BANKNOTES - NELSON NASH'S MONTHLY NEWSLETTER AUGUST 2011

Becoming Your Own BANKER

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There Is Life After Default

by Peter G. Klein

My father was a historian, and he helped organize local events to commemorate the bicentennials of the Declaration of Independence in 1976 and Constitution in 1987. I particularly remember the Freedom Train, a traveling exhibit housing memorabilia such as original copies of the Declaration, the Constitution, the Louisiana Purchase document, and (I learn from Wikipedia, though I don't remember these) Judy Garland's dress from The Wizard of Oz and Joe Frazier's boxing trunks.

Several years later, my dad gave a conference paper (unfortunately unpublished) entitled "The Constitution as Myth and Symbol." He noted that for many Americans the founding documents, the Liberty Bell, Independence Hall, images of George Washington and Betsy Ross, etc., play the same kind of role as Britain's crown jewels, the Bastille, or Lenin's tomb.

The Constitution is important, in other words, not only for its text (some would argue the text is largely ignored today anyway), but also for its symbolic value. It represents a particular myth of the American founding, usually associated with reason and noble ideals (e.g., Bernard Bailyn, Ayn Rand, Schoolhouse Rock), but occasionally with power or material self-interest (e.g., Charles Beard, Bertell Ollman).

In following the debates over raising the US debt ceiling, I'm struck by the frequent claim that defaulting on public debt is unthinkable because of the "signal" that would send. If you can't rely on the T-bill, what can you rely on? Debt instruments backed by the "full faith and credit" of the United States are supposed to be risk-free – almost magically so – somehow transcending the vagaries of ordinary debt markets. The Treasury bill, in other words, has become a myth and symbol, just like the Constitution.

I find this line of reasoning unpersuasive. A T-bill is a bond just like any other bond. Corporations, municipalities, and other issuers default on bonds all the time, and the results are hardly catastrophic.

Financial markets have been restructuring debt for many centuries, and they've gotten pretty good at it. From the discussion regarding T-bills, you'd think no one had ever heard of default-risk premiums before. (Interestingly, this seems to be a case of American exceptionalism: people aren't particularly happy about Greek, Irish, and Portuguese defaults, but no one thinks the world will end because of them.)

So, isn't it time to demythologize all of this? Treasuries are bonds just like any other bonds. There's nothing magic, mythical, or sacred about them. A default on US government debt is no more or less radical than a default on any other kind of debt.

"What is prudence in the conduct of every private family can scarce be folly in that of a great kingdom," Adam Smith famously observed. Bankrupt firms, like bankrupt families, restructure their debt obligations all the time. The notion of T-bills as sacred relics to be once and forever "risk-free" seems more like religion than economics to me.

At the same time, there is another option for entities struggling to make their interest payments: asset sales. Bob Murphy, David Friedman, and Steve Horwitz have recently made this point. Public discussion on the US debt crisis assumes that the only options for meeting US debt obligations are increasing taxes, cutting spending, or both.

But asset sales are another viable option. There's a huge literature in corporate finance (e.g., Shleifer and Vishny, 1992; Brown, James, and Mooradian, 1994; John and Ofek, 1995) that explores the benefits and costs of asset sales as a source of liquidity for financially distressed firms.

Of course, selling assets at fire-sale prices under dire circumstances is far from the best option, but as this literature points out, it is often better than bankruptcy or liquidation. One of the best-known results (documented by John and Ofek) is that asset sales tend to increase firm value when they result in an increase in focus. Would it really be so bad if the US government sold off some foreign treasuries and currency, the Strategic Petroleum Reserve, its vast holdings of commercial land, and other elements of its highly diversified and unaccountably bloated portfolio?

If asset sales aren't feasible, is default really an option? Isn't the global financial system dependent on the US dollar and the AAA rating of US government debt? Isn't default "off the table," as President Obama and Congressional leaders insist?

Of course not. Default and even repudiation are policy options that have benefits and costs, just as continuing to borrow and increasing the debt have benefits and costs. Reasonable people can disagree about the relevant magnitudes, but comparative institutional analysis is obviously the way to go here. (Unfortunately, most of the academic discussion has focused entirely on the possible short-term costs of default default, with almost no attention paid to the almost certain long-term costs of continued borrowing.)

In all the commentary, I'm a bit surprised no one has brought up William English's 1996 AER paper, "Understanding the Costs of a Sovereign Default: American State Debts in the 1840s," which provides very interesting evidence on US state defaults. It's not a natural experiment, exactly, but it does a nice job exploring the variety of default and repudiation practices among states that were otherwise pretty similar. Here's the meat:

Between 1841 and 1843 eight states and one territory defaulted on their obligations, and by the end of the decade four states and one territory had repudiated all or part of their debts. These debts are properly seen as sovereign debts both because the United States Constitution precludes suits against states to enforce the payment of debts, and because most of the state debts were held by residents of other states and other countries (primarily Britain).…

In spite of the inability of the foreign creditors to impose direct sanctions, most U.S. states repaid their debts. It appears that states repaid in order to maintain their access to international capital markets, much like in reputational models. The states that repaid were able to borrow more in the years leading up to the Civil War, while those that did not repay were, for the most part, unable to do so. States that defaulted temporarily were able to regain access to the credit market by settling their old debts. More surprisingly, two states that repudiated a part of their debt were able to regain access to capital markets after servicing the remainder of their debt for a time.

Amazingly, the earth did not crash into the sun, nor did the citizens of the delinquent states experience locusts, boils, or Nancy Grace. Bond yields rose, of course, in the repudiating, defaulting, and partially defaulting states, but not to "catastrophic" levels. There were complex restructuring deals and other transactions undertaken to try to mitigate harms.

A recent CNBC story on Europe cited "the realization that sovereign risk, and particularly developed market sovereign risk exists, because most developed world sovereign [debt] was basically treated as entirely risk free," quoting a managing director at BlackRock Investment Institute. "With hindsight, we can say … that they have never been risk free, it's just that we have been living in a quiet time over the last 20 years."

Doesn't sound like the end of the world to me.

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Lower the Debt Ceiling

by Mark Thornton

Currently, the big show in Washington, DC, centers around raising the debt ceiling. Congress began setting this ceiling in 1917 so that the Treasury could independently issue debt. The debt ceiling is like the limit on your credit card, except the federal government sets the limit on itself. When President Nixon took us off the gold standard in 1971, the national debt was $400 billion. The increase in the national debt last year alone was four times the entire debt in 1971.

Both Democrats and Republicans tell us that not raising the debt ceiling would have a negative — even catastrophic — effect on the American and world economies. They are in agreement on this. The only matter of debate is what concessions are necessary in order to establish a bipartisan majority to pass a bill raising the ceiling. Democrats seem to want larger cuts and tax increases, while Republicans want smaller cuts with no tax increases. The multitrillion-dollar cuts that they are discussing only occur over a ten-year time frame and do not balance the budget, so no one except Ron Paul is really discussing the kinds of budget cutting that would actually help the economy.

What we really need to do is to lower the debt ceiling. If Congress passed legislation that systematically reduced the debt ceiling over time, the economy could be rebuilt on a solid foundation. Entrepreneurs in the productive sectors would realize that an ever-increasing proportion of resources (land, labor, and capital) would be at their disposal, while companies that capitalized on the federal budget would have an ever-declining share of such resources.

Congress would have to cut the pay and benefits of its employees (FDR cut them by 25 percent in the depths of the Great Depression) as well as the number of such employees. Real wage rates would decline, allowing entrepreneurs to hire more employees to produce consumer-valued goods.

Congress would have to cut back on its far-flung regulatory operations, which are in fact one of the biggest drags on the economy due to the burden and uncertainty that Obama and Congress have created in terms of healthcare, financial-market, and environmental regulations. A recent study by the Phoenix Center found that even a small reduction of 5 percent, or $2.8 billion, in the federal regulatory budget would result in about $75 billion in increased private-sector GDP each year and the addition of 1.2 million jobs annually. Eliminating the job of even a single regulator grows the American economy by $6.2 million and creates nearly 100 private-sector jobs annually.

Under a reduced debt ceiling, the federal government would also have to sell off some of its resources. It has tens of thousands of buildings that are no longer in use and tens of thousands of buildings that are significantly underused — about 75,000 buildings in total. It also controls over 400 million acres of land, or over 20 percent of all land outside of Alaska, which is almost wholly owned by the government. There is also the Strategic Petroleum Reserve and many other assets that could be sold off to cover short-term budget shortfalls.

Of course, reducing the debt ceiling would force the government to stop borrowing so much money from credit markets. This would leave significantly more credit available for the private sector. The shortage of capital is one of the most often cited reasons for the failure of the economy to recover.

Lowering the debt ceiling would force federal-government budget cutting on a large scale, and this would free up resources (labor, land, and capital) and force a cutback in the federal government's regulatory apparatus. This would put Americans back to work producing consumer-valued goods.

Passing an increase in the debt ceiling merely perpetuates the myth that there is any ceiling or control or limit on the government's ability to waste resources in the short run and its willingness to pass the burden of this squander onto future generations.

Mark Thornton is a senior resident fellow at the Ludwig von Mises Institute in Auburn, Alabama, and is the book review editor for the Quarterly Journal of Austrian Economics. He is the author of The Economics of Prohibition, coauthor of Tariffs, Blockades, and Inflation: The Economics of the Civil War, and the editor of The Quotable Mises, The Bastiat Collection, and An Essay on Economic Theory.

Nelson's Newly Added Book Recommendations

Losing Ground: American Social Policy, 1950-1980 by Charles Murray

Individuals and Their Rights by Tibor Machan

From Bretton Woods to World Inflation: A Study of the Causes and Consequences by Henry Hazlitt

The Myth of the Robber Barons: A New Look at the Rise of Big Business in America by Burton W. Folsom, Jr.

The Woman and the Dynamo: Isabel Paterson and the Idea of America by Stephen Cox

Was the Space Shuttle Worth It?

by Timothy D. Terrell on July 13, 2011

The final flight of the space-shuttle program, in progress as this is written, has prompted a number of retrospectives on the program's costs and benefits. Saturday's Wall Street Journal reported that the price tag on the US space-shuttle program has been difficult to pin down. One NASA estimate — on the low end, because it does not account for inflation — is $115.5 billion, or around $860 million per launch. That's still far higher than NASA's original projection of $7 million per launch, predicated as it was on far more frequent launches. Two more recent estimates are $193 billion (in 2010 dollars) and $211 billion. For the program's 135 launches, that's $1.43 billion and $1.56 billion per launch, respectively.

Economists will find still other problems with these per-launch cost estimates. Whether the average cost per launch is $0.86 billion or $1.56 billion, those are still average costs, and not marginal costs. The additional costs of any particular shuttle launch could have been larger or smaller than the average, and were likely to have been smaller. Some significant portion of the shuttle program's costs were sunk costs, meaning that the costs of developing the shuttle were up-front, irrecoverable costs and therefore irrelevant to the decision to launch a particular mission. Marginal costs would have included the cost of preparing an existing shuttle for a mission, the fuel, the astronaut training and other scientist training specific to that mission, the equipment to be deposited in orbit by the mission, and similar costs.

But there is another sort of calculation problem that faces government-funded science, beyond the questions of average versus marginal costs, or whether or not to count inflation, or whether or not a particular expense is shuttle-related. This calculation problem afflicts every form of government spending: What is the opportunity cost of the government's spending? All those resources used for the shuttle program had to come from somewhere. As Ludwig von Mises pointed out as early as 1920, it is impossible for a government that is dispensing with the market process to make the vital calculations of costs and benefits that would be necessary to make efficient resource allocations for society.

An individual or a business operating in a market system has to consider the potential alternative uses of resources employed in any particular action. Prices of labor, capital, and raw materials provide a way to compare the costs of the different methods of producing any given good, and consideration of profits or losses give the entrepreneur critical information about whether or not the product is as desirable as other things that could be produced with the same resources. While a government agency such as NASA typically does have to purchase resources such as a technician's labor or a shuttle part from the private sector, it is operating without the information provided with profit and loss. Is a shuttle mission a better use of the resources than any alternative? We can't know, because a shuttle mission is not sold at a market-determined price to a willing buyer. NASA did not have to consider whether $200 billion dollars forcibly extracted from taxpayers would produce something salable at a price of more than $200 billion.

We can make some comparison with other providers of similar services. The Russian "Progress" vehicle currently appears to be the cost leader, with a cost per pound to the International Space Station (ISS) of $18,149. The private sector is gaining, though sometimes only as subcontractors to the government, and not without a fight even there. In May of this year, in House hearings on commercial cargo supply to the ISS, a subcommittee report compared the private-sector alternative unfavorably to the space shuttle ($26,770 vs. $21,268 per pound to the ISS). But some observers noted the subcommittee's "fudging" of the numbers to favor the shuttle program. Robert Zimmerman pointed out that the numbers were based on an annual cost of $3 billion to operate the shuttle, when in fact $4 billion per year is more reasonable (though still low). According to Zimmerman, "the shuttle operational budget has never, ever been that low." Using the more reasonable figure puts the shuttle per-pound cost at $28,357, higher than the $26,770 private contractor's cost. Furthermore, as Zimmerman notes, the numbers do not take into account the fact that private companies are likely to lower their costs as their technology becomes less experimental, and as they enjoy greater economies of scale. The space shuttle, however, was not going to get any cheaper.

But even with competition from other governments, and even with NASA subcontracting to the private sector, the calculation problem remains. What was and is still being given up in order to build and maintain the ISS? What has been the opportunity cost of the various exploratory and research missions funded by the government? Without profit and loss, government space flight is unable to provide a credible economic justification for its own existence.

The problem of unknowable opportunity costs puts a dent in the idea that government science programs create a "multiplier" that generates more than their cost in private-sector advancements. The research, new technologies, and discoveries that might have been products of the space-shuttle program exist in the shadow of other research, technologies, and discoveries that might have been produced with the resources had they remained in the private sector. Any NASA "multiplier" exists because a private-sector multiplier has been destroyed. There is, as Frederic Bastiat would say, "what is seen and what is unseen." Tim Swanson put it this way:

In the end, regardless of what the state did or did not fund or invent, the take-away principle is the unseen. While everyone with a TV has been able to see the hordes of chemical rockets dramatically blast into the cosmos over the past decades, they were similarly unable to see the productive opportunities foregone and ignored via the reallocation of scarce resources.

The perceived benefits of a vain, nationalized space program include, among others, the fallacious need to fight the mythical shortage of scientists and engineers. Whereas in reality, it has stymied private tourism, exploration, and research for nearly half a century.

In fact, there is reason to doubt that the technologies said to originate in the shuttle program and other parts of the space program are really the results of government "investment." As William L. Anderson has noted, "we have no evidence that the space program has created on its own any of the new technologies that make our material lives better; instead, the program has utilized existing technologies."

Sadly, the memorable theatrical displays NASA has produced over the years have distracted from the true costs of government enterprises. We are tempted to regard the federal government's space program as a bright symbol of American greatness, when in fact it has been a hindrance to American ingenuity and prosperity.

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Consent of the Governed?

By Robert Higgs

[The Beacon, June 1, 2010]

What gives some people the right to rule others? At least since John Locke's time, the most common and seemingly compelling answer has been "the consent of the governed." When the North American revolutionaries set out to justify their secession from the British Empire, they declared, among other things: "Governments are instituted among Men, deriving their just Powers from the Consent of the Governed." This sounds good, especially if one doesn't think about it very hard or very long, but the harder and longer one thinks about it, the more problematic it becomes.

One question after another comes to mind. Must every person consent? If not, how many must, and what options do those who do not consent have? What form must the consent take — verbal, written, explicit, implicit? If implicit, how is it to be registered? Given that the composition of society is constantly changing, owing to births, deaths, and international migration, how often must the rulers confirm that they retain the consent of the governed? And so on and on. Political legitimacy, it would appear, presents a multitude of difficulties when we move from the realm of theoretical abstraction to that of practical realization.

I raise this question because, in regard to the so-called social contract, I have often had occasion to protest that I haven't even seen the contract, much less been asked to consent to it. A valid contract requires voluntary offer, acceptance, and consideration. I've never received an offer from my rulers, so I certainly have not accepted one; and rather than consideration, I have received nothing but contempt from the rulers, who, notwithstanding the absence of any agreement, have indubitably threatened me with grave harm in the event that I fail to comply with their edicts.

What monumental effrontery these people exhibit! What gives them the right to rob me and push me around? It certainly is not my desire to be a sheep for them to shear or slaughter as they deem expedient for the attainment of their own ends.

Moreover, when we flesh out the idea of "consent of the governed" in realistic detail, the whole notion quickly becomes utterly preposterous. Just consider how it would work. A would-be ruler approaches you and offers a contract for your approval. Here, says he, is the deal.

I, the party of the first part ("the ruler"), promise:

(1) To stipulate how much of your money you will hand over to me, as well as how, when, and where the transfer will be made. You will have no effective say in the matter, aside from pleading for my mercy, and if you should fail to comply, my agents will punish you with fines, imprisonment, and (in the event of your persistent resistance) death.

(2) To make thousands upon thousands of rules for you to obey without question, again on pain of punishment by my agents. You will have no effective say in determining the content of these rules, which will be so numerous, complex, and in many cases beyond comprehension that no human being could conceivably know about more than a handful of them, much less their specific character; yet if you should fail to comply with any of them, I will feel free to punish you to the extent of a law made by me and my confederates.

(3) To provide for your use, on terms stipulated by me and my agents, so-called public goods and services. Although you may actually place some value on a few of these goods and services, most will have little or no value to you, and some you will find utterly abhorrent, and in no event will you as an individual have any effective say over the goods and services I provide, notwithstanding any economist's cock-and-bull story to the effect that you "demand" all this stuff and value it at whatever amount of money I choose to expend for its provision.

(4) In the event of a dispute between us, judges beholden to me for their appointment and salaries will decide how to settle the dispute. You can expect to lose in these settlements, if your case is heard at all.

In exchange for the foregoing government "benefits," you, the party of the second part ("the subject"), promise:

(5) To shut up, make no waves, obey all orders issued by the ruler and his agents, kowtow to them as if they were important, honorable people, and when they say "jump," ask only "how high?"

Such a deal! Can we really imagine that any sane person would consent to it?

Yet the foregoing description of the true social contract into which individuals are said to have entered is much too abstract to capture the raw realities of being governed. In enumerating the actual details, no one has ever surpassed Pierre-Joseph Proudhon, who wrote:

To be GOVERNED is to be kept in sight, inspected, spied upon, directed, law-driven, numbered, enrolled, indoctrinated, preached at, controlled, estimated, valued, censured, commanded, by creatures who have neither the right, nor the wisdom, nor the virtue to do so. To be GOVERNED is to be at every operation, at every transaction, noted, registered, enrolled, taxed, stamped, measured, numbered, assessed, licensed, authorized, admonished, forbidden, reformed, corrected, punished. It is, under pretext of public utility, and in the name of the general interest, to be placed under contribution, trained, ransomed, exploited, monopolized, extorted, squeezed, mystified, robbed; then, at the slightest resistance, the first word of complaint, to be repressed, fined, despised, harassed, tracked, abused, clubbed, disarmed, choked, imprisoned, judged, condemned, shot, deported, sacrificed, sold, betrayed; and, to crown all, mocked, ridiculed, outraged, dishonored. That is government; that is its justice; that is its morality. (P.-J. Proudhon, General Idea of the Revolution in the Nineteenth Century, trans. John Beverley Robinson. London: Freedom Press, 1923, p. 294)

Nowadays, of course, we would have to supplement Proudhon's admirably precise account by noting that our being governed also entails our being electronically monitored, tracked by orbiting satellites, tased more or less at random, and invaded in our premises by SWAT teams of police, often under the pretext of their overriding our natural right to decide what substances we will ingest, inject, or inhale into what used to be known as "our own bodies."

So, to return to the question of political legitimacy as determined by the consent of the governed, it appears upon sober reflection that the whole idea is as fanciful as the unicorn. No one in his right mind, save perhaps an incurable masochist, would voluntarily consent to be treated as governments actually treat their subjects.

Nevertheless, very few of us in this country at present are actively engaged in armed rebellion against our rulers. And it is precisely this absence of outright violent revolt that, strange to say, some commentators take as evidence of our consent to the outrageous manner in which the government treats us. Grudging, prudential acquiescence, however, is not the same thing as consent, especially when the people acquiesce, as I do, only in simmering, indignant resignation.

For the record, I can state in complete candor that I do not approve of the manner in which I am being treated by the liars, thieves, and murderers who style themselves the government of the United States of America or by those who constitute the tyrannical pyramid of state, local, and hybrid governments with which this country is massively infested. My sincere wish is that all of these individuals would, for once in their despicable lives, do the honorable thing. In this regard, I suggest that they give serious consideration to seppuku. Whether they employ a sharp sword or a dull one, I care not, so long as they carry the act to a successful completion.

Whenever I write along the foregoing lines, I always receive messages from Neanderthals who, imagining that I "hate America," demand that I get the hell out of this country and go back to wherever I came from. Such reactions evince not only bad manners, but a fundamental misunderstanding of my grievance.

I most emphatically do not hate America. I was not born in some foreign despotism, but in a domestic one known as Oklahoma, which I understand to be the very heart and soul of this country so far as culture and refinement are concerned. Moreover, for what it is worth, some of my ancestors had been living in North America for centuries before a handful of ragged, starving white men washed ashore on this continent, planted their flag, and claimed all the land they could see and a great deal they could not see on behalf of some sorry-ass European monarch. What chutzpah!

I yield to no one in my affection for the Statue of Liberty, the Rocky Mountains, and the amber waves of grain, not to mention the celebrated jumping frog of Calaveras County. So when I am invited to get out of the country, I feel like someone living in a town taken over by the James Gang who has been told that if he doesn't like being robbed and bullied by uninvited thugs, he should move to another town. To me, it seems much more fitting that the criminals get out.

Robert Higgs is senior fellow in political economy for the Independent Institute and editor of The Independent Review. He is the 2007 recipient of the Gary G. Schlarbaum Prize for Lifetime Achievement in the Cause of Liberty.

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Nelson's Favorite Quotes of the Month

"People mostly do as they like, and that would be fine if they'd let other people do the same."
-- Isabel Patterson

"People will believe almost anything that isn't so."
-- Isabel Patterson

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

"Nothing is more essential to the welfare of a nation than the countercheck on government, by legitimate means. A mechanism without a brake, a motor without a cut-off, is built for self-destruction."
-- Isabel Patterson

"There can be no real security in a society which is operated under administrative law, for such a society is at the mercy of the administrators."
-- John Chamberlain

Fifteen in a monthly series of Nelson's lessons, right out of Becoming Your Own Banker®. We will continue until we have gone through the entire book.

Lesson 15 -- Content: Page 28, *Becoming Your Own Banker – The Infinite Banking Concept®*, Fifth Edition, Fifth Printing.

We have completed the easy part of learning how to be your own banker through the use of dividend-paying life insurance. Now, we must face the difficult part – overcoming the human problems. To do so, it all seems to start with understanding "Parkinson's Law."

C. Northcote Parkinson was a British essayist, lecturer, and economist who left us with some valuable writings of his observations. One of the best is his little book entitled *Parkinson's Law*. In it he brilliantly isolates some of the limitations of us all, particularly the behavior of individuals within a group. He makes one painfully aware of the futility of expecting good results from committees! He reminds me of a marquee at a church that read, "God so loved the world that He did not send a committee."

Yet, our behavior is so unduly influenced by peer pressure. What are they doing to solve their financial concerns? What does *The Wall Street Journal* say about this? What does *Money* magazine recommend? What is the Federal Reserve going to do about interest rates? How will the stock market react to this? All these knee-jerk reactions are examples of what Parkinson is describing in his little book.

For further study in this vein I recommend that you read *Extraordinary Popular Delusions And The Madness Of Crowds* by Charles Mackay. In the preface to the second edition written in 1852 Mackay says, "Men, it has been well said, think in herds; it will be seen that they go mad in herds, while they only recover their senses slowly, and one by one."

Also, study *Eat The Rich* by P.J. O'Rourke; *Inventing Money* by Nicholas Dunbar; and *F.I.A.S.C.O.* by Frank Partnoy. Hopefully, by the time you have read these books you will understand the meaning of my observation that "the world" has never been right about anything!

Why look to such folks for guidance. It appears to me that a contrarian approach would serve one much better.

Parkinson's Law has many ramifications, such as, work expands to meet the time envelope allowed. Give a person a job to do and give a time limit of three days to complete it. You can rest assured that it won't get done until late on the third day. Now, assign the same job and set a time frame of thirty days for completion. You should not be surprised when it is finished late on the 30th day.

Another ramification – a luxury, once enjoyed, becomes a necessity. Can you remember when we did not have air-conditioned automobiles? Would you think of buying one without it today? Not me! It gets hot and humid in Alabama.

The most important one, as it relates to financial matters is, expenses rise to meet income. Is this true? Income is limited for all of us but our wants far exceed our ability to fund them. When a pay raise comes along it is very quickly absorbed by a new definition of necessities. I have even heard people say, "No, expenses don't rise to meet income – they rise to exceed income!" A pay raise becomes a curse to many in America.

It doesn't have to be this way – but it is! Parkinson's Law must be overcome daily – sometimes even hourly – if any financial progress is to be made. If you can't do it then just give up! Dig a hole, crawl in and get someone to cover you up. You are hopeless! This sounds a bit cruel, doesn't it? But there is another side to this coin. Isn't it obvious that, if you can whip Parkinson's Law, you will win by default in comparison with those who can't? Remember, everything you do in the financial world is compared with what others are doing.

In all our efforts at establishing priorities we should begin with a thorough consideration of the truth of Parkinson's Law. Pondering this over an extended period of time will help you to develop a new and very rewarding paradigm for your life. Today is a good day to start.

Nelson's Live Events For The Next Two Months

Our comprehensive *Becoming Your Own Banker®* seminar is typically organized into a five-part, ten-hour consumer-oriented study of *The Infinite Banking Concept®* and uses our book *Becoming Your Own Banker®* as the guide. Nelson covers the concept's fundamentals in a two-hour introductory block the first day. He then covers the "how to" over an eight-hour block the final day. These seminars are sponsored by IBC Think Tank Members, therefore attendance is dictated by the seminar sponsor. If you are interested in attending one of these events, please call or email the contact person listed with the seminar.

Nelson Live in Tucson, AZ, Thursday-Friday, August 25-26, contact Jeff Iorio, 520-940-4635, jiorio@sagarizona.com

Nelson Live in Hillsboro, TX, Friday-Saturday, September 9-10, contact Nancy Jackson, 254-582-3565, nancy@bcbstexas.com