this country over the past century can be traced to Federal Reserve policy. The Fed has followed a consistent policy of flooding the economy with easy money, leading to a misallocation of resources and an artificial 'boom' followed by a recession or depression when the Fed-created bubble bursts.

"With a stable currency, American exporters will no longer be held hostage to an erratic monetary policy. Stabilizing the currency will also give Americans new incentives to save as they will no longer have to fear inflation eroding their savings. Those members concerned about increasing America's exports or the low rate of savings should be enthusiastic supporters of this legislation.

"Though the Federal Reserve policy harms the average American, it benefits those in a position to take advantage of the cycles in monetary policy. The main beneficiaries are those who receive access to artificially inflated money and/or credit before the inflationary effects of the policy impact the entire economy. Federal Reserve policies also benefit big spending politicians who use the inflated currency created by the Fed to hide the true costs of the welfare-warfare state. It is time for Congress to put the interests of the American people ahead of special interests and their own appetite for big government.

"Abolishing the Federal Reserve will allow Congress to reassert its constitutional authority over monetary policy. The United States Constitution grants to Congress the authority to coin money and regulate the value of the currency. The Constitution does not give Congress the authority to delegate control over monetary policy to a central bank. Furthermore, the Constitution certainly does not empower the federal government to erode the American standard of living via an inflationary monetary policy.

"In fact, Congress's constitutional mandate regarding monetary policy should only permit currency backed by stable commodities such as silver and gold to be used as legal tender. Therefore, abolishing the Federal Reserve and returning to a constitutional system will enable America to return to the type of monetary system envisioned by our nation's founders: one where the value of money is consistent because it is tied to a commodity such as gold. Such a monetary system is the basis of a true free-market economy.

"In conclusion, Mr. Speaker, I urge my colleagues to stand up for working Americans by putting an end to the manipulation of the money supply which erodes Americans' standard of living, enlarges big government, and enriches well-connected elites, by cosponsoring my legislation to abolish the Federal Reserve."

Enjoy your weekend,

Bill Bonner
The Daily Reckoning

This article was written by 16-year old Andy Safa after he attended our semi-annual Think Tank Symposium February 11 & 12. How I wish that a few life insurance agents and home office personnel could see this correlation with such clarity! - Nelson

The Economic Value of Ownership, Control and Property

By Andy Safa

This article is supposed to be about Whole Life Insurance, and for those that have eyes to see (!?), it is! However, before discussing the product, the process and philosophy must first be exposed. Only then we will be able to see the value in the product. I have written this article not to bring forth the problem, but with the most optimistic attitude I will bring the solution. My work here is not to tell what you already know; it is to uncover what you "think" you know that really isn't so.

The prevailing methods of financial operations are filled with an error that in the end will lead to fatal destruction to the client. The source of the error may sound overly simplistic to mention, but the implications are profound and far-reaching beyond our ability to measure. The problem is that the stated objectives of most plans and their underlying philosophies violate the core principles of basic 101 economics. While I believe most financial advisors are honestly trying to do what's best for their clients, a lack of economics training and the tools to test the validity of one strategy versus another limits their ability to clearly discern substance from illusion in the plans they create.

However, we are not to be caught up in the flaws of traditional financial planning, we all are aware of that. What is important to recognize is what impression and thought process these advisors leave behind to the consumers. With common errors and lack of macro-economic understanding from advisors, the same outlook is passed on to the client. This outlook has then forever impacted the client's mindset and understanding and to undo the damage done is more difficult than to teach new fresh concepts and principles. Economics is essential in any financial plan, without it we are destined to fail. An example: To a financial planner, a 401(k) maybe a sound investment strategy by using compounding interest -- same principle applies to a mutual fund. To other more inquisitive individuals, these investments may not be as effective, their reasoning would be that the principal is at risk, you might find yourself in a higher tax bracket at retirement, or, it accumulates taxes since you are paying on the harvest not the seed.

These reasons are relatively fair. However, economics has predicted that these products are not the sound investment by simple principles -- none which have anything to do with tax brackets, rate of return or retirement. The principle is this. Capital is private property, property equals freedom, freedom equals prosperity. When one gives away the control and ownership of his property to the unknown, freedom has dissolved and therefore so has the goal of prosperity. He has become a slave. The money one gives to the 401(k) is no longer their money but it is F.B.O. (For Benefit Of) so and so. Whoever is willingly giving up control of property to an unknown party (the government is not an individual and its operations are unknown) has sown seeds of his own slavery.

What I have just expressed is purely an economic reason why such investments where ownership and control are given up from an individual to a collective entity whose operations are unknown results in slavery. Prosperity is the goal, to achieve it one needs freedom, to have freedom one needs private property. There are many explanations to the failure of the financial freedom to the average American. The most common explanations include lack of savings, lack of knowledge and education and lack ambition and risk taking. However the main reason I believe is the lack of control and ownership over private property. The same equation follows, private property equals freedom. If people are in slavery it is that they do not have control over their private property. The 401(k) is the most popular investment in America. It doesn't take a rocket scientist to understand it's a failure.

More people have made money in business than in anything else. Like others, this also has an economic explanation to it. The business of you is what you have more control over more than anything else. You have more ownership and control over the operations and results over your business than you do over real estate. Business is more private property than Real Estate, hence freedom and prosperity are better achieved through business. The results show this, more have made more money in business than any other investment. The knowledge of Economics is essential in any financial advice and operation. If one is to ask, what is the best investment?! The typical financial advisor will draw up charts and crunch in the numbers which will never be 100% accurate. The good Economist would answer, whichever one you have more control and ownership over, the one closest to true private property. Now, that answer is completely 100% accurate and cannot fail. It is a Godly Principle. Slavery is not.

So what does this have to do with Whole Life!? Everything! From an economics viewpoint, a guaranteed dollar is worth more than and non-guaranteed dollar. Whole Life has guaranteed increasing cash value, and guaranteed death benefit. No risk involved. The rest is up to the owner, the owner and only he can control the results. The performance and the thrift is 100% in the hands of the policy holder. There are no market fluctuations to alter with the policy, no government intervention to deteriorate the options the policy holder has and last but not least, no Federal Reserve intervention, no tax, no inflation and no changing interest rates. No eroding factors from the outside. All is achieved from the imagination, the education and the will of the individual who owns it. No one but he has control or any sort of ownership. The policy holder is completely free. He is an individual; free to pursue prosperity and practice the unalienable rights of Life, Liberty and the Pursuit of Happiness. Individuals in our society have given up these rights. All has made it so that the individual is no longer able to pursue freedom and prosperity, until now. Made possible from the mind of one great individual. Infinite Banking has made it possible to pursue the true American Dream, a dream which has been deteriorated, forgotten, only a saying, not a reality. Infinite Banking is the answer. From the beginning of all civilizations banking and bankers have been the most prominent and prosperous; right from the Knights Templar to the Robber Barons. Banking is the foundation. It is undoubtedly the best "business in the world". Infinite Banking mixes the only real private property left today with the most powerful business in the world for centuries. No doubt, it is Whole Life Insurance that is the greatest investment we have today. The Founders of this nation sacrificed all they had for the vision of Freedom and Prosperity. That sacrifice is no longer necessary. Individuals can achieve liberty and finish the work of the founders in the most self interested libertarian way. No need for political campaigns and mass spending. No need for riots and calls for freedom. All it takes is for one to own a policy and then bank! Do not do this, first, for the purpose of America's freedom. Do not, first, for completion of the vision our founders had. Do it for you. For your freedom. For your unalienable rights. For your prosperity. In doing so and sharing the news to others, Freedom will be restored, Unalienable rights will once again be granted and Prosperity will be achieved.

I dedicate this article to R. Nelson Nash, author of *Becoming Your Own Banker -- the Infinite Banking Concept*.

Andy Safa
andtennis05@yahoo.com
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