“Generally, you are better off not reading the paper. It causes you to think like everyone else, which is to say, not to think at all. Instead, you spend your time getting worked up about things too remote and too complex to understand... things that you can’t do anything about anyway.

The issues are complex... but the motives are simple. The NYT and the FT want to sell papers. So they come up with stories that confirm readers’ prejudices, flatter their vanities, and distract them from their own concerns and challenges. Readers are encouraged to ignore their own problems and meddle in the affairs of other people.” - Bill Bonner
- from his newsletter of Aug 19, 2010

The Political Doctrine of Statism

by Llewellyn H. Rockwell Jr. on May 30, 2011

The Patriot Act that was rammed through after the September 2001 attacks was one of the more egregious blows against liberty in our lifetimes. It shredded core rights and liberties that had been taken for granted for centuries. Liberties are never lost all at once, but the Patriot Act, as disgusting in its details as in its name and the rhetoric that surrounded it, was for the United States the turning point, the law that best exemplifies a full-scale embrace of statism as a national ideology. It is a law so severe, so outlandish, as to cause people to forget what it means to be free.

This is why I believe Ron Paul's book Liberty Defined to be one of the most important statements of our time. He defines liberty clearly and cleanly as freedom from coercive interference from the state. That is how the liberal tradition from Aquinas to Jefferson to Rothbard understood it, too, for there is no greater threat to liberty than the state. Its powers must be crushed if we are to revisit what liberty means.

Ron goes further to apply the principle of liberty in many of the most controversial areas of modern life. The purpose here is not to detail some governing blueprint. What Ron seeks to do is much more important. He seeks to fire up the human imagination in ways that permit people to think outside the prevailing statist norms.

In 1945, Ludwig von Mises wrote a similar book called Omnipotent Government: The Rise of the Total State and Total War. It is probably the most blistering and thorough attack on National Socialism
ever written. He details the peculiar characteristics of Nazi-style statism (its nationalism rooted in the worship of bloodlines). Just as importantly — and very unusually for this genre of writing — Mises sought to explain how Nazism is only a symptom of a larger problem, which is statism itself. He regarded statism as a special doctrine that people come to embrace often without entirely understanding its teaching and claims. It emerges within a context of economic or security emergency.

There is always some great excuse for the trashing of the human freedom that built civilization as we know it. If the state cannot find one, it is glad to invent one. A population that is ideologically gullible or afraid for its security can permit government to run roughshod over people's rights and liberties, and a government that gains such power never gives it back on its own. Rights and liberties must be reclaimed by the people themselves, and the spark that makes this happen is reversing the conditions that permitted the rise of statism. The people must lose their gullibility through ideological enlightenment, and they must lose their sense of fear that the world will fall apart if the tyrant is not in control.

Part of this process of enlightenment requires an understanding of what was lost when we gave up liberty, and what can be gained by reclaiming it. Mises's book did not overlook this task, with a pithy description of the traditional classical-liberal vision:

In order to grasp the meaning of this liberal program we need to imagine a world order in which liberalism is supreme. Either all the states in it are liberal, or enough are so that when united they are able to repulse an attack of militarist aggressors. In this liberal world, or liberal part of the world, there is private property in the means of production. The working of the market is not hampered by government interference. There are no trade barriers; men can live and work where they want. Frontiers are drawn on the maps but they do not hinder the migrations of men and shipping of commodities. Natives do not enjoy rights that are denied to aliens. Governments and their servants restrict their activities to the protection of life, health, and property against fraudulent or violent aggression. They do not discriminate against foreigners. The courts are independent and effectively protect everybody against the encroachments of officialdom. Everyone is permitted to say, to write, and to print what he likes. Education is not subject to government interference. Governments are like night-watchmen whom the citizens have entrusted with the task of handling the police power. The men in office are regarded as mortal men, not as superhuman beings or as paternal authorities who have the right and duty to hold the people in tutelage. Governments do not have the power to dictate to the citizens what language they must use in their daily speech or in what language they must bring up and educate their children. Administrative organs and tribunals are bound to use each man's language in dealing with him, provided this language is spoken in the district by a reasonable number of residents.

We could add to this beautiful list of traits of a liberal society. There is no welfare state (and there was not before Bismarck and FDR). There are no passports (and there were not before World War I). There are no government identification cards (there were not before World War II). People can use any currency they want to use (people could do so before the Civil War). They can innovate in the commercial marketplace without fear of courts, lawsuits, regulators, taxmen, and the customs house. They can negotiate all contracts, associate or disassociate, and hire and fire as they see fit. They do not hear government propaganda piped into stores and other public places. They do not even have to care about politics because the state is so limited and nearly powerless that not even the worst of people can change its essential functioning.

This is not a far-flung dream. Mises's explanation here is a composite of how liberty has worked in various times and various places over the last several hundred years. And he wrote this as a reminder of
what people have lost in surrendering their lives and the functioning of society over to government power.

The point that Mises was making with his book was that it is not enough to hate a particular regime; we must oppose the ideological underpinnings of that regime and see what it has in common with the universal experience of tyranny. Nor is it enough merely to oppose government. We must also come to love liberty, to see and understand how it works even though we live in times when liberty is ever less seen — and ever less understood. This was the burden of his great book: to highlight Nazism as a particular application of the broader menace of statism itself.

This is also the point of Ron Paul's *Liberty Defined*. Yes, he opposes government as we know it. Much more importantly and much more profoundly, he understands the liberty that we do not know, and he strives to help us to love it, dream of it, and work for its achievement.

It doesn't surprise me that Ron's own son Rand Paul turns out to be the only member of the US Senate to dare to stand up to the Patriot Act and call it what it is. He has staked his political career on his action to stop its reauthorization. It is truly the case that if we can't see what is wrong with the Patriot Act, we can't see what is wrong with any despotism in the past or the present. If we can see what is wrong with it, we have a good start on beginning to see what is right about human liberty.

Llewellyn H. Rockwell Jr. is chairman of the Ludwig von Mises Institute in Auburn, Alabama, editor of LewRockwell.com, and author of *The Left, the Right, and the State*. Send him mail. See Llewellyn H. Rockwell Jr.'s article archives.

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**Out of Business**

by A Manufacturer on May 26, 2011

The last few years as an executive in a manufacturing company gave me a frighteningly close look at the inner workings of regulators in our government. Maybe I’m just naïve, but what I discovered was shocking.

In the past, I realized our leaders were disingenuous when they spoke about “creating jobs” and “improving the economy.” Now, I have a slightly different take. After my experiences this year, and after giving this a lot of thought, I am adamant that our leaders have no business in the first place “creating jobs,” or “improving the economy,” or even claiming they have the ability to do so.

In fact, I have witnessed the loss of jobs as a direct result of regulations by unnamed and unelected bureaucrats, who are backed up by threats of prosecution from the government. Our government is stifling job creation.

Although I am not a conspiracy theorist, I am certain that if I wrote about my experience with specifics, the company for which I work would suffer retribution by our government. I do not have the right to put them in jeopardy. I do not have the right to put them in jeopardy. And if the legal department of my employer knew I was writing this, they would “lose it.” For these reasons, I feel it necessary to write anonymously and with some imprecision.

This fear of retribution, in and of itself, is a powerful statement about the sad conditions in which we live and do business in the United States.

So, here is the sanitized version of my story:

My employer makes very expensive pieces of equipment for use in an industry that has itself sustained undeserved attacks by our government and by unscrupulous so-called environmentalists.[1]

In any case, our pieces of equipment (let’s call them tractors) use expensive components (let’s call them engines) made and sold by Americans. The engines are used by American workers in multiple states and they make more energy available for Americans.

That fact alone attracts the ire of some. But the fact that our service is very valuable and produces large profits makes the industry and the service an irresistible target.

This year, I learned that one agency of the federal government has created and is enforcing rules that
strictly limit the types and numbers of engines we can buy to make our tractors. They limit how many of each type of engine we can buy in a year, and they limit the grand total we can buy. This is offensive for many reasons — not the least of which is that we would hire more people if we were allowed to make more tractors.

I could make an endless list of the unseen and damaging effects of their nonsense. But here is a short list:

1. Without these rules, we would hire more welders, assemblers, and accountants. This would result in the improvement of our local economy, because the new employees and their families would all need food, clothing, housing, entertainment, etc.

2. To keep up with our increased demand for the tractor engines we need, the engine manufacturers, their employees, and their families would benefit.

3. The companies to which we sell tractors would hire more operators. Their families and the places they shop at would benefit.

4. The companies who request our product would become more profitable, resulting in expansions, bonuses, etc.

5. And, last (and totally forgotten) are the American citizens. Each and every citizen would benefit from the larger supply of energy and the resultant lower prices.

Some people might say that it is good to limit the numbers of these engines in order to protect the environment. But that argument only holds water long enough for a ten-second sound bite. The reality is that this destructive government agency also has rules that permit smaller versions of the same engines. What that means is that we would be permitted to create 50 tractors using the (approved) smaller engines instead of 20 using the larger ones. It is true that the larger engine pollutes more than the smaller one. But using the smaller engines would require more tractors to be built and more fuel to bring them to the job sites. In other words, using fewer tractors with the larger (evil) engines produces fewer net emissions than more tractors with the smaller (approved) engines would.

So, who is causing all this, and why are they doing it?

You can answer that question for yourself by discovering who benefits from the regulations. The list includes the politicians who use these issues to their advantage regardless of the truth. It includes the government bureaucrats who want more power to justify their own salaries and positions. It also includes reporters who can’t wait for the next “breaking news” about an “environmental threat,” or “dire emergency.” And it includes university professors and other academic elites who come in to petition for huge government grants and to get paid to speak as “experts.” The dark irony is that all these supposed protectors are really engaging in a self-serving round robin of deceit.

The truth is they are horrifically destructive to the prosperity and well-being of all Americans. But because their public faces hide the despicable truth, they have been able to get away with it.

Our only hope is to get these people out of business — literally and figuratively. I’ve got to be honest, though. It won’t be easy. They are fighting for their livelihoods, too.

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**Policing for Profit**

Mises Daily: Thursday, May 26, 2011 by Robert P. Murphy

A shocking news report recently documented how Tennessee police were stopping drivers on the interstate and confiscating large amounts of cash, even if the drivers were accused of no crime. The report was particularly shocking because the special unit was operating far outside of its jurisdiction in exchange for giving a cut of the seized cash to the local government in question.

This episode is outrageous enough that any regular American can see the problem. Yet most people who see the report will probably conclude that the
government “went too far” in this instance, and some reforms are needed. The real lesson here is that the War on Drugs — just like every other war waged by our politicians — doesn’t solve the ostensible problem, and in fact strips away other liberties.

More generally, the report is a perfect vindication of the Rothbardian point that, in a very real sense, government is a gang of thieves writ large. Such a radical viewpoint sounds crazy to most Americans in the abstract, but when they watch the video, it’s hard to deny.

The Bitter Fruits of the Drug War

From a standard libertarian perspective, the government has no business interfering in capitalist acts between consenting adults (to use Robert Nozick’s felicitous phrase). This includes situations where one person wants to grow a plant, for example, and sell it to somebody else who intends to use it to induce a feeling of euphoria.

To be sure, private organizations can lay down whatever regulations they want “regulating” drug use. Airlines can still subject pilots to randomized drug tests, and schools can expel students caught smoking in the bathroom if they so choose. After all, private schools can tell students what clothes they can wear on school property, so they obviously have the right to prohibit the use of particular drugs.

Yet even if we put aside such principled opposition, it should be crystal clear by now that the War on Drugs has shredded traditional liberties. The scandal on the Tennessee interstate shown in the video above is just one example. Precisely because the War on Drugs has fostered an immense black market, the authorities can now seize large amounts of cash from anyone simply on the suspicion that the person “must be” a drug dealer (or a terrorist financier).

This is a very troubling trend. Beyond the obvious inconvenience for people who don’t trust banks and want to keep a large amount of cash on hand, it also takes away one of the last escape routes from the tightening vise of financial regulations and controls. As the government’s interventions in the banking system and stock market become ever more intrusive, more and more individuals will want to “opt out” by conducting their operations in cash. But now that strategy entails a huge risk, because their holdings can be seized without any formal charges if they happen to get pulled over.

Another major landmark along the road to serfdom is the huge prison infrastructure in the United States. Many Americans don’t realize that the United States has the largest prison population in the world, both in absolute terms and per capita (with the possible exception of China, because their government’s official figures could be bogus).

If a truly nightmarish scenario ever does develop in what was once a relatively free country, the ruling elite at that time won’t have to come up with a pretext for building prisons able to house millions of dissidents. No, that option is already available, courtesy of the Drug War. Most Americans have no problem funding such construction, because they are confident that they would never be locked up.

A Rothbardian Analysis of the State

Although his views are understandably perceived as radical, in essence all Murray Rothbard stated was that politicians and other government officials should be subject to the same legal and moral rules as everybody else. If it’s a crime for, say, Bill Gates to take my money at gunpoint while giving me the latest version of Windows, then why is it acceptable for Barack Obama to take my money at gunpoint while giving me the latest Predator drone attack in Pakistan?

The other “radical” aspect of Rothbardian thought is that he opposed monopolies in police and judicial services. Everybody knows that in normal settings, a monopoly (enforced through the threat of violence) restricts output, reduces quality, and raises prices for the customer. Most people would see the danger and folly of giving a monopoly to, say, a particular car company, or to a single manufacturer of men’s suits. Yet people think it’s perfectly normal to give a monopoly to the group that has all the guns and can decide to throw people in cages for life.
A Beautiful Vision — But Is It Practical?

Some political theorists and economists defend the legitimacy of the state head-on. However, most “regular” people are not so abstract and ideological. They will usually admit that “in a perfect world,” nobody would be forced to pay taxes for government services he didn’t want. But alas, so the argument goes, all the wonderful benefits of open competition that work so well in computers and ice cream would not work when it comes to police and courts.

I would encourage such readers to keep an open mind and at least read some of the voluminous literature on the topic. Two baby steps are my essay on private legal systems and my pamphlet on military defense. For a deeper treatment, Hans Hoppe’s essay on national defense is excellent. Finally, for those who have been intrigued and want to see a book-length description of the truly free society, I recommend Rothbard’s For a New Liberty.

Conclusion

Murray Rothbard was a great technical economist who made many contributions to pure theory. However, many thinkers still reject his political views as being too radical and utopian. But when we come across stories such as the Tennessee police’s confiscation of motorists’ cash, we realize that it is faith in our present system of government that is naïve.

Now, let’s go back to our scene on John Doe’s policy – he has had it for a few years and the Directors of the company ask the accountants, “How did we do on John’s policy this year?” They say, “We collected $1.10 but, after calculating all the earnings and expenses we found that it took only 80 cents to deliver the promised death benefit in the future.” This means that the Directors can make a decision with 30 cents. There is no way that they can calculate whether this was a good year or not and to be prudent, they put .025 cents in a “contingency fund” (this does not show up in cash values) and distribute .275 cents as a dividend.

Most people have the impression that this dividend is an income-taxable event. It is not really a dividend in the current sense of the word. It is a “return of capital” and it is not taxable until the amount withdrawn exceeds the cost basis, i.e. the amount put in. If this dividend is used to purchase additional paid-up insurance, what you have is an ever-increasing, income tax-deferred accumulation of wealth. It is only limited by your imagination.

These dividends can get to be very significant over a long period of time. In 1959 I bought a policy from a major insurance company and the annual dividend is now over ten times the annual premium. It would be even larger had I not used the dividends to reduce the premium during the first fifteen years of the policy. I should have been using them to buy additional paid-up insurance during that time. These things are just not adequately explained by life insurance folks because of the limited understanding of their home office personnel. A tragedy!

So far, this is a pretty simple, straightforward business. The complication is in the perception of it by the general public. We all see things through a filter of prior understanding – and that filter is awfully cloudy as it relates to life insurance!

Life insurance agents are taught to help clients calculate their human life value, (the now value of their future earnings, less their personal upkeep. This is their value to family and others that are closely associated) and insure for that figure. It
really is a quite nebulous concept because there are so many variables that change with time. Once a figure is agreed upon, the agent shows “how little it will take in premium for my company to insure that amount.” This premium figure could be as high as 15% of income, after taxes.

My word! If you will take an honest look at what the average young man is doing – paying over 35% of every dollar of after-tax income to interest alone (see p. 17 in the book) – it should be obvious that his need for finance during his lifetime is much greater than his need for life insurance protection. If he will solve for his need for finance through dividend-paying life insurance, he will automatically end up with more life insurance than in any other concept and he will recover all the interest he is now paying to someone else.

But, this almost never occurs because of the “cloudy filter” implanted by financial geniuses that “life insurance is a poor place to store money.” What a limited outlook of just what is going on in the banking world! Again, if you know what is happening, you’ll know what to do.

So, the typical young man pays $50.00 per month into life insurance premiums and complains about it. Then he goes down to an automobile dealer, makes a purchase, and gets a loan from a finance company to pay for it. Remember, there is only one pool of money out there in the world. The fact that a number of organizations and individuals are managing a portion of that pool is incidental. It is even more specific when it comes to car financing. I have never seen a monthly list of investments of a dozen life insurance companies that did not include finance companies as a place where they have loaned blocks of money. The finance companies simply buy blocks of money, and retail it to consumers after adding a fee for their work.

So, this young man pays $260.00 per month for 48 months for his $10,550 car loan. He repeats this process, every four years; because that’s the way his peers are doing it. If he would take a deeper look he might notice that he is paying $50.00 per month into a pool of money (the life insurance policy) and paying $260.00 per month to an intermediary (the finance company) who got the money from the same pool. Furthermore, he complains about the premium he pays but thinks nothing of the much larger amount he pays the car finance company. Strange, isn’t it?

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Jeffrey Tucker - “Mises.org”
Carlos Lara - “IBC and Austrian Economics: Building the 10%”
Rocky Nystrom - “Using the Infinite Banking Concept for College Funding”
Mary Lyons - “A Banking Case Study”
Tim Yurek - “Frequently Asked Questions”
Tony John - “The Seen and Unseen of IBC” and “Dividend Paying Life Insurance”
Dwayne Burnell - “Policy Basics - The Seen and Unseen”
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