BankNotes

January 2010

NELSON NASH'S MONTHLY NEWSLETTER

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

Tuesday-Wednesday, 2-3 Feburary, Ft Worth, TX, James Neathery, 817-790-0405 jcneat@gmail.com

Friday-Saturday, 5-6 Feburary, Austin, TX, Teresa Kuhn, 512-301-7702, tbkuhn@safeharborboy.com

Thursday-Friday, 11-12 Feburary, Austin, TX, Paul McDonald, 512-459-5966, paul@econwbs.com or Ben Waggoner, 512-965-0391, ben@econwbs.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

Friday-Saturday, 19-20 Feburary, Chicago, IL, Josh Bretl, 630-993-8222, jbretl@covenantls.com

Thursday-Friday, 25-26 Feburary, Little Rock, AR, Becky Rice, 501-221-7400, ricerw@rebeccarice.net

Nelson's Favorite Quotes of the Month

"When the student is ready, the teachers will appear."

"Your success is only determined by the size of your thinking."

"How you think determines how you act, and how you act determines how other people react to you."

Nelson's newly added Book Recommendations

The Guns Of August by Barbara W. Tuchman

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

The Candlemakers' Petition

Mises Daily: Monday, November 09, 2009 by Frederic Bastiat

Petition of the Manufacturers of Candles, Waxlights, Lamps, Candlelights, Street Lamps, Snuffers, Extinguishers, and the Producers of Oil, Tallow, Resin, Alcohol, and, Generally, of Everything Connected with Lighting

To the Members of the Chamber of Deputies.

Gentlemen:

You are on the right road. You reject abstract theories, and have little consideration for cheapness and plenty. Your chief care is the interest of the producer. You desire to protect him from foreign competition and reserve the national market for national industry.

We are about to offer you an admirable opportunity of applying your — what shall we call it? — your theory? No; nothing is more deceptive than theory — your doctrine? your system? your principle? But you dislike doctrines, you abhor systems, and as for principles you deny that there are any in social economy. We shall say, then, your practice — your practice without theory and without principle.

We are suffering from the intolerable competition of a foreign rival, placed, it would seem, in a condition so far superior to ours for the production of light that he absolutely inundates our national market with it at a price fabulously reduced. The moment he shows himself, our trade leaves us — all consumers apply to him; and a branch of native industry, having countless ramifications, is all at once rendered completely stagnant. This rival, who is none other than the sun, wages war mercilessly against us, and we suspect that he has been raised up by perfidious Albion (good policy nowadays), inasmuch as he displays toward that haughty island a circumspection with which he dispenses in our case.

What we pray for is that it may please you to pass a law ordering the shutting up of all windows, skylights, dormer-windows, outside and inside shutters, curtains, blinds, bull's-eyes; in a word, of all openings, holes, chinks, clefts, and fissures, by or through which the light of the sun has been in use to enter houses, to the prejudice of the meritorious manufactures with which we flatter ourselves that we have accommodated our country — a country that, in gratitude, ought not to abandon us now to a strife so unequal.

We trust, gentlemen, that you will not regard this our request as a satire, or refuse it without at least first hearing the reasons which we have to urge in its support.

And, first, if you shut up as much as possible all access to natural light, and create a demand for artificial light, which of our French manufactures will not be encouraged by it?

If more tallow is consumed, then there must be more oxen and sheep; and, consequently, we shall behold the multiplication of meadows, meat, wool, hides, and above all, manure, which is the basis and foundation of all agricultural wealth.

"If you shut up as much as possible all access to natural light, and create a demand for artificial light, which of our French manufactures will not be encouraged by it?"

If more oil is consumed, then we shall have an extended cultivation of the poppy, of the olive, and of rape. These rich and soil-exhausting plants will come at the right time to enable us to avail ourselves of the increased fertility that the rearing of additional cattle will impart to our lands.

Our heaths will be covered with resinous trees. Numerous swarms of bees will, on the mountains, gather perfumed treasures, now wasting their fragrance on the desert air, like the flowers from which they emanate. Thus, there is no branch of agriculture that shall not greatly develop.

The same remark applies to navigation. Thousands of vessels will proceed to the whale fishery; and in a short time, we shall possess a navy capable of maintaining the honor of France, and gratifying the patriotic aspirations of your petitioners, the undersigned candlemakers and others.

But what shall we say of the manufacture of articles de Paris?[i] Henceforth, you will behold gildings, bronzes, crystals in candlesticks, in lamps, in lustres, in candelabra, shining forth in spacious showrooms, compared with which, those of the present day can be regarded but as mere shops.

No poor resinier from his heights on the seacoast, no coal miner from the depth of his sable gallery, but will rejoice in higher wages and increased prosperity.

Only have the goodness to reflect, gentlemen, and you will be convinced that there is perhaps no Frenchman, from the wealthy coalmaster to the humblest vendor of lucifer matches, whose lot will not be ameliorated by the success of this our petition.

We foresee your objections, gentlemen, but we know that you can oppose to us none but such as you have picked up from the effete works of the partisans of Free Trade. We defy you to utter a single word against us which will not instantly rebound against yourselves and your entire policy.

You will tell us that, if we gain by the protection we seek, the country will lose by it, because the consumer must bear the loss.

We answer:

You have ceased to have any right to invoke the interest of the consumer; for, whenever his interest is found opposed to that of the producer, you sacrifice the former. You have done so for the purpose of encouraging labor and increasing employment. For the same reason you should do so again.

You have yourselves obviated this objection. When you are told that the consumer is interested in the free importation of iron, coal, corn, textile fabrics — yes, you reply, but the producer is interested in their exclusion. Well, be it so; if consumers are interested in the free admission of natural light, the producers of artificial light are equally interested in its prohibition.

"Do you desire for our country the benefit of gratuitous consumption or the pretended advantages of onerous production?"

But, again, you may say that the producer and consumer are identical. If the manufacturer gains by protection, he will make the agriculturist also a gainer; and if agriculture prospers, it will open a vent to manufactures.

Very well! If you confer upon us the monopoly of furnishing light during the day, first of all we shall purchase quantities of tallow, coals, oils, resinous substances, wax, alcohol — besides silver, iron, bronze, crystal — to carry on our manufactures; and then we, and those who furnish us with such commodities, having become rich will consume a great deal and impart prosperity to all the other branches of our national industry.

If you urge that the light of the sun is a gratuitous gift of nature, and that to reject such gifts is to reject wealth itself under pretense of encouraging the means of acquiring it, we would caution you against giving a death-blow to your own policy.

Remember that hitherto you have always repelled foreign products, because they approximate more nearly than home products the character of gratuitous gifts. To comply with the exactions of other monopolists, you have only half a motive; and to repulse us simply because we stand on a stronger vantage-ground than others would be to adopt the equation + × + = − ; in other words, it would be to heap absurdity upon absurdity.

Nature and human labor cooperate in various proportions (depending on countries and climates) in the production of commodities. The part nature executes is always gratuitous; it is the part executed by human labor that constitutes value and is paid for.

If a Lisbon orange sells for half the price of a Paris orange, it is because natural, and consequently gratuitous, heat does for one what artificial, and therefore expensive, heat must do for the other.

When an orange comes to us from Portugal, we may conclude that it is furnished in part gratuitously, in part for an onerous consideration; in other words, it comes to us at half price as compared with those of Paris.

Now, it is precisely this semigratuity (pardon the word) that we contend should be excluded. You say, How can national labor sustain competition with foreign labor, when the former has all the work to do, and the latter only does one-half, the sun supplying the remainder?

But if this half, being gratuitous, determines you to exclude competition, how should the whole, being gratuitous, induce you to admit competition? If you were consistent, you would, while excluding as hurtful to native industry what is half gratuitous, exclude a fortiori and with double zeal that which is altogether gratuitous.

Once more, when products such as coal, iron, corn, or textile fabrics are sent us from abroad, and we can acquire them with less labor than if we made them ourselves, the difference is a free gift conferred upon us. The gift is more or less considerable in proportion as the difference is more or less great.

It amounts to a quarter, a half, or three-quarters of the value of the product, when the foreigner only asks us for three-fourths, a half, or a quarter of the price we should otherwise pay. It is as perfect and complete as it can be when the donor (like the sun in furnishing us with light) asks us for nothing.

The question, and we ask it formally, is this: Do you desire for our country the benefit of gratuitous consumption or the pretended advantages of onerous production? Make your choice, but be logical; for as long as you exclude, as you do, coal, iron, corn, foreign fabrics, in proportion as their price approximates to zero, what inconsistency it would be to admit the light of the sun, the price of which is already at zero during the entire day!

Frédéric Bastiat was the great French proto-Austro-libertarian whose polemics and analytics run circles around every statist cliché. His primary desire as a writer was to reach people in the most practical way with the message of the moral and material urgency of freedom. See Frederic Bastiat's article archives.

Intermediate Macroeconomics: Teaching Business Cycles

Wednesday, December 30, 2009 by Paul A. Cleveland

I am employed as a professor of economics at a small liberal-arts college. Being the senior professor in my department, I have been able to focus my teaching load on courses that I am most interested in. These include microeconomic principles, the history of economic thought, comparative economic systems, and public choice, for which I am able to use my own book.

Nevertheless, the department is small and I am sometimes asked to teach courses that I am not particularly enthusiastic about. A few years ago, as a result of a number of circumstances, one such course fell to me. Though I had avoided it for several years, I had to teach intermediate macroeconomics.

The thought of having to add this fall-semester course to my annual teaching load was not particularly appealing to me. I had always thought that Keynesianism was just poor economics. Moreover, my studies in Austrian theory since graduate school had led me to reject monetarism and new classicism as well. As such, the thought of introducing students to these ideas seemed like a colossal waste of time. Just the same, the task fell my way, and I decided to take on the challenge.

When I agreed to teach the course, I told the powers that be that I would do it, but that I would do it my way. They agreed and I began looking for a text. I chose a neoclassical text that did a reasonable job of presenting Keynesianism, monetarism, and new classicism. What was missing, of course, was any reference to Austrian theory. But the text suited my purpose well because of its introductory treatment of classical theory.

In particular, the text argues that classical thought was built on three assumptions, namely, that the economy is characterized by

1. rationally self-interested human actors (basically utility maximization in the narrow neoclassical understanding of the phrase) who

2. suffer from no money illusion and

3. live in a world of perfect competition.

On the basis of these assumptions, the authors of the text quickly discount classical thought and move on to introduce the Keynesian approach.

It was the absurd nature of these assumptions that made the text ideal for my purposes. The authors of the text appear wholly ignorant of the fact that these assumptions had nothing to do with the best of classical theory, which has been carried on by the Austrians. In fact, it seemed evident to me that the authors could not conceive of classical thought earlier than the work of Alfred Marshall and the British school, with its focus on equilibrium theory. Moreover, their reference to Jean Baptist Say as a proponent of those three assumptions is just gross ignorance.

Therefore, as a first project for the students, I had them read the text along with the crucial chapter from Say's economic treatise, coupled with several other articles on Say's Law, I then asked them to write a paper explaining how and where the textbook authors' assumptions are found in Say's writing. The task cannot be done, and the students were forced to refute the text's assertions point by point. After the completion of this project I was able to begin to build the Austrian theory of the business cycle and present it side-by-side with the development of the other schools of macroeconomics.

From this starting point, I began to develop the Austrian theory using a variety of articles. These articles range from addressing the problems associated with aggregate analysis, to Rothbard's biography of Keynes. In refuting Keynesian theory, Hans Hermann Hoppe's article, "The Misesian Case against Keynes," is excellent. In addition, I have found Roger Garrison's articles to be very helpful in articulating the Austrian theory of the business cycle and in comparing it to the other schools of thought.

Toward the end of the course I assigned Robert Higgs' article, "Regime Uncertainty: Why the Great Depression Lasted So Long and Why Prosperity Resumed after the War," which explains well the problems the New Deal created for the economy and why Roosevelt's policies were responsible for keeping recovery from occurring.

Once I have covered the essential material, I have the students write a paper aiming to explain what has happened to the Japanese economy since 1990. In this project, the students must choose which theory best explains the continuing sluggishness of that country's economic fortunes. While I provide them with Ben Powell's article on the subject, by this time in the semester the students are generally convinced that the Austrian theory is the only one that explains the situation.

This teaching approach has worked very well for the past few years. It has been especially effective in the past two years, given the current economic situation in the United States. Indeed, the students' interest in the current economic crisis has served as a source of motivation for them to learn the subject well. At any rate, instead of being a course I dread, it has actually become one of my favorites.

Perhaps other economists can employ the same approach in their classes. In light of the widespread economic ignorance that we face today, it is very much needed.

Paul Cleveland teaches economics at Birmingham-Southern College in Alabama.

Here comes another ten years of backsliding

By Bill Bonner

Bethesda, Maryland

We're back in the USA after 15 years of living in Europe.

Bethesda is one of America's wealthiest suburbs. Money from all over the nation rolls this way. The playing field is tilted in Bethesda's direction.

"I was sitting in the Starbucks, having a cup of coffee," Elizabeth reported. "One man next to me was on the phone. He was talking about some deal he had done with the US Army in Afghanistan. It sounded as though he was very happy with it. The man next to me on the other side was on the phone too. He was a jollier fellow, talking loudly about how much money he had made. I thought he was a stockbroker or something like that. Then, I realized he was talking about a contract with the government."

While the rest of the nation has suffered a setback over the last ten years...the Washington metropolitan area has boomed more than ever. Real estate prices are down...but less than other areas.

And when we looked for a house to rent, we expected to be able to name our price. We thought it would be a buyer's market. Not so. Nice houses in Bethesda are still being sought after. How so?

Wars...bailouts...boondoggles – this area loves them. Federal employees' earnings keep going up...and a higher portion of the US national income goes to Washington.

"Aughts were a lost decade for US economy, workers," says a headline in the Washington Post.

"For most of the past 70 years, the US economy has grown at a steady clip, generating perpetually higher incomes and wealth for American households. But since 2000, the story is starkly different."

What was different about it?

"There was zero net job creation in the first decade of this new millennium, compared to healthy job growth in each of the previous six decades," continues the report.

"No decade going all the way back to the '40s had job growth of less than 20%."

How many jobs were created since 2000? None. Not a single one, net.

If new jobs are not being created, you can't expect working people to do very well. And they didn't. "The Aughts were the first decade of falling median income since figures were first compiled in the '60s. And the net worth of American households – the value of their houses, retirement funds and other assets minus debts – has also declined when adjusted for inflation, compared with sharp gains in every previous decade since data were initially collected in the 1950s."

Bummer.

The Aughts were a nasty decade for investors too. Bloomberg reports that the value of all the world's public companies was a bit more than $60 trillion at the end of 2007. Stocks were cut in half in '08. In '09, after the March low, the bounce began. They recovered roughly half of what they lost to end 2009 with a total value of about $45 trillion.

Bummer again.

What went wrong? According to the Post account, economists are scratching their heads wondering. What a bunch of morons!

Long time sufferers of the Daily Reckoning already know what went wrong. GDP figures were positive throughout almost the entire period. But they were phony...they were a fraud. They just measured the rate at which Americans were ruining themselves – by buying things they didn't need with money they didn't have.

It was obvious to us and anyone who bothered to think about it for two seconds that you can't really get rich by spending money. It's NOT spending that makes you rich. It's savings. You have to save and invest... so that you can produce more. Everybody knows that.

But economists don't work for 'everybody.' They work for the government. Or Wall Street. Both sectors have a keen interest in making people think what isn't so. 'We live in the greatest, most flexible, most dynamic economy the world has ever seen,' said the politicians. 'Yeah...and it will only get better,' added Wall Street.

But it was a fraud. It didn't get better. It got worse. And now, Americans pay the price. Ten years of work...and they're poorer than when they started.

But heck...it's a New Year. We'll look ahead. What's coming up? Another ten years of backsliding? Or ten years of real growth? Better? Or worse? We'll bet on the backsliding... keep reading...

More news from the UK...

Theo Casey, a stock picker from our London team sizes up the year ahead:

"The City's predictions on 2010 are in and the consensus looks like so…

- Stocks will rise 9%
- Oil will level at $80
- Gold will pick back up to $1,200
- And Brazil (at 11/2) will win the World Cup

"Of the above, I can only agree with the Samba boys going all the way in South Africa.

"The rest of the forecasts look a bit too good to be true.

"I think that the next 12 months will be flat for financial markets. There is no easy money left to be had. Gains on the market will come from hard graft. A strict adherence to value investing principles and a ruthless selling policy are the only way to play the game.

"With that said, in a market with over 50,000 tradable investment ideas, there's always going to be opportunities. So, despite my concerns, continue to buy in this market until either: a) A serious policy mistake (i.e. the Bank of England raising interest rates), or b) a double-dip in economic activity.

"The Bank of England is expected to keep interest rates at 0.5% this week. And, economic activity has only just turned positive in the UK. So, with both fears at bay, what should you be investing in? Pay attention to the banks, miners and drug stocks..."

Theo continues in the latest issue of The Right Side. If you're interested in receiving this free investment email, click here to sign up.

And more thoughts...

***Another Bloomberg report tells us that Goldman Sachs is stealing our glory.

"Goldman Makes 'Call of Decade' by Promoting BRICs

Dec. 31 (Bloomberg) -- Goldman Sachs Group Inc.'s forecast that Brazil, Russia, India and China would eventually eclipse the Group of Seven countries economically has been described as "the biggest market call of the decade."

The... so-called BRIC countries have risen more than emerging markets as a group since Nov. 30, 2001, when Goldman's global economics team first assessed their prospects in a study. The comparison is based on MSCI Inc.'s benchmark indexes.

MSCI's BRIC Index soared 367 percent through yesterday to surpass the 22-country Emerging Markets Index by 134 percentage points, according to data compiled by Bloomberg. The MSCI World Index, a gauge of 23 developed markets that is also depicted in the chart, gained only 17 percent during the period.

Jim O'Neill, who still runs the global team, first made the case for the four countries in a paper entitled "Building Better Global Economic BRICs." The firm elaborated in follow-up reports published in October 2003 and December 2005.

Brazil is the best-performing BRIC stock market since November 2001, based on a comparison of MSCI country indexes. India, China and Russia followed, in that order. Each of them rose more than the emerging-market gauge."

Will the BRIC economies continue to be the best performers in the next decade? Darned if we know.

*** Getting back to the US...will the next 10 years be a great period...or another awful one?

Our guess is that it will stink. On page 9 of the Washington Post is one of the reasons why.

"GM shows that it's playing the Beltway game," says the headline.

GM is owned by the government. Still, it is beefing up its lobbying staff in Washington (more money to the DC area!) in order to guide its new owners to the right decisions.

Not surprisingly, the lobbyists are former politicians, such as John T. Montford, former senator from Texas. Montford knows how the Beltway Game is played. It is a game that Washington wins and the rest of the nation loses. But he isn't explaining that to his bosses in Detroit. But that is how the Beltway Game works.

The Aughts were ruined by Wall Street. Washington will ruin the next decade. It will take the lead in spending money it doesn't have on projects it doesn't need.

Mr. Montford is a parasite. He toils not, neither does he spin. He's probably been a parasite all his life, for all we know. The newspaper says he was a senior AT&T executive. Some executives are useful contributors to society. Some aren't.

But the point is, there are more and more Montfords all the time. Those fellows in the Starbucks...39 million people on food stamps...AIG executives...much of Wall Street...most of the federal payroll. Instead of competing actively in the world economy – providing good and services to honest people who are willing and able to pay for them – these people depend on government.

And now, the whole US economy depends on the government too – just like the Japanese economy. Now we need (or so we are told) big spending from Washington or the economy will stop growing. But the 'growth' we are seeing now is not real growth – it is growth in government spending.

And like all government spending, it rewards parasites, not the people who actually add wealth.

Until tomorrow,

Bill Bonner

For The Daily Reckoning

Another of my predictions that I made when the Roth IRA first came into existence.

– R. Nelson Nash

The Roth IRA Must Die!

by Thomas Schmidt

It was during a recent email conversation with a prolific LRC blogger that I discovered chunk of Italy, formerly the property of the bishop of Milan, nestled entirely within the Swiss province of Ticino on the shores of Lake Lugano, what the Italians prefer to call Ceresio; though north of Minneapolis, palm trees grow without protection along the lakedue to its effect as a giant solar heat sink. Years back, the only way to get to it from Italywithout touching Swiss soil was to take an aerial tram built across Swiss territory. Its currency is Swiss, the franc, and its banks likewise; there used to be no income tax levied on non-Italian residents because a casino in the territory yielded enough revenue that taxes were unnecessary. For foreigners unable to get Swiss residence, it was the closest thing to living in that country of stable money, mandatory gun ownership, and low crime. Sadly, as I learned from my correspondent, casino revenues have dropped, and its status as a tax haven is greatly reduced.

We discussed other locales that avoid taxing the income of foreign residents; as I suggested earlier, places like Dubai might use the lack of personal income taxation to siphon off the most productive citizens from the West, leading to the collapse of the welfare/warfare state without these "Islamists" firing a shot. I learned of a few places I did not know of before, and suggested to him a "country" that also offers income free from taxation.

That "country" is the Roth IRA, which allows a US citizen to put aside money on which he has already paid income tax into an account where all accumulations on the principal are tax free, if withdrawn under certain conditions. Fairmark explains: "when you take money out of a Roth IRA, the first dollars you take out are considered to be a return of your regular contributions. You don't have to meet any special tests to receive those dollars free of tax. You can take them out any time, for any reason, without paying tax or penalties." To get the earnings out without paying taxes, you must meet two tests: withdrawals must come at least five years after you opened the account, and must be one of the four "qualified" distributions. They are "(d)istributions made on or after the date you reach age 59½; (d)istributions made to your beneficiary after your death; (i)f you become disabled, distributions attributable to your disability; '(q)ualified first-time homebuyer distributions.'" (As always, check with your attorney for current tax law.)

So it would seem easy to live the good life: just buy that winning lottery ticket in a Roth IRA and collect your millions tax-free. Unfortunately, conventional IRAs are restricted, usually, to stocks and bonds; self-directed IRAs allow for a wider range of investments, but not lottery tickets or, among others, "investments … includ(ing) artwork, rugs, antiques metals, gems, stamps, coins, alcoholic beverages and other collectibles." However, according to IRAMyWay, things like "Residential Real Estate, Commercial Real Estate, Raw Land, Trust Deeds / Mortgages, and Mortgage Pools, Private Notes and Loans, Private Stock Offerings, Limited Liability Companies (LLC), Limited Partnerships (LPs), Tax Certificates, … and Commercial Paper" can all be held in a self-directed (Roth) IRA.

Imagine two friends, Fred and Joe, each age 60 with a Roth IRA that had been opened ten years previously, with a balance of $200,000. Fred's self-directed IRA could write a mortgage on Joe's house, while Joe could write a mortgage on Fred's house; at 10% interest, each IRA would earn $20,000 in interest annually. The interest, earnings, could be paid out tax free to each man; at the same time, each might deduct (check with your tax advisor!) the $20,000 he paid in interest from his Federal taxes, creating $20,000 in tax-free income. More creative scenarios are left to the reader as an exercise; suffice it to say that the combination of qualified Roth distributions and self-directed investments could easily lead to a situation where the Federal state legally saw many of its citizens avoid taxes entirely.

There are limits; as SmartMoney outlines, "(e)xamples of what the IRS (or the Department of Labor) may consider to be prohibited transactions include the following: (h)aving your IRA buy stock or other assets from you or sell them to you; (h)aving your IRA lease assets from you or to you; (h)aving your IRA buy stock in a corporation in which you have a controlling interest; (h)aving your IRA lend to you or borrow from you; (h)aving your IRA engage in transactions with certain related parties and/or family members." (Some examples of related parties and family members are given here.) Even so, mutually-beneficial friends could take advantage, as well as cousins, uncles/aunts to nieces/nephews, etc. Using the Federal Gift Tax exclusion, a great aunt or uncle could provide the benefits of some tax-free income to a young person otherwise unable to take money out of a Roth IRA directly, or by leaving a qualified Roth to a younger person upon death.

This situation is treacherous for the Federal Government. As Gary North outlined, 2010 is the year that Social Security will take in less net revenue to the government in FICA "taxes" than is paid out in benefits. North proposes a few solutions: "(l)et's see if Congress will kick the can some more. Let's see if Congress passes hikes in the FICA tax rates in 2010, or extends the wage base that pays the tax beyond today's $106,800 limit. My guess: Congress will kick the can. The deficit will grow."

What is certain is that out-of-control spending will continue, and meaningful benefits for those on Social Security will have to be funded from somewhere. My guess for the most likely future source is a wealth tax on the retirement accounts of those who have distrusted the word of the Federal Government to pay benefits, but who have curiously trusted that same government with regard to retirement account security. Remember that Social Security benefits themselves were once tax-free. The promise of tax-free earnings from a Roth IRA must likewise be reneged upon if the Federal State survives.

January 1, 2010

Thomas M. Schmidt [send him mail], a native of Brooklyn, is not a tax advisor and has not offered any tax advice in this article, but enjoys observing the schizophrenic effects of Federal tax policy.

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

Part II

(If you missed Part I, check the December 2009 BankNotes available on InfiniteBanking.org)

By R. Nelson Nash

MOSES

Finally God produces Moses, a leader who will take them out of the slavery of Egypt. God creates a situation in which Moses is reared in Pharaoh's household and consequently receives the best education possible at that time.

Sometime later Moses witnesses an Egyptian beating a Hebrew, one of his own people. Glancing this way and that and seeing no one, he killed the Egyptian and hid him in the sand. And, of course, there were a couple of Egyptians who did see Moses' murder. Pharaoh heard of this and tried to kill Moses -- but Moses escaped and went to live in Midian. While there, he married.

It was during this time that Moses was tending the flock of his father-in-law, Jethro, near Mount Horeb. This is where he witnessed a strange sight -- a bush was on fire, but it did not burn up! God spoke to him through the burning bush and directed him to go back to Pharaoh and bring His people out of Egypt.

God tells Moses, "And I will make the Egyptians favorably disposed toward this people, so that when you leave you will not go empty handed. Every woman is to ask her neighbor and any woman living in her house for articles of silver and gold and for clothing, which you will put on your sons and daughters. And so you will plunder the Egyptians." (Exodus 3:21-22) In this manner God provided all the basic tools of a monetary system.

This was by no means an easy task. Pharaoh gave them all sorts of grief while God sent plague after plague to encourage him to "let my people go." This all took place over a lengthy period. The final plague that did the trick was the one that killed the first born of every Egyptian family -- including Pharaoh's son. During the night Pharaoh summoned Moses and Aaron and said, "Up! Leave my people, you and the Israelites! Go, worship the Lord as you have requested. Take your flocks and herds, as you have said, and go! And also bless me." Exodus (12: 31 -32)

THE EXODUS

As the Israelites were leaving and approaching the Red Sea, Pharaoh had a change of heart -- "what have I done? I have let the Israelites go and have lost their services!" So, they mount up their chariots and horses and pursue Moses and his followers. As Pharaoh and his troops approached them, the Israelites were terrified. Their backs were to the Red Sea and Pharaoh's Army was closing in!

God says to Moses: "Why are you crying out to me? Tell the Israelites to move on. Raise your staff and stretch out your hand over the sea to divide the water so that the Israelites can go through the sea on dry ground. I will harden the hearts of the Egyptians so that they will go in after them. And I will gain glory through Pharaoh and all his army, through his chariots and his horsemen. The Egyptians will know that I am the Lord when I gain glory through Pharaoh, his chariots and his horsemen." (Exodus 14: 15-18)

And so, Pharaoh and his army were drowned right before their eyes!! Whew! What a narrow escape! What a miracle! Just how many miracles had the Israelites witnessed?

Now they are free of Egypt! Free at last! Free at last! And, where had God put them?

Sinai! There was nothing there to sustain life. Nothing! This is where God put them for the next 40 years to teach them to be dependent on Him. It would be impossible for them to claim sustenance from any other source. Their minds had to be cleansed from the idea of being a slave. They had to learn to be free people, indeed, and put their trust in God -- not government. No government programs!! Remember, there is a very strong element of dependency in the act of worship -- you will worship that on which you are dependent. All governments want you to be dependent on them -- not God!

GOD PROVIDES

Right away He provided them with the greatest document of human liberty that has ever been -- The Ten Commandments. Exodus, chapter 20 details the commandments and for the next four chapters there are more explanations that would help them to understand further meaning of them. This lengthy explanation was apparently necessary to cleanse their minds from the paradigm of being a slave. You have to learn to think differently.

In Exodus, chapter 25, Moses goes up Mt. Sinai to meet with God and receive the tablets on which the Commandments are inscribed. He is up there for 40 days and nights.

The Israelite Nation had been grumbling and complaining ever since they realized they were in a place where they were totally dependent on God. Six weeks after crossing the Red Sea on dry land the whole community grumbled against Moses and Aaron. The Israelites said to them, "If only we had died by the Lord's hand in Egypt! There we sat around pots of meat and ate all the food we wanted, but you have brought us out into this desert to starve this entire assembly to death." (Exodus 16: 2 &3).

Now that Moses had been gone for a lengthy period, they were really angry. When the people saw that Moses was so long in coming down from the mountain, they gathered around Aaron and said, "Come, make us gods who will go before us. As for this fellow Moses who brought us up out of Egypt, we don't know what has happened to him." (Exodus 32: 1).

Aaron responded, "Take off the gold earrings that your wives, yours sons and your daughters are wearing and bring them to me." (Remember the Golden Rule --- Those who have the gold make the rules!). Aaron took what they gave him and made it into an idol cast in the shape of a calf, fashioning it with a tool. The next day they had a big party! "We are saved! We are going back to Egypt -- hallelujah!"

And, now, Moses comes down from the mountain and saw the calf and the dancing. His anger burned and he threw the tablets (inscribed Ten Commandments) out of his hands, breaking them to pieces at the foot of the mountain.

God instructed Moses to "utterly destroy" those who had instigated this event. Three thousand were killed that day. (Exodus 32: 27 & 28) Moses goes up the mountain again and receives a second set of tablets with the Ten Commandments inscribed on them. In Exodus 34: 14, God reiterates the major point of the commandments, "Do not worship any other god, for the Lord whose name is Jealous, is a jealous God."

In spite of the miracles that God showed them throughout their journey, they complained continually and longed to "be back in Egypt" in slavery. In Numbers 11 beginning at verse 4 we read, "The rabble with them began to crave other food, and again the Israelites started wailing and said, 'If only we had some meat to eat! We remember the fish we ate in Egypt at no cost – also the cucumbers, melons, leeks, onions and garlic. But now we have lost our appetite; we never see anything but this manna!' At this point God became so exasperated with them that He put them on an Atkins Diet!! In verse 18 God says, "Tell the people: consecrate your selves in preparation for tomorrow, when you will eat meat. The Lord heard you when you wailed, 'If only we had meat to eat! We were better off in Egypt!' Now the Lord will give you meat, and you will eat it. You will not eat it for just one day, or two days or five, ten or twenty day, but for a whole month – until it comes out of your nostrils and you loathe it – because you have rejected the Lord, who is among you, and have wailed before Him, saying 'Why did we ever leave Egypt?'"

Time and again, the Israelites complained so much that God was ready to do away with them all -- except a remnant that remained loyal to Him -- and start all over. Moses pled with God to spare them. However, a large number did perish from time to time. *(Look for PART III 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.)

Agenda, speakers; on-line registration and payment links, and hotel registration link are on InfiniteBanking.org.

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

Announcing an important new book only available on InfiniteBanking.org and FinancialBallGame.com.

A Path to Financial Peace of Mind

by Dwayne Burnell

In *A Path to Financial Peace of Mind*, financial educator and personal financial coach, Dwayne Burnell, MBA challenges the status quo by questioning the common financial messages we hear everyday. He shares a tried and true financial strategy for managing and building long lasting wealth that's been widely overlooked by conventional media.

The book presents case studies with carefully crafted examples to help you understand the effects of time, interest, and risk on your money. You will not only learn how to shield your savings from stock market losses, but also how to achieve healthy, predictable growth while maintaining liquid access to your cash.

Dwayne makes this powerful tool easy to understand and implement as part of a lifetime financial strategy for individuals, couples and families of any age and income level.

"Over the last ten years, many people have reported back to me how my book, *Becoming Your Own Banker – The Infinite Banking Concept*, has changed their lives. But none seem to have grasped the depth of what I'm teaching better than Dwayne Burnell. He does an excellent job of describing why participating whole life insurance is a phenomenal financial tool in which to build and store wealth today and for the future.

My initial Bachelors Degree is in Forestry and that background helped me to learn the value of thinking "long range." I tend to think about what will be happening 70 years from now. I'm not going to be here – and maybe neither will you – but there is certainly no harm in thinking that way. With that in mind, Dwayne quotes a line from my book, *"Plan as if you are going to live forever and live as if you are going to die today."*

Businesses come and go. Technology changes the way we live and behave. But the concept of using participating whole life as part of a financial strategy has been around for a long, long time. Over the years, people have abandoned their financial responsibility and accountability to themselves and have turned it over to the "experts." As of the date of this book you can clearly see the tragedy of relying on the "experts."

Dwayne Burnell has created the strongest case study illustrating *The Infinite Banking Concept™* view point I have seen to date. In his book, *A Path to Financial Peace of Mind*, Dwayne effectively describes how to use life insurance and specifically why participating whole life is so powerful for everyday living.

Dwayne has done a fantastic job of stimulating the imagination of readers and showing them a way out of the financial prison in which most folks live."

R. Nelson Nash, *Becoming Your Own Banker – The Infinite Banking Concept*

A Path to Financial Peace of Mind will only be available on *InfiniteBanking.org* and *FinancialBallGame.com* Look for it in our store page on the January 15th, 2010.