Nelson Nash’s live BYOB-IBC 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)

Tuesday-Wednesday, 15-16 Sept, Tyler, TX Matt Nocas, mnocas@icmo.net

Thursday-Friday, 24-25 Sept, Austin, TX, Teresa Kuhn, Safe Harbor Strategic Insurance Group, LLC, 512-301-7702 tkuhn@safeharborins.com

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

The Man Nobody Knows by Bruce Barton
Learning to Avoid Unintended Consequences by Leonard A. Renier
Decline of the American Republic by John T. Flynn
The New Dealers’ War by Thomas Fleming

Nelson’s Favorite Quotes of the Month

“Most of the harm in the world is done by good people, and not by accident, lapse, or omission. It is the result of their deliberate actions, long persevered in, which they hold to be motivated by high ideals toward virtuous ends.” - Isabel Paterson, The God of the Machine

Henry Hazlitt once wrote in his famous Economics in One Lesson that “Economics is haunted by more fallacies than any other study known to man.”

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

Socialized Healthcare vs. The Laws of Economics

Mises Daily by Thomas J. DiLorenzo | Posted on 7/28/2009

The government’s initial step in attempting to create a government-run healthcare monopoly has been to propose a law that would eventually drive the private health insurance industry out of existence. Additional taxes and mandated costs are to be imposed on health insurance companies, while a government-run “health insurance” bureaucracy will be created, ostensibly to “compete” with the private companies. The hoped-for end result is one big government monopoly which, like all government monopolies, will operate with all the efficiency of the post office and all the charm and compassion of the IRS.

Of course, it would be difficult to compete with a rival who has all of his capital and operating costs paid out of tax dollars. Whenever government “competes” with the private sector, it makes sure that the competition is grossly unfair, piling costly regulation after regulation, and tax after tax on the private companies while exempting itself from all of them. This is why the “government-sponsored enterprises” Fannie Mae and Freddie Mac were so profitable for so many years. It is also why so many abysmally performing “public” schools remain in existence for decades despite their utter failure at educating children.

America’s Healthcare Future?

Some years ago, the Nobel-laureate economist Milton Friedman studied the history of healthcare supply in America. In a 1992 study published by the Hoover Institution, entitled “Input and Output in Health Care,” Friedman noted that 56 percent of all hospitals in America were privately owned and for-profit in...
1910. After 60 years of subsidies for government-run hospitals, the number had fallen to about 10 percent. It took decades, but by the early 1990s government had taken over almost the entire hospital industry. That small portion of the industry that remains for-profit is regulated in an extraordinarily heavy way by federal, state and local governments so that many (perhaps most) of the decisions made by hospital administrators have to do with regulatory compliance as opposed to patient/customer service in pursuit of profit. It is profit, of course, that is necessary for private-sector hospitals to have the wherewithal to pay for healthcare.

Friedman’s key conclusion was that, as with all governmental bureaucratic systems, government-owned or -controlled healthcare created a situation whereby increased “inputs,” such as expenditures on equipment, infrastructure, and the salaries of medical professionals, actually led to decreased “outputs” in terms of the quantity of medical care. For example, while medical expenditures rose by 224 percent from 1965–1989, the number of hospital beds per 1,000 population fell by 44 percent and the number of beds occupied declined by 15 percent. Also during this time of almost complete governmental domination of the hospital industry (1944–1989), costs per patient-day rose almost 24-fold after inflation is taken into account.

The more money that has been spent on government-run healthcare, the less healthcare we have gotten. This kind of result is generally true of all government bureaucracies because of the absence of any market feedback mechanism. Since there are no profits in an accounting sense, by definition, in government, there is no mechanism for rewarding good performance and penalizing bad performance. In fact, in all government enterprises, exactly the opposite is true: bad performance (failure to achieve ostensible goals, or satisfy “customers”) is typically rewarded with larger budgets. Failure to educate children leads to more money for government schools. Failure to reduce poverty leads to larger budgets for welfare state bureaucracies. This is guaranteed to happen with healthcare socialism as well.

Costs always explode whenever the government gets involved, and governments always lie about it. In 1970 the government forecast that the hospital insurance (HI) portion of Medicare would be “only” $2.9 billion annually. Since the actual expenditures were $5.3 billion, this was a 79 percent underestimate of cost. In 1980 the government forecast $5.5 billion in HI expenditures; actual expenditures were more than four times that amount — $25.6 billion. This bureaucratic cost explosion led the government to enact 23 new taxes in the first 30 years of Medicare. (See Ron Hamoway, “The Genesis and Development of Medicare,” in Roger Feldman, ed., American Health Care, Independent Institute, 2000, pp. 15-86). The Obama administration’s claim that a government takeover of healthcare will somehow magically reduce costs is not to be taken seriously. Government never, ever, reduces the cost of doing anything.

All government-run healthcare monopolies, whether they are in Canada, the UK, or Cuba, experience an explosion of both cost and demand — since healthcare is “free.” Socialized healthcare is not really free, of course; the true cost is merely hidden, since it is paid for by taxes.

Whenever anything has a zero explicit price associated with it, consumer demand will increase substantially, and healthcare is no exception. At the same time, bureaucratic bungling will guarantee gross inefficiencies that will get worse and worse each year. As costs get out of control and begin to embarrass those who have promised all Americans a free healthcare lunch, the politicians will do what all governments do and impose price controls, probably under some euphemism such as “global budget controls.” Price controls, or laws that force prices down below market-clearing levels (where supply and demand are coordinated), artificially stimulate the amount demanded by consumers while reducing supply by making it unprofitable to supply as much as previously. The result of increased demand and reduced supply is shortages. Non-price rationing becomes necessary. This means that government bureaucrats, not individuals and their doctors, inevitably determine who will get medical treatment and who will not,
what kind of medical technology will be available, how many doctors there will be, and so forth.

All countries that have adopted socialized healthcare have suffered from the disease of price-control-induced shortages. If a Canadian, for instance, suffers third-degree burns in an automobile crash and is in need of reconstructive plastic surgery, the average waiting time for treatment is more than 19 weeks, or nearly five months. The waiting time for orthopaedic surgery is also almost five months; for neurosurgery it’s three full months; and it is even more than a month for heart surgery (see The Fraser Institute publication, Waiting Your Turn: Hospital Waiting Lists in Canada). Think about that one: if your doctor discovers that your arteries are clogged, you must wait in line for more than a month, with death by heart attack an imminent possibility. That’s why so many Canadians travel to the United States for healthcare.

All the major American newspapers seem to have become nothing more than cheerleaders for the Obama administration, so it is difficult to find much in the way of current stories about the debacle of nationalized healthcare in Canada. But if one goes back a few years, the information is much more plentiful. A January 16, 2000, New York Times article entitled “Full Hospitals Make Canadians Wait and Look South,” by James Brooke, provided some good examples of how Canadian price controls have created serious shortage problems.

- A 58-year-old grandmother awaited open-heart surgery in a Montreal hospital hallway with 66 other patients as electric doors opened and closed all night long, bringing in drafts from sub-zero weather. She was on a five-year waiting list for her heart surgery.
- In Toronto, 23 of the city’s 25 hospitals turned away ambulances in a single day because of a shortage of doctors.
- In Vancouver, ambulances have been “stacked up” for hours while heart attack victims wait in them before being properly taken care of.
- At least 1,000 Canadian doctors and many thousands of Canadian nurses have migrated to the United States to avoid price controls on their salaries.

Wrote Mr. Brooke, “Few Canadians would recommend their system as a model for export.”

Canadian price-control-induced shortages also manifest themselves in scarce access to medical technology. Per capita, the United States has eight times more MRI machines, seven times more radiation therapy units for cancer treatment, six times more lithotripsy units, and three times more open-heart surgery units. There are more MRI scanners in Washington state, population five million, than in all of Canada, with a population of more than 30 million (See John Goodman and Gerald Musgrave, Patient Power).

In the UK as well — thanks to nationalization, price controls, and government rationing of healthcare — thousands of people die needlessly every year because of shortages of kidney dialysis machines, pediatric intensive care units, pacemakers, and even x-ray machines. This is America’s future, if “ObamaCare” becomes a reality.

Thomas DiLorenzo is professor of economics at Loyola College in Maryland and a member of the senior faculty of the Mises Institute. He is the author of The Real Lincoln, Lincoln Unmasked, How Capitalism Saved America, and, more recently, Hamilton’s Curse. Send him mail. See his article archives. Comment on the blog.

Proceeding Into a Major Structural Depression

Date 22/07/2009

The Right Side | By Bill Bonner

Themes: Depression, Recession, Economy

They’re wrong. We’re right.

Now the Wall Street Journal says “recovery likely in second half.”

And Goldman Sachs calls for a stock market rally similar to the rally in 1982.
Who are we to say they are wrong?  
Well... we’re the Daily Reckoning, that’s who. And we’ll say it: they’re wrong. 
This ‘recession’ is already the second longest since the first leg down of the Great Depression. That downturn of the early ‘30s went on for 43 months. This one is now at 19 months – officially – which makes it longer than any other since the Great Depression. 
Is it over? Is it going away? Is that all there is?  
Instead, we are merely proceeding as we should... into a “deepening structural depression,” as John Williams puts it. 
Yes, he uses the D word too. Because a D is what we have. Not an R. 
It’s a depression because it requires major structural change. A recession only requires time. And not even much time... just a few months to work down inventories. But a depression takes a lot of time... to restructure industries and rebuild balance sheets. Debt needs to be paid down – or inflated away. And businesses need to redirect their efforts towards a more profitable line of activity. 
Both the increase in unemployment and the slump in industrial production are worst than at any time since 1945. As for retail sales and housing starts, they’re the worst in the post-war record books. 
The figures tell us that something important is going on. But what’s the key to understanding what it is? And how will it be cured?  
This key is to understand that this is a major structural depression. It can’t be cured by more stimulus, because stimulus is what caused it. 
This time, we need a real cure... bankruptcies, workouts, deflation, defaults... and maybe, eventually, hyperinflation. 
None of those things happen easily or quickly. Businesses don’t want to go bust. Families don’t want to lose their houses. So if they get a lifeline from the feds, they grab it and hold on. And the longer they hold on, the longer it takes to make the structural changes that the economy needs. 
The length of time spent in unemployment is now longest since 1948. And consumer debt, at only 12% in 1982, is now at 18% of GDP. “With that kind of debt, there is no question that the feds will implement a tight money policy,” said Marc Faber in his speech here in Vancouver yesterday. Instead, look for easier... and easier... money policies, he says. 
We learned – was it yesterday? – that the feds have put up an amount equal to more than 150% to GDP to bailing out Wall Street -- $23 trillion. No wonder Goldman is reporting record bonuses! 
“We have to spend money to keep from going broke,” says Joe Biden, a man who is out of his depth in the bathtub. 
But when you’ve got that kind of money covering your mistakes... how much restructuring are you going to do? Not much. 
“Wall Street Learned Nothing,” is a headline at Forbes, making the obvious point. 
The feds still believe in stimulus. And Wall Street still smiles and takes it. That’s why the recovery is still a long way off. Now, the feds are in charge of the money... and in charge of key industries, including automobiles, banking, insurance... and soon, healthcare. They’ll block innovation. They’ll prop up ailing institutions. They’ll provide more and more stimulus. 
A growing group of analysts and strategists now calls for another big stimulus package. You see, the current stimulus program hasn’t worked. Why not? Well, because it was not enough... or not properly focused, say economists. In either case, the solution is not hard to figure out. Even Nouriel Roubini says “more stimulus is needed.”
So more stimulus is what we will have... and a collapsing economy... and a falling dollar... and more! 

Should We Absolve the Fed?
by Thomas E. Woods, Jr. 
Are supporters of the free market engaged in special pleading when they identify the federal government...
and its central bank, the Federal Reserve, as the most significant factors behind the financial crisis? Absolutely, says Bruce Ramsey in the August issue of Liberty magazine.

Ramsey’s argument comes in the context of a review of two books: Paul Muolo and Matthew Padilla’s Chain of Blame: How Wall Street Caused the Mortgage and Credit Crisis and my own Meltdown: A Free-Market Look at Why the Stock Market Collapsed, the Economy Tanked, and Government Bailouts Will Make Things Worse. He likes the Muolo and Padilla book better, because in his view it merely tells the story. Since my book applies a theoretical apparatus to the events of the past several years, it is a case of ideology masquerading as analysis.

How, according to Ramsey, is a good book written? “You immerse yourself in the facts, see what the connections are, and let the story itself tell you what the explanation is. This is what Muolo and Padilla try to do. It is what many libertarians ought to learn how to do.”

Consider yourselves rebuked, all you libertarian propagandists out there.

The way we are supposed to proceed, according to this view, is to look around, try our best to collect the raw data of what happened, and then write it all down.

Ludwig von Mises had another view. “History,” he wrote, “cannot be imagined without theory. The naïve belief that, unprejudiced by any theory, one can derive history directly from the sources is quite untenable…. No explanations reveal themselves directly from the facts.” “Historical experience,” he wrote elsewhere, “is always the experience of complex phenomena, of the joint effects brought about by the operation of a multiplicity of elements…. The ‘pure fact’…is open to different interpretations. These interpretations require elucidation by theoretical insight.”

The stunted and superficial approach Ramsey recommends, on the other hand, would lead us to the unfruitful (if unfortunately conventional) conclusion that margin trading led to the stock market crash of 1929. That’s what we get from immersing ourselves in the facts, as he puts it, and letting the events themselves tell us what the explanation is.

Now yes, there was margin trading, and yes, there was the stock market crash of 1929, but the more interesting question looks beyond this trivial observation to the root cause — namely, how was so much margin trading able to take place, and why were lenders so ready to give so many people the use of so much of their money for such purposes?

Likewise, although I’m sure Ramsey could draft an interesting study of the dot-com boom and bust of the late 1990s, the finished product would be more a series of human-interest stories – interesting in themselves, to be sure – about the spectacular rises and falls of particular firms than a rigorous investigation of the fundamental causes of the whole episode. Don’t get me wrong: there is without a doubt a place for studies that delve into the minutiae of a particular business cycle. But what makes (for instance) Murray Rothbard’s book America’s Great Depression so valuable is that it makes sense of the minutiae with reference to a sensible theory. We should want to understand the phenomenon of the business cycle. But it is futile to expect the full understanding to jump out at us from a series of figures and charts or from a collection of anecdotes. It is only by means of economic theory that we can make sense of the figures and charts, which in the absence of theory are altogether inscrutable.

Getting down to specifics, Ramsey is not at all satisfied with my treatment of the ratings agencies. He writes, “Woods says that the private rating agencies are ‘an SEC-created cartel,’ with the unstated but obvious-to-a-libertarian implication that no defender of the private sector is obliged to defend them. Problem solved!”

Here I must refer Ramsey to Larry White’s article in the forthcoming (vol. 21, nos. 2–3) issue of Critical Review, “The Credit-Rating Agencies and the Subprime Debacle.” Professor White may enjoy a certain immunity to insult that I for some reason lack, so maybe Ramsey might consider his evidence with an open mind. White’s thesis is, in summary: “A combination of their fee structure, the complexity of the bonds that they were rating, insufficient historical data, some carelessness, and market pressures proved
to be a potent brew. This combination was enabled, however, by seven decades of financial regulation that, beginning in the 1930s, had conferred the force of law upon these agencies’ judgments about the creditworthiness of bonds and that, since 1975, had protected the three agencies from competition.”

Ramsey alleges that I essentially let the private sector off the hook while searching around for causes of the crisis that originate with government or its monopoly central bank, the Federal Reserve. I do not quite understand this accusation, given that one of the book’s central points is that imprudent and reckless firms should be allowed to fail in order to shift resources away from their obviously incapable hands and into the control of more sensible market actors. In calling them imprudent and reckless and arguing that resources should be yanked away from them, I thought I was criticizing them.

It is true, though, that I am more interested in getting to the root causes of the crisis than I am in dwelling lovingly on story after story of foolish loan origination. Maybe stories like that are interesting to someone, but they sure aren’t to me. I am not seeking to excuse people who did stupid things. I’m trying instead to show that the regulatory and banking regimes that exist in the U.S. provide ample incentives for financial institutions to behave as they did. Therefore, any attempt to prevent future crises by focusing on micro-level regulation instead of systemic reform is bound to fail. It is the system itself, which departs radically from the free market, that gives rise to these violent swings and encourages riskier behavior than would exist otherwise.

Ramsey will object that he recognizes the role of the Fed, and that in his review he rebukes (very mildly, compared to the vitriol he sees fit to unleash on Meltdown) Muolo and Padilla for failing to mention the Fed’s cheap credit. This won’t do. The Fed, and the structure of the commercial and investment banking sectors to which its perverse incentives give rise, are not mere adjuncts to the main story that we may slightly criticize, but generally excuse, popular writers for overlooking. We have a system in which credit can be created out of thin air, and we’re going to pretend this is a mere sideshow of a story that involves the gigantic accumulation of debt?

Ramsey makes much of the “private lenders” supposedly at the heart of the crisis. But once central banking and irredeemable paper money are introduced into the picture, it is only in the most trivial sense that we can refer to a “private” banking system. What we have now is a kind of corporatist system that has never in history emerged spontaneously within the peaceful nexus of social cooperation, and has always been imposed by force. It is a system shot through with moral hazard, artificially elevated risk tolerance, bailout expectations, artificially cheap credit, and special protections against failure. There is nothing laissez faire about it.

In Money, Bank Credit, and Economic Cycles, Jesús Huerta de Soto offers numerous reasons not to call ours a “private” system (the words are his, the numbering mine):

1. The entire system rests on the government monopoly on currency.
2. The management of the whole system is performed by the central bank, as an independent monetary authority which acts as a true planning agency with respect to the financial system.
3. Banks are commonly excluded from the general bankruptcy proceedings stipulated in mercantile law and are instead subject to administrative law procedures such as intervention and the replacement of management.
4. Bank failures are prevented by externalizing the effects of banks’ liquidity crises, the costs of which are met by the citizenry by loans from the central bank at prime rates or non-recoverable contributions from a deposit guarantee fund.
5. The system is based on the privilege which permits banks to create loans ex nihilo by holding only a fractional reserve on deposits.
6. There is little or no supervision of government intervention in bank crises. In many cases such intervention is determined ad hoc, and principles of rationality, efficiency, and effectiveness are
disregarded.

“Deregulation” in the context of such a system can actually be worse than the status quo. Genuine deregulation, in which government removes itself and its perverse incentives from the banking industry altogether, is one thing, but deregulation of this kind is never on the table. Instead, “deregulation” usually involves allowing banks to make more reckless decisions than before, while keeping the lender of last resort in place and continuing to insure their deposits. Regulation and deregulation, in other words, are beside the point. It is the system itself that is the problem. According to Guido Hülsmann, in his indispensable book The Ethics of Money Production:

The banks must keep certain minimum amounts of equity and reserves, they must observe a great number of rules in granting credit, their executives must have certain qualifications, and so on. Yet these stipulations trim the branches without attacking the root. They seek to curb certain known excesses that spring from moral hazard, but they do not eradicate moral hazard itself. As we have seen, moral hazard is implied in the very existence of paper money. Because a paper-money producer can bail out virtually anybody, the citizens become reckless in their speculations; they count on him to bail them out, especially when many other people do the same thing. To fight such behavior effectively, one must abolish paper money. Regulations merely drive the reckless behavior into new channels.

One might advocate the pragmatic stance of fighting moral hazard on an ad hoc basis wherever it shows up. Thus one would regulate one industry after another, until the entire economy is caught up in a web of micro-regulations. This would of course provide some sort of order, but it would be the order of a cemetery. Nobody could make any (potentially reckless!) investment decisions anymore. Everything would have to follow rules set up by the legislature. In short, the only way to fight moral hazard without destroying its source, fiat inflation, is to subject the economy to a Soviet-style central plan.

We can imagine a scenario in which government imposes a $1 price ceiling on Porsches, and people rush out frantically to buy them. Naturally resources would be misallocated and wasted as a result. In telling this story, would Ramsey really want us to focus on the avarice of the individual buyers, instead of on the political regime that made the scenario possible?

Ramsey, in short, misses the forest for the trees. In that respect he resembles Alan Greenspan himself, who once declared his inability to discern any kind of common pattern between the various boom-bust cycles in American history. “There is always something different,” Greenspan said, “something that does not look like all the previous ones. There is never anything identical and it is always a puzzlement.”

In fact, there is something identical – namely, artificial credit expansion. It is evident throughout all the nineteenth-century panics, and we likewise find it in the depressions and recessions of the twentieth and twenty-first centuries. Other features of the cycle may vary – there may be a spectacular rise in tech stocks in one case and in real estate in another – but this factor is consistently present.

It is bad enough to look at our financial sector and claim to see a free market, as opposed to the corporatist cartel we actually have. It is even worse to then criticize someone for (1) refusing to call this witches’ brew the private sector, and (2) rejecting the idea that shenanigans emanating from this quarter should count as demerits against the free market. I would expect analysis like this from Newsweek and the New York Times. I’d hope for something a little more serious in Liberty.

July 16, 2009


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By Gary North
July 3, 2009

Global warming is based 100% on junk science. The most vocal promoters are not interested in the details of physical science. They are interested in two things: political control over the general public and the establishment of international socialism.

Junk Science vs. Real Science
For a detailed, footnoted, 12-page article, written by three scientists, two with Ph.D’s from CalTech, click here. [http://www.oism.org/pproject/GWReview_OISM600.pdf]

This paper was sent to tens of thousands of natural scientists in the United States.

Over 31,000 scientists have put their reputations on the line and signed a politically incorrect petition opposing the 1997 Kyoto agreement or protocol. Here is a photocopy of a signed petition.

Here is a letter from a former president of the National Academy of Sciences. He asks recipients of the petition to sign it. [http://www.petitionproject.org/seitz_letter.php]

Back in the 1970’s, the bugaboo was the coming ice age, as this Time Magazine article promoted. Not to be outdone, Newsweek got on board. The article warned: “Climatologists are pessimistic that political leaders will take any positive action to compensate for the climatic change, or even to allay its effects.” Want more examples? Click here. [http://www.washingtonpolicy.org/pressroom/pressreleases/EarthDay09.html]

It, too, was based on junk science. It, too, had the same solution: government control over the economy. The goal never changes: government management over the economy. The justification has changed. If the voters won’t accept control over their lives on the basis of one brand of junk science, maybe they will accept another. As they used to say in the Nixon Administration: “Let’s run this up the flagpole and see if anyone salutes.”

Socialism’s Last Stand
The global warming movement is not about global warming. It is about the creation of an international political control arrangement by which bureaucrats who favor socialism can gain control over the international economy.

This strategy was stated boldly by economist Robert Heilbroner in 1990. Heilbroner, the multi-millionaire socialist and author of the best-selling history of economic thought, The Worldly Philosophers, wrote the manifesto for these bureaucrats. He

In this article, he made an astounding admission. He said that Ludwig von Mises had been right in 1920 in his article, “Economic Calculation in the Socialist Commonwealth.” Mises argued that without private ownership, central planners could not know what any resource is worth to consumers. With no capital market, the planners would be flying blind.

Heilbroner said that for 70 years, academic economists had either ignored this article or dismissed it without answering it. Then Heilbroner wrote these words: “Mises was right.”

Heilbroner was one of these people. There is no reference to Mises in The Worldly Philosophers.

This admission was the preliminary section of Heilbroner’s manifesto. He was cutting off all hope by socialists that there is a theoretically plausible response to Mises. The free market economy will always outproduce a socialist economy. Get used to it, he said.

Then, in the second section, he called on his socialist peers to get behind the ecology movement. Here, he said, is the best political means for promoting central planning, despite its inefficiency. In the name of ecology, he said, socialists can get a hearing from politicians and voters.

The article is not online. An abstract is.

Here is the concluding thought of the abstract.

The direction in which things are headed is some version of capitalism, whatever its title. In Eastern Europe, the new system is referred to as Not Socialism. Socialism may not continue as an important force now that Communism is finished. But another way of looking at socialism is as the society that must emerge if humanity is to cope with the ecological burden that economic growth is placing on the environment. From this perspective, the long vista after Communism leads through capitalism into a still unexplored world that must be safely attained and settled before it can be named.

Heilbroner did not care that a worldwide government-run economic planning system would not be called called socialism. He just wanted to see the system set up.

Heilbroner’s peers got the message. That was what Kyoto was all about.

Conclusion

If you like poverty, inefficiency, and bureaucratic controls over the economy, and therefore control over your choices, the “climate change” movement is ideal.

If you want to subsidize China and India, neither of which will enforce the rules laid down by unelected international bureaucrats, this movement is for you.

If you want to pay more for less energy, there is no better way than to pass the cap and tax bill which the House has passed. It will be sent to the U.S. Senate next week.

The rest of us should oppose it.

I hereby authorize anyone to reprint this article or post it on any website, just so long as the text is not changed.

The Pension Idea

Down through all of history, mankind has indulged in some pretty stupid ideas and it seems to take quite a number of years before one of them finally runs its course and collapses.

One that has the world in its grip at present is the idea of “retirement” or more precisely “The Pension Idea.” Read the Bible carefully and you will find no such reference to “…… and so, Moses retired and lived happily afterward.” I can find no reference to the concept throughout history until the time of Germany’s Bismarck in the 1890s.

The whole idea was to get the older folks out of the work force in order to make room for the younger folks -- because “there are not all that many jobs that are available.” The idea of creativity was seemingly beyond their comprehension. Bill Gates and Sam
Walton would have boggled their minds!

Pensions in America as we know them today began during World War II. Before that time the idea was practically non-existent. Everything was “frozen” during the war. When you went to buy gasoline it didn’t matter how much money you had. The limiting factor was the A, B, or C sticker on the windshield of your car. Some government bureaucrat determined how much you “needed.” When the housewife went to buy groceries, there were “ration points” that determined how much meat she could buy, how much of the other staples of life, etc, etc.” A Socialist’s paradise!

The same idea applied to wages -- they were “frozen”. Under such an environment, how can you give someone a pay raise without “giving a pay raise”? Benefits, of course!!

This was also a function of the IRS Code, which began in 1913.

The monster has accelerated and now the inevitable results are beginning to manifest themselves. Pension plans and all other such “IRS qualified plans” are self-destructing.

Not long after WWII, in 1950, Paul Poirot of the Foundation for Economic Education wrote a little book, THE PENSION IDEA, in which he demonstrated that the idea would never work. His prophecy is now apparent. The publication has been out of print for many years. I think it is so important for everyone to understand that Infinite Banking Concepts got permission from FEE to re-publish the booklet and we now offer it for sale on this website.

I urge financial services agents to buy this book in quantity and see that your clients read it. They need to know its message.

One caveat -- when you get to the matter of life insurance in Paul’s book, please bear in mind that he had limited knowledge of how dividend-paying life insurance works, nor was there any knowledge of The Infinite Banking Concept in 1950!

R. Nelson Nash
November 2006