BankNotes

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NELSON NASH'S MONTHLY NEWSLETTER

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Nelson Nash's live BYOB - IBC seminars for the next two months

Thursday-Friday, 10-11 December, Dallas, TX, Joe Kane, Personal Economics Group, 512-659-5658, jkanesat@aol.com

Tuesday, 15 December, Houston, TX, Clay Campbell, 281-359-7728, claycampbellfeg@yahoo.com

Thursday-Friday, 17-18 December, El Paso, TX, Carlos Veytia, 915-544-1066, carlos.veytia@cva-vey.com

Monday-Tuesday, 15-16 February, Birmingham, AL, Seminar, *17-18 February* Semi-Annual Infinite Banking Symposium, David Stearns, 205-276-2977, david.stearns@charter.net

Nelson's Favorite Quotes of the Month

Once abolish the God and the government becomes the God. - G. K. Chesterton

Men never do evil so completely and cheerfully as when they do it from a religious conviction. - Blaise Pascal

All money is a matter of belief. Credit derives from Latin, credere, "to believe." - Adam Smith, from his book, Paper Money

Nelson's newly added Book Recommendations

Broke: What Every American Business Must Do to Restore Our Financial Stability and Protect Our Future by John Mumford

Nelson's favorite articles from the last month's reading

The Man Who Predicted the Depression

Ludwig von Mises explained how government-induced credit expansions led to imbalances in the economy.

By Mark Spitznagel

Ludwig von Mises was snubbed by economists worldwide as he warned of a credit crisis in the 1920s. We ignore the great Austrian at our peril today.

Mises's ideas on business cycles were spelled out in his 1912 tome "Theorie des Geldes und der Umlaufsmittel" ("The Theory of Money and Credit"). Not surprisingly few people noticed, as it was published only in German and wasn't exactly a beach read at that.

Taking his cue from David Hume and David Ricardo, Mises explained how the banking system was endowed with the singular ability to expand credit and with it the money supply, and how this was magnified by government intervention. Left alone, interest rates would adjust such that only the amount of credit would be used as is voluntarily supplied and demanded. But when credit is force-fed beyond that (call it a credit gavage), grotesque things start to happen.

Government-imposed expansion of bank credit distorts our "time preferences," or our desire for saving versus consumption. Government-imposed interest rates artificially below rates demanded by savers leads to increased borrowing and capital investment beyond what savers will provide. This causes temporarily higher employment, wages and consumption.

Ordinarily, any random spikes in credit would be quickly absorbed by the system—the pricing errors corrected, the half-baked investments liquidated, like a supple tree yielding to the wind and then returning. But when the government holds rates artificially low in order to feed ever higher capital investment in otherwise unsound, unsustainable businesses, it creates the conditions for a crash. Everyone looks smart for a while, but eventually the whole monstrosity collapses under its own weight through a credit contraction or, worse, a banking collapse.

The system is dramatically susceptible to errors, both on the policy side and on the entrepreneurial side. Government expansion of credit takes a system otherwise capable of adjustment and resilience and transforms it into one with tremendous cyclical volatility.

"Theorie des Geldes" did not become the playbook for policy makers. The 1920s were marked by the brave new era of the Federal Reserve system promoting inflationary credit expansion and with it permanent prosperity. The nerve of this Doubting-Thomas, perma-bear, crazy Kraut! Sadly, poor Ludwig was very nearly alone in warning of the collapse to come from this credit expansion. In mid-1929, he stubbornly turned down a lucrative job offer from the Viennese bank Kreditanstalt, much to the annoyance of his fiancée, proclaiming "A great crash is coming, and I don't want my name in any way connected with it."

We all know what happened next. Pretty much right out of Mises's script, overleveraged banks (including Kreditanstalt) collapsed, businesses collapsed, employment collapsed. The brittle tree snapped. Following Mises's logic, was this a failure of capitalism, or a failure of hubris?

Mises's solution follows logically from his warnings. You can't fix what's broken by breaking it yet again. Stop the credit gavage. Stop inflating. Don't encourage consumption, but rather encourage saving and the repayment of debt. Let all the lame businesses fail—no bailouts. (You see where I'm going with this.) The distortions must be removed or else the precipice from which the system will inevitably fall will simply grow higher and higher.

Mises started getting some much-deserved respect once "Theorie des Geldes" was finally published in English in 1934. It is unfortunate that it required such a disaster for people to take heed of what was the one predictive, scholarly explanation of what was happening.

But then, just Mises's bad luck, along came John Maynard Keynes's tome "The General Theory of Employment, Interest and Money" in 1936. Keynes was dapper, fresh and sophisticated. He even wrote in English! And the guy had chutzpah, fearlessly fighting the battle against unemployment by running the currency printing press and draining the government's coffers.

He was the anti-Mises. So what if Keynes had lost his shirt in the stock-market crash. His book was peppered with fancy math (even Greek letters) and that meant rigor, modernity. To add insult to injury, Mises wasn't even refuted by Keynes and his ilk. He was ignored.

Fast forward 70-some years, during which we saw Keynesianism's repeated disappointments, the end of the gold standard, persistent inflation with intermittent inflationary recessions and banking crises, culminating in Alan Greenspan's "Great Moderation" and a subsequent catastrophic collapse in housing and banking. Where do we find ourselves? At a point of profound insight gained through economic logic, trial and error, and objective empiricism? Or right back where we started?

With interest rates at zero, monetary engines humming as never before, and a self-proclaimed Keynesian government, we are back again embracing the brave new era of government-sponsored prosperity and debt. And, more than ever, the system is piling uncertainties on top of uncertainties, turning an otherwise resilient economy into a brittle one.

How curious it is that the guy who wrote the script depicting our never ending story of government-induced credit expansion, inflation and collapse has remained so persistently forgotten. Must we sit through yet another performance of this tragic tale?

Mr. Spitznagel is the founder and chief investment officer of the hedge fund Universa Investments LP, based in Santa Monica, Calif.

The young will spit on our graves!

By Bill Bonner

London, England

Okay! We'll say what we've been thinking...

...that our children are going to spit on our graves!

First, Americans made a colossal mistake in the '90s and the '00s. They partied... they spent... they borrowed... running up huge debts in the private sector. Most kids could forget about inheriting anything from their parents; the geezers spent it years ago.

The boomer generation also made a mess of the biggest success story in world history – the United States of America.

In the '60s and '70s – when boomers matured and began to take over – the US was still on top of the world. It had a positive trade balance... huge savings... massive investments abroad... and the strongest companies in the world.

They ruined it. The financial industry took over... replacing manufacturing. Instead of making things we could sell at a profit, Wall Street sold debt – mostly to us!

In government, imperial ambitions pushed aside the restraints and good sense of the old republic. Overseas, military bases were set up in 120 countries. We now have unwinnable, trillion-dollar wars that could go on forever.

At home, the sheep look to the government to solve every problem. Thirty-five million Americans – almost as many as the entire population of Spain – depend on the feds' food stamp programme for their daily bread.

At least, most Americans are making amends in their private lives. The old days, when the US was "the world's mouth", are over.

We can no longer be counted on to buy up every gadget and gizmo produced in the world. We're rediscovering the old virtues of thrift and savings. Frugality is back in style.

If this continues, the Baby Boom generation may not leave the next generation with much net wealth, but at least it will not leave behind huge net debts.

But over in the public sector, the debt toll mounts up.

The boomers want the government – which means, the next generation – to pay for their health care... their unemployment insurance... their bailouts and their handouts.

The deficit for this year is expected to be about $1.5 trillion. Next year, it will be about the same.

The feds say it is too early to pull back on their stimulus efforts. Housing credits and unemployment benefits have just been extended. A trillion-dollar overhaul of the healthcare system is in the works.

Even assuming a real recovery – don't hold your breath – the deficits are supposed to run to $1 trillion per year for the next ten years.

More likely, as we reported in this space a few weeks ago, the deficits will be $2 trillion per year.

By the time today's 30-year-old gets a family... a house... and a mortgage, he will also have his share of a $20 trillion dollar deficit – not to mention the "off-budget" obligations of the US government – a total of more than $100 trillion!

But wait... aren't these spending efforts paying off? Isn't the stimulus helping the US economy get back to into the pink? Don't all these federal spending programmes create a safer, more prosperous world?

Ah... tell that to the kids! "We were just trying to get the economy back on its feet... so you could find a job in a thriving economy," we might say.

Take any two young people, 16 to 24 years old. Odds are, one of them will be unemployed. Joblessness among the young has hit 53% – a post WWII high.

Seven million jobs have been lost in the last 24 months. Employers are still cutting payrolls. And when business picks up... what kind of jobs are they going to offer?

Will the next generation compete with the Chinese for low-cost production? Are they going to compete with the Europeans for high-cost/high quality production?

Are they going to develop more mortgaged-backed securities? Or are they going to put on waiters' aprons and take orders from clients who no longer dine out?

Good jobs will be hard to come by. Because the 'growth' of the bubble period – 2001-2007 – was a fraud.

Instead of building up capital assets and creating more jobs, people borrowed money... and then squandered it.

And now the recovery is a fraud too. Now, the government pumps up the economy with cheap credit... borrows trillions... and wastes the money on pointless 'stimulus' programmes.

And day after day, the debt builds up. Soon, it will be too big to handle. And then, these same young people – who can't get a foot onto the lowest rung of the employment ladder – will be asked to shoulder it this huge burden of debt left to them by their parents.

You can imagine their reaction...

... they will spit on our graves!

*** What happened yesterday? The Dow sold off 93 points. Investors had been hesitating. There's supposed to be a recovery going on.

But the latest news is unsettling. Housing and employment numbers are weak. What's going on? Maybe this recovery is not a sure thing after all.

"Record numbers late on US loans", says a headline in the Financial Times.

The story is easy to understand. People without jobs can't make mortgage payments. So, payments are late on one of every six FHA mortgages.

Mortgage defaults are at a three-decade high. Of all mortgages, nearly one homeowner in ten is running late in his payments.

As predicted in this space, problems in the housing finance sector are now shifting from sub-prime to prime mortgages.

The sub-prime borrower had few resources. He washed up as soon as the crisis began. But now the prime borrower, who lost his job and is running out of options, is sinking too.

*** What's the smart money doing?

The Dow is now up more than 50% from its March low... and has regained more than 50% of what it lost. Are the insiders taking advantage of this dip to get bigger stakes in their own companies? No... they're selling 18 times as many shares as they're buying. Go figure.

The insiders know that their businesses are not really in good shape. They've been able to maintain profit margins by cutting staff. But sales are down. And they don't see where additional sales will come from.

Meanwhile, investors have been hallucinating about a real recovery...

They've bid up the price of shares as though they expected a stunning period of growth. Generally, earnings have held steady... but stock prices have gone up. This has brought a ten-point increase in the P/E ratio, to greater than 27.

What would justify such an ambitious P/E? Only growth. Where might growth come from? We don't know.

David Rosenberg says stocks are priced as if investors expected profits to double next year. But it usually takes profits five years to double. And then, only when they have a reason to double – such as higher sales and lower costs.

Don't count on it, dear reader.

Until Monday,

Bill Bonner

For The Daily Reckoning

Letter to the Auditor of The New York Times Company

by Eric Englund

As The New York Times Company's independent registered public accountant, you – Ernst & Young, LLP – undoubtedly are conscious of the grossly negligent financial management exercised by The New York Times Company's top executives during this decade. As I conveyed in an essay written earlier this year: "Since 2000, The New York Times Company has generated a respectable cumulative net income of $1,598,062,000. Yet management, over the same period, has paid out $2,779,601,000 for stock buybacks and dividends. This means, during the present decade, stock buybacks and dividends have exceeded cumulative net income by an astonishing $1,181,539,000." You are painfully aware this reckless financial management has left The New York Times Company's balance sheet in tatters. Be assured, over the next couple of years, in the context of preparing The New York Times Company's annual audited financial statement, you will wrestle with the issue of whether or not your prestigious client has the ability to continue as a going concern. But, should you conclude The New York Times is failing, will you have the fortitude to qualify your audit report accordingly?

Per The CPA Journal, public accounting firms do not have a reliable track record with respect to warning "…the investing public of the financial distress and impending failure of their clients through modification of the audit report in accordance with SAS 59, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern." I will give your competitor, Deloitte & Touche, some credit as it did state the following in General Motor's fiscal year-end 2008 audited financial statement: "As discussed in Note 2 to the consolidated financial statements, the Corporation's recurring losses from operations, stockholders' deficit, and inability to generate sufficient cash flow to meet its obligations and sustain its operations raise substantial doubt about its ability to continue as a going concern." Deloitte & Touche published this on March 4, 2009 and in less than three months, on June 1, 2009, General Motors filed for Chapter 11 bankruptcy.

What I have found, when identifying a financially distressed, publicly-held company, is that it can linger for years – while destroying more and more wealth – before being liquidated or reorganizing in bankruptcy. For example, nearly three years before GM filed for bankruptcy, Karen De Coster and I co-wrote an essay questioning General Motor's viability and stated "…bankruptcy is a possibility – even if the aforementioned alliance with Nissan and Renault is consummated." There is little doubt, in my mind, The New York Times Company will linger for a while longer before either being purchased for a paltry sum or succumbing to bankruptcy. Either way, the Times will fail with respect to its stated commitment regarding "…the creation of long-term shareholder value through investment and constancy of purpose."

As an auditor, you know how to prepare and to read a financial statement. As a financial analyst, I examine the financial statements, prepared by you, in order to determine the financial health of a company. I use a conservative "Graham and Dodd" approach when it comes to financial analysis; which includes fully discounting intangible assets such as goodwill and deferred tax assets. With respect to the New York Times, what I see is a company that has become quite sickly. To be sure, you know this as well.

So let's analyze The New York Times Company's balance sheet as of the third-quarter ending September 27, 2009. It is not a pretty sight.

- On an as-given basis, The New York Times' working capital position stood at negative $116,583,000. When fully discounting current deferred tax assets of $51,732,000, allowable working capital drops to negative $168,315,000.
- As presented in the balance sheet, this company's net worth stood at $492,451,000. Keep in mind, however, The New York Times' balance sheet is grossly unbalanced in the sense that over 36% of its assets are comprised of intangible assets. The components, of intangible assets, are $428,478,000

of deferred tax assets, $658,282,000 of goodwill, and $45,233,000 of "other" intangible assets – which totals to $1,131,993,000 of intangible assets. When fully discounting intangibles, The New York Times' net worth falls to negative $639,542,000.

- Cash stood at $28,092,000. This is a trifling sum for a company on pace to generate over $2 billion of revenues in 2009.

- The Times has tapped into its $400,000,000 bank line to the tune of $104,500,000.

Oh, and let's not forget the Times lost $71,028,000 through the nine-months ending September 27, 2009.

Over the past decade, The New York Times Company's irresponsible financial management has left this company with a balance sheet emaciated as a Giacometti sculpture. I have no doubt, whatsoever, that the Times' top executives and board members would love to have back the above-mentioned $2,779,601,000 they paid out for stock buybacks and dividends. Such a cash war chest would have allowed management the financial flexibility to re-engineer the company's business mix knowing that print media is in a dramatic decline; as shown by The New York Times' swing from profitability (in recent years) to the losses it is now experiencing. Unfortunately, for shareholders, past negligent financial management has left the very same incompetent management team with few options – for financial survival – such as selling assets and cutting costs. Yet, when looking at the Times' financial fragility, I do not see it surviving this vicious economic depression.

So what will it take for you, Ernst & Young, to truly call into question The New York Times Company's ability to continue as a going concern? Two key factors come to mind. The first factor is directly related to whether or not the Times can swing back to consistent profitability. Should this not happen, then The New York Times must write down its deferred tax assets because it may not be able to generate enough earnings before the tax benefits expire. If you recall, General Motors wrote down $39 billion of deferred tax assets for this very reason. The second factor is goodwill impairment. Did the Times' management overpay for the companies it acquired? If The New York Times continues to lose money, then it certainly calls into question if the companies acquired by the Times are as valuable today as they were when the acquisitions were made? As stated in this Information Management Magazine article:

A company must now conduct an annual impairment test to determine whether its goodwill has permanently declined in value. If an acquisition is no longer worth what a company paid for it, the goodwill must be written down to reflect the current value. Companies are now trading a ratable goodwill amortization for goodwill impairment.

Let's not overlook AOL's $54 billion write down, of goodwill, in 2002.

It is my hunch you will watch your client wither away, over the next two years, as it continues to lose money, maxes out its bank line, and struggles to stay afloat. Within this time span, I am surmising a substantial chunk of goodwill will be written down. As the spilling of red ink persists, moreover, working capital will fall deeper into negative territory while your tax people determine that the Times' deferred tax assets must be written down. At this point, your client's intangible assets will have evaporated; thus allowing the whole world to see that The New York Times Company is broke. There will be no hiding the fact that the Times' balance sheet is terminally ill suffering from both negative working capital and negative equity. But will you be gutsy enough to issue a "going concern" disclaimer before The New York Times goes bankrupt? Deloitte & Touche did so with GM. Will you follow their example?

November 24, 2009

Eric Englund [send him mail], who has an MBA from Boise State University, lives in the state of Oregon. He is the publisher of The Hyperinflation Survival Guide by Dr. Gerald Swanson. He is also a member of The National Society, Sons of the American Revolution. You are invited to visit his website.

The Failure of Empiricism

By Paul A. Cleveland

Empiricism dominates the attention of most academics today. In fact some philosophers argue that the employment of the empirical method is the only one able to obtain any knowledge. As a result, the scientist more and more lives in a dark world of uncertainty. The more he relies on empiricism alone, the less he is able to arrive at any foundational principles. This arises because empiricism alone cannot provide a complete picture. The problem of relying on empirical analysis alone is that we do not have now, and never will have all information. Moreover, the information that has been collected may be inaccurate or organized in a poor fashion. Therefore, the empiricist learns to be forever skeptical.

Nevertheless, the empiricist continues to rely upon the rules of logic. He must necessarily affirm the law of noncontradiction, the validity of cause and effect relationships, and, to some degree, the reliability of his senses. Without these he could not honestly continue his study of the cosmos. However, the empiricist derides certain deductive conclusions which arise from these accepted conditions of thought. Rather, he chooses to develop elaborate arguments to avoid these conclusions. This is more a matter of personal prejudice than of soundness of thought. Indeed, the philosopher who asserts that the empirical method is the only valid method of investigation is being illogical for his own assertion cannot be verified empirically. His assertion is a metaphysical statement.

As arguments of empiricists have progressed, we have seen a downfall of knowledge and thought. This has been especially problematic in the study of economics since that area of inquiry necessarily begins with a deductive conclusion. That conclusion is that there is no such thing as a free lunch. This conclusion follows from the obvious observation that we are purposeful actors who live in a world marked by limited means to achieve our ends. This deductive conclusion needs no further verification. It remains a rock solid principle and no amount of empirical investigation can ever overthrow it.

Nonetheless, it would appear that students are very perceptive. They reason in the following way. Since their teachers teach them that nothing can be known with certainty, then nothing can be known. Therefore, why do we bother attempting to discover something of reality, when in fact reality cannot be known? Within this framework of thinking, the student concludes that the educational process is merely a game we play. The winners of this game gain an advantage over their counterparts in society which allows them to acquire more material rewards. Moreover, even solid principles are questioned and often rejected as being nothing more than an opinion that they happen not to like.

It should not surprise us, therefore, that moral principles are consistently rejected and that our civilization is crumbling around us. Students are merely acting out of what they have been taught is true. Specifically, they have bought into that totally illogical adage, "everything is relative." Thus, they are no longer interested in consistent, logical thought. As a result, the drift continues and society will slide further and further away from reality and from the truth of God.

OUT OF EGYPT - AND ON TO BABYLON - From Slavery Back to Slavery Part I

By R. Nelson Nash

History seems to prove that mankind refuses to learn as much as it can from extremely valuable experiences. I can think of no better place to prove my point than looking at the Bible. Mankind has an eternal problem – we want to be God (in the pagan sense of the word). To witness the ultimate manifestation of this malady, watch what we try to do with our government. Let's begin by going back several thousand years in the book of Genesis and start with:

GOD'S CONTRACT WITH JACOB (ISRAEL)

"*I am the Lord, the God of your father Abraham and Isaac. I will give you and your descendants the land* *on which you are lying. Your descendants will be like the dust of the earth, and you will spread out to the west and to the east, to the north and to the south. All peoples on earth will be blessed through you and your offspring. I am with you and will watch over you wherever you go, and I will bring you back to this land. I will not leave you until I have done what I have promised you.*" (Gen. 28: 13–15)

Jacob had a twin brother, Esau. In that day in time the firstborn received the birthright from the father. Esau was the older one. Jacob and his mother, Rebekah, through some trickery, managed to secure the birthright of the firstborn from his father, Isaac. Jacob was the favorite son of Rebekah. Esau was the favorite of Isaac. Naturally, this embittered Esau towards his brother, Jacob. Rebekah tells Jacob, "Your brother Esau is consoling himself with the thought of killing you. Now then, my son, do what I say: Flee at once to my brother Laban in Haran." (Gen. 27 42b–43)

And so, Jacob went to work for his Uncle Laban, who turned out to be a bigger trickster than Jacob and his mother! Laban had two daughters, Leah and Rachel. Jacob told Laban he would work for him for seven years in exchange for his daughter, Rachel. Laban tricked him by giving him his oldest daughter, Leah. Then he said, "Work for me seven more years and I will give you Rachel." Laban really knew how to create a good deal for himself.

But, don't feel sorry for Jacob. He found a way to "get even" with Laban a few years later. Go and search it out for yourself - see Genesis 30: 25–43. Apparently Jacob learned very well from Laban the art of deception!

Jacob had four sons by Leah – by her maid servant, and – by Rachel's maid servant for a total of ten sons. He finally gets to marry Rachel and she produces two sons - Joseph and Benjamin - they are Jacob's favorites, naturally creating all the makings of a dysfunctional family. Joseph could easily be classified by his ten older brothers as "a spoiled brat." Joseph was also "a dreamer" - and this characteristic comes in handy later in his life.

Somewhere along the timeline, Jacob's name was changed to Israel.

A situation presents itself that the ten brothers can get Joseph out of their lives - and nothing could be better - by selling him to a caravan of tradesmen on their way to Egypt.

JOSEPH IS SOLD INTO SLAVERY

There, Joseph is sold into slavery. Another sequence of events places him in prison. We won't go into the details of this event. Again - search this one out for yourself, too. It is interesting reading. (Genesis 39)

Joseph was a model prisoner and worked himself up to becoming a "trusty." (Here we enter the concept of government. Pharaoh was government). Pharaoh's chief cupbearer and his chief baker were thrown into prison as a result of offending the king and were assigned to Joseph for custody. Both the cupbearer and the baker had a dream and Joseph correctly interprets them - the cupbearer will be restored to his position in three days! Joseph instructs him, "But when all goes well with you, remember me to Pharaoh and get me out of this prison, for I was forcibly carried off from the land of the Hebrews, and even here I have done nothing to deserve being put in a dungeon."

The king's baker didn't fare too well. Interpreting his dream, Joseph said, "Within three days Pharaoh will lift off your head and hang you on a tree. And the birds will eat away your flesh." And so it came to be.

Unfortunately, the chief cupbearer did not remember Joseph - he forgot him! Imagine that!

Two years later Pharaoh has a dream but none of his servants can interpret it. Finally, his cupbearer remembers the abilities of Joseph and recommends him to Pharaoh.

Joseph interprets Pharaoh's dream. "Seven years of great abundance are coming throughout the land of Egypt, but seven years of famine will follow them. Then all the abundance in Egypt will be forgotten and the famine will ravage the land." (Gen. 41: 29 & 30)

Because of this unique ability Joseph becomes second in command in all of Egypt, a rather rapid rise to power from such a lowly estate of being a prisoner!

During the "seven years of plenty" Pharaoh confiscated 20% of all the produce of the land. (Gen. 41: 34–36). There is no evidence that he paid for it.

During the "seven years of famine" he sold back to them, that which he had stolen! (Gen. 41: 56). So much for a government program! We tend today to think this kind of chicanery is a modern phenomenon - but, you see, it has deep roots going back thousands of years.

The famine was widespread and Israel, back in Caanan, learned that there was grain in Egypt. So, he sent his ten eldest sons to buy grain. This resulted in a face off with Joseph, the one they had sold into slavery! (Gen. 42) Of course, they didn't recognize him. They thought he was probably a slave somewhere - or, maybe even dead. Joseph put them through a rather tough inquisition, but, eventually reconciliation was achieved.

"When the news reached Pharaoh's palace that Joseph's brothers had come, Pharaoh and all his officials were pleased." Pharaoh said to Joseph, "Tell your brothers, do this, load your animals and return to the land of Canaan, and bring your father and your families back to me. I will give you the best of the land of Egypt and you can enjoy the fat of the land" (Gen. 45: 16–18) "Never mind about your belongings, because the best of all Egypt will be yours." (Gen. 45: 20)

To my knowledge, this was among the first records of a government handout! It is evident to me that, if you ever start taking that sort of stuff - you will end up being a slave!! It does something to one's mind and makes one dependent on the grantor. There is a very strong element of dependency in the act of worship. You will end up worshiping that on which you are dependent. And, that's what government people want you to do - be dependent on them. They want to be objects of worship. They want you to think that your blessings in life come from them - not from God!

My personal observation down through the years has been - whenever there is a government handout of any kind, normally intelligent people, will abandon their productive efforts, go stand in line for their share of the dole - and watch each other starve to death!! This point is the central theme of this paper and it will be reemphasized as the story progresses.

And, now comes the hard part - the famine was severe throughout the whole region. "Joseph collected all the money that was to be found in Egypt and Canaan in payment for the grain they were buying, and he brought it to Pharaoh's palace." (Gen. 47: 14)

Eventually, they ran out of money. Then they mortgaged their cattle. When they ran out of cattle, they mortgaged themselves. They became slaves for 430 years. In that many years you can really become good at slavery! You can't think past that situation.

So, after a lengthy time Joseph dies and, "Then a new king, who did know about Joseph, came to power in Egypt." (Exodus 1:9)Things got much worse for the Israelite nation.

Nothing in all the Scriptures indicates that God intended for His chosen people to end up in Egypt as slaves forever. To me, it seems that He let this experience happen to teach them that they should be dependent on Him - not government of any kind! Don't ever sell your souls to government, or you will end up in slavery. (*Look for PART II next month)*

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www.infinitebanking.org updates

Infinite Banking Concepts Symposium

Our semi-annual *Becoming Your Own Banker - the Infinite Banking Concept* Symposium will be held on 17-18 February, 2010 in Birmingham, AL.

The non-refundable non-member registration fee is only $500. Spouses are welcome for an additional $100. (IBC Think Tank Members get a reduced registration fee rate. For information on other benefits of Nelson's IBC Think Tank group, please visit our website, look under the *Resources* button, then click *Think Tank* - www.infinitebanking.org/thinktank.php.)

We will start the symposium at 10AM on 17 February (Wednesday) with presentations and hosted dinner reception; to conclude no later than 8PM; we continue the morning of 18 February (Thursday), and conclude formal presentations around 12PM.

We will host an IBC THINK TANK MEMBERS-ONLY session after lunch on the 18th. There will be no formal presentations during the members-only session, it will be a venue to exchange ideas = Think Tank. I will capture issues, recommendations and ideas from this session and disseminate to the general membership. Conclusion to this session will be no later than 4PM.

The IBC symposium will be held at the beautiful *Carraway-Davie House and Conference Center,* 4465 Old Overton Rd, Birmingham, AL, http://www.carrawaydavie.com/. The seminar will be held close by at the *Hilton Garden Inn Birmingham SE/Liberty Park*, 2090 Urban Center Parkway, Birmingham, AL.

I have reserved a limited number of sleeping rooms at the Hilton location also. Shuttle service will be available from the Birmingham airport to the hotel and between the conference site and hotel.

FYI: Nelson will conduct his seminar immediately preceding the Symposium starting at 6 PM the evening of 15 February for two hours; resuming at 8AM on 16 February. Registration cost for the seminar for all others is $200 per seat or $300 per couple. (IBC Think Tank Members can attend this seminar free of charge; their spouses are welcome for an additional $50 fee.)

Detailed agenda, to include speakers; on-line conference registration and payment links, and hotel registration link will be provided soon.

If you know now that you will definitely attend, please e-mail me at david.stearns@charter.net, or call me at 205-276-2977.

Hope to see you in February!

David Stearns