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The Battle to Keep the Government in Check

By Paul A. Cleveland

When asked whether or not they wish to be free, everyone will say yes. However, when pressed to explain what they mean by freedom a wide variety of explanations will arise. Why? To address this question it may prove helpful for us to examine two quotations. First, Voltaire made the observation that, "Man is free at the moment he wishes to be." Second, Sigmund Freud observed that, "Most people do not really want freedom, because freedom involves responsibility, and most people are frightened of responsibility." If we assume there is some truth to these two quotations it would seem that most people prefer a freedom that never has and cannot exist. Namely, people generally prefer a freedom without responsibility.

This disregard of the true nature of freedom has resulted in two distinct views of human life and the purpose of government. One view embraces freedom with responsibility while the other seeks for the security of a kind of paternalism that actually destroys freedom and leads to oppression. Consider

the Bible. When Moses penned the first five books of the Bible, he told his audience in chapter one of Genesis that God had created them in His own image. What does this mean? The concept of bearing the image of God was known at that time, but only applied to Pharaoh. Moses told the people that they all were sovereign and were meant to be free. So the battle between Pharaoh and Moses centered on this issue of freedom. Moses advocated freedom with responsibility while Pharaoh offered the perversion that enslaved the people to his will. But, consider further the ongoing struggle during the exodus of the Israelites from Egypt. No sooner had they left their slave chains behind and ventured out into the hard reality of living in freedom than did they begin to complain about the situation and long for slavery. Overlords are all too willing to take advantage of this situation and to oppress such people and this has been the general condition in which people have lived throughout the ages.

The two chief means of oppression are to tax people directly and to tax them indirectly. The main means of taxing people indirectly is to destroy the value of the money they use to trade amongst themselves. Indeed, this last means of taxation is often the most effective means ruling over people since most people will not understand the penalties imposed on them. In order to extend taxes further, the overlord will typically propose some grand public works project or point to some present crisis that needs to be addressed. Groucho Marx observed, "Politics is the art of looking for trouble, finding it everywhere, diagnosing it incorrectly, and applying the wrong remedies." So rulers must promote a hodge-podge of falsehoods and half-truths to extend their rule. When these are believed, ignorance reigns. Moreover, as Will Rogers observed, "When ignorance gets started it knows no boundaries."

Promoters of lies for the purpose of extending state control have acted upon this throughout the ages and destroying the value of the money is fundamental. Even John Maynard Keynes understood this. In 1919

he observed, "There is no subtler nor surer means of overthrowing the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

The reason that this is true is that monetary inflation benefits debtors and penalizes creditors. As a result, a political cadre of debtors will always embrace the scheme in order to short change the savers in society. In terms of the biggest debtors, governments, commercial banks, and speculators are typically the biggest debtors who form the lobbying effort to support such inflation. This erodes the saving of private individuals which destroys their financial well-being. At root, our propensity to be cheated stems from this underlying desire to have security without responsibility. It makes of us willing dupes who openly embrace our being cheated and oppressed by our overlords. As such, the cause of defending and protecting genuine freedom, which embraces one's responsibility, is a daily task.

It is not necessary for us to live in slavery if we are willing to embrace a sound economic understanding of money and banking. The first economists sought to push back the frontiers of economic ignorance by articulating such sound principles. One of the champions of economic freedom was Jean Baptist Say. Say correctly noted that money cannot be too scarce which merchants are prone to assume during a downturn. In what has come to be known as Say's Law, he wrote:

"It is common to hear adventurers in the different channels of industry assert, that their difficulty lies not in the production, but in the disposal of commodities; that products would always be abundant, if there were but a ready demand, or market for them. When the demand for their commodities is slow, difficult, and productive of little advantage, they pronounce money to be scarce; the grand object of their desire is a consumption brisk enough to quicken sales and keep up prices. But ask them what peculiar causes and circumstances facilitate the demand for their

products, and you will soon perceive that most of them have extremely vague notions of these matters; that their observation of facts is imperfect, and their explanation still more so; that they treat doubtful points as matter of certainty, often pray for what is directly opposite to their interests, and importunately solicit from authority a protection of the most mischievous tendency."

Say went on to observe that market prices serve a crucial role in the economy. Coupled with the forthcoming profits and losses of businesses, prices serve as effective signals of what is and what is not economic. Profits are signals that wealth is being created and losses the sure sign that wealth is being destroyed. In this way, Say observed, the market is always a self-correcting process that can function of its own accord since the process is merely one in which individuals are free to trade with one another on mutually agreeable terms. This is a truth that must be obfuscated by oppressors if they are to successfully cheat people out of their economic wherewithal.

Despite this economic truth, governments and their minions have succeeded in clouding people's minds and inflating the money supply. In modern times this has generally meant a paper money inflation whose issuance is promoted by a legal tender law. This sets in motion Gresham's Law whereby the bad paper money drives sound money out of the market place. Such paper invariably leads to a boom/bust cycle. The easy paper money initially promotes what appears to be an economic boom. However, because prices are distorted by the money this boom is short lived and must eventually give way to economic reality.

The American experience provides ample evidence of this process. There has never been a real free market in banking here. Paper issues based on fractional reserves by both private banks and governments have created such booms and busts. For example, to finance the Revolutionary War, the Continental Congress issued a paper currency. The paper was issued from 1775-1780. The monetary inflation was so rapid that the value of

the Continental dollar had dropped to 168 to 1 by the spring of 1781 leading to the widespread use of the phrase, "it's not worth a Continental." A compounding problem for the U.S. once it was established was legally adopting a bimetallic standard setting the exchange rate of gold for silver. This set in motion Gresham's law since there is no reason for this rate to remain fixed. In addition, state chartered banks engaged in fractional reserve lending leading to various monetary crises. Moreover, there were always present those in America whose views of money were driven by the older mercantilism that the economists were attacking. The most noted figure in this regard was Alexander Hamilton whose push for a national bank served as a destabilizing factor. Our forays into fractional reserve banking leading eventually to the creation of the Federal Reserve System is a sordid story of the destruction of the value of our money and the enslaving of the American people. Once again, however, we need not live here. We can be free the moment we choose to be free.

The Keys to Economic Growth

by Ron Paul

Recent economic data show that U.S. job growth in May was negligible, while the official unemployment figure – at least the figure the Labor Department admits to – rose to 9.1%. The real unemployment figure, however, as compiled by economist John Williams, may well be higher than 20%. It is clear the U.S. economy is in terrible shape, and that no amount of government spending or Federal Reserve quantitative easing can reduce unemployment, increase real productivity, or address our debt fiasco. U.S. jobs and productivity are dependent on the accumulation of private capital to finance existing businesses or fund new entrepreneurial activity. Private capital – whether accumulated by profitable U.S. businesses, invested by private equity and venture capital firms, or attracted from abroad – is the key to economic growth and new jobs. But we cannot create jobs if

we demonize profits, punish risk-taking capitalists, and stay hostile to foreign investment.

The steps to encouraging capital investment and creating new jobs in America are simple, though not easy:

- First and foremost, we must create a sound U.S. currency backed by gold or some other commodity respected by the market. No nation in history with a rapidly depreciating currency has attracted private capital. Unless and until we prohibit the Treasury and Federal Reserve from essentially creating money and credit from thin air, we cannot restore the U.S. economy.
- Second, we must create a favorable regulatory environment for U.S. business. This cannot be stressed enough. When businesses don't know what's coming next from the EPA, when Obamacare spikes their healthcare costs, or when the Dodd-Frank bill adds almost unknowable regulatory compliance burdens, businesses simply will not expand and hire. It is time to start shrinking the federal register.
- Third, we must stop spending trillions of dollars overseas on foreign wars. There is no point in debating a foreign policy we cannot afford. It no longer matters what neoconservatives want. Our interventionist foreign policy is financed on credit, and our credit limit has been reached. Our economy would be infinitely better off if those trillions of dollars had never been removed from the private economy or added to our debt.
- Finally, we must completely revamp the U.S. tax system and move to a territorial model that does not tax foreign source income. U.S. corporations are sitting on more than a trillion dollars in foreign earnings that cannot be repatriated to the U.S. because of taxes. We need to stop taxing unpatriated funds to bring those earnings home. Better yet, we need to abolish the income tax altogether.

The U.S. economy is in deep trouble. Congress needs to act immediately to restore the rule of law and create an environment that rewards, rather than punishes, the critical components of any healthy

economy: capital accumulation and investment.

In this struggling economy it is essential for politicians to take a step back and think about what government has been doing to business in this country. In less than 200 years, the free market, property rights, and respect for the rule of law took this nation from a rough frontier to a global economic superpower. Today, however, our nation and our economy clearly are headed in the wrong direction.

Of course, America has never enjoyed absolute free-market capitalism: creeping government intrusion and special interest political patronage have existed and increased since our founding. But America historically has permitted free markets to operate with less government interference than other nations, while showing greater respect for property rights and the rule of law. Less government, respect for private property, and a relatively stable legal environment allowed America to become the wealthiest nation on earth.

By contrast, the poorest nations almost always demonstrate hostility for free markets, private property, and the rule of law. Capital formation, entrepreneurship, credit, and wealth accumulation are uniformly discouraged in poor countries. Private contracts are not reliably enforced, and private property is not secure in the hands of owners. The predictable result is widespread poverty and misery.

First in Line for New Money

Mises Daily: Tuesday, August 23, 2011 by Doug French

The world of high finance was still in full flight in February 2007. The cracks in the mortgage market had not yet begun to show and Stephen Schwarzman's Blackstone Group had just completed its \$39 billion purchase of Equity Office Properties in what was the largest leveraged buyout ever.

There was plenty to celebrate, so Schwarzman threw himself a party for his 60th birthday, a 3 million

dollar affair for 350 of the billionaire's closest friends, including Barbara Walters, CNBC money honey Maria Bartiromo, the Donald, Cardinal Edward Egan, and former New York governor George Pataki.

It was lobster, filet mignon, and baked Alaska for everyone, washed down with expensive vino, with comedian Martin Short as emcee. Composer-pianist Marvin Hamlisch played a number from A Chorus Line. Patti LaBelle sang a song written for the birthday boy, and Rod Stewart sang a medley of his hits, reportedly for a fee of a million dollars.

A year and half later, in September of 2008, it appeared the financial world was coming to an end. Lehman Brothers filed for bankruptcy, the once "bullish on America" Merrill Lynch fell into the arms of Bank of America, and AIG held out its tin cup in need of a quick \$40 billion from the Federal Reserve.

The nation's M2 money supply was an unadjusted \$7.8 trillion that month while Ben Bernanke, Tim Geithner, and Hank Paulson were working weekends to patch up their wounded Wall Street friends. Meanwhile, it didn't seem all that bad on Main Street with unemployment at 6.1 percent, despite the economy losing 605,000 jobs in the first eight months of the year. Home values had fallen 7.1 percent from the previous year, but few were underwater yet.

But the Fed chair was not interested in Main Street. On September 10, 2008, the Fed's balance sheet totaled \$927 billion; by October 1 it had grown to \$1.5 trillion; and on New Years Eve, the Fed rang in the New Year with \$2.2 trillion in assets.

All this purportedly so that when normal folks used an ATM machine, their money would spit out on command. It all worked so well that Bernanke was TIME's Person of the Year for 2009, "providing creative leadership [that] helped ensure that 2009 was a period of weak recovery rather than catastrophic depression," Michael Grunwald wrote.

Two years on, one wonders if Grunwald realized that

the weakness would continue indefinitely.

The M2 money supply has marched steadily higher to the \$9.2 trillion mark last month. The monetary aggregates have gained traction, increasing at a 15.3 percent clip in the past three months.

Increases in money aren't sprinkled from the sky, floating indiscriminately into whoever's hands are in the right place at the right time. Money-supply increases occur through the commercial banking system and Federal Reserve. Those who receive the money first benefit at the expense of those receiving the money last.

"The fiat dollar is an 'elite' system," Jim Grant told the Wall Street Journal recently, "and Wall Street is its supporting 'interest group' — those nimble, market-savvy, plugged-in folks know how to shuffle assets and exploit cheap funding from the Fed to leverage up their profits and soften the downside."

After plunging to 666 on the S&P in March of 2009, the stock market has recovered up until the recent volatility, with that same index reaching over 1,350 earlier this year. Wall Street paid out \$27.6 billion in bonuses in 2009 and \$20.8 billion last year. Mergers and acquisitions have been all the rage and leveraged buyouts can't be too far behind. The demand for trophy office space has even heated up. But Craig Karmin, writing for the Wall Street Journal, worries the trophy-property bubble is already overdone.

An index of commercial-property values by Green Street Advisors, which is tilted toward high-end and trophy buildings, has risen more than 45% from its 2009 lows and is only 10% below its all-time highs. Although the index has been flat for the past two months, the run-up nevertheless raises questions about whether the surge in prices is getting ahead of sluggish economic fundamentals.

Bankers have been stingy toward lending to commercial businesses and private individuals, with total loans falling 3.4 percent from last year at the end of the first quarter. At the same time, bankers can't get enough of the government's paper, buying \$500 billion in Treasury and agency securities during

the past two years, reports Bud Conrad, economist for Casey Research. Bankers are returning the favor, "using their bailouts to help the government, albeit somewhat indirectly, using money from the Fed."

So while all this money has rushed into stocks, real estate, and especially government bonds, by the looks of it, none has found its way to Main Street except in the form of higher prices. John Williams at Shadowstats.com says prices are increasing at a 10+ percent clip. And while the Fed's QE's were supposed to stimulate hiring, unemployment soared in 2008 and '09 and hasn't recovered. According to Williams's numbers nearly one in four Americans is out of work.

While Williams says consumer prices are roaring upward, the government claims there has been no increase in the consumer price index from the third quarter of 2008 to the third quarter of 2010, so those receiving Social Security have seen no cost-of-living increase.

A record number of Americans now look to Uncle Sam to put food on the table. The US Department of Agriculture just announced that 46 million people — 15 percent of the population — are receiving government aid to buy their groceries.

And now the primary asset of the middle class, their home, has become a liability for 28 percent of homeowners according to real-estate-data provider Zillow. "We get tired of telling such a grim story, but unfortunately this is the story that needs to be told," the company's chief economist Stan Humphries told Bloomberg. It's likely more homeowners will be underwater if Robert Shiller is right. He believes home prices may fall another 5 to 10 percent.

Bernanke's crisis policy was called into question by Richard von Strigl in Capital & Production. Strigl pointed out that the creditworthy will not be interested in borrowing in a crisis. But those industries forced to liquidate during the crisis are all too eager to borrow.

However, satisfying this demand implies delaying the liquidation of the crisis, lengthening and

strengthening it. For it is essential to this situation that a significant demand for credit by those who would like to work towards continuing the boom, that is an "unhealthy" demand for credit, exists along with a significantly reduced demand for new sound investments.

While times are tough for normal folks, Wall Street royalty had another birthday party to attend recently. Private equity billionaire Leon Black celebrated his 60th with a couple hundred folks at his oceanfront estate in Southampton. Elton John earned \$1 million for an hour-and-a-half of serenading the likes of Vera Wang, Mayor Michael Bloomberg, Senator Chuck Schumer, Martha Stewart, and Howard Stern, who bellied up to a buffet featuring a seared-foie-gras station.

"While much of the nation's economy has struggled to recover from the financial crisis," Peter Lattman writes for the New York Times, "Mr. Black's firm — and the rest of the private equity industry — has snapped back."

Former Lehman Brothers partner and financial novelist Michael Thomas believes the party to be in bad taste. "This behavior suggests they are isolated from the rest of the world, living behind these great big hedges, and in a way they are."

Blackstone's Schwarzman attended the Black affair along with Goldman Sachs's Lloyd "we do God's work" Blankfein. "Your 60th got us into the financial crisis," Mr. Blankfein is said to have told Schwarzman. "Let's hope this party gets us out of it."

Not likely, Mr. Blankfein. The Fed's Wall Street band-aid looks to be peeling off. Another 60th-birthday blowout is signaling another financial blowup.

Douglas French is president of the Mises Institute

The Monetary Tsunami Is Coming

by Frank Shostak on August 31, 2011

In his speech at Jackson Hole, Wyoming, on August 26, 2011, the Fed chairman disappointed most pundits. He did not promise another massive infusion of fake money, i.e., QE3. I suspect that a strengthening in bank lending is an important factor behind the Fed's decision to postpone the pushing of more money into the economy.

The yearly rate of growth of our measure for banks' inflationary credit jumped to 8.2 percent so far in August from 4.3 percent in July. A visible strengthening in commercial bank inflationary credit, i.e., credit "out of thin air," will provide the "necessary" monetary stimulus. This means that the massive amount of money pumped by the Fed since 2008 (over \$2 trillion) is starting to be funneled into to the economy by the banks.

This has long been the hope of the Fed, and the goal of the huge increases in bank reserves that have been created during the downturn. Until recently, these reserves have been stuck in the system — unable to find lenders and borrowers willing to make a deal. This has been a good thing because prices have been held somewhat in check.

That is now changing. As the pace of lending picks up, and the fractional-reserve system of loan pyramids kicks in, we could see new floods of money pouring through our economic life and causing untold damage.

For the time being, the pace of pumping by the Fed remains buoyant. The yearly rate of growth of the central bank's balance sheet stood at 23.6 percent so far in August against 23.1 percent in July. The growth momentum of our monetary measure for the United States (AMS) jumped to 13.1 percent this month from 11.8 percent in July.

Now, according to most experts, massive monetary pumping is going to ignite inflationary expectations, which in turn will give the necessary push to consumer outlays.

Once consumers start spending more, via the famous Keynesian multiplier, this will reinvigorate general economic activity and will put the economy onto a path of self-sustaining economic growth. The key in this way of thinking is that currently there is a problem with consumer outlays that, for various reasons, are not strong enough to revive the economy.

For instance, rising unemployment causes people to be cautious in their spending, which, according to popular thinking, is bad news. Hence policies aimed at lifting employment must be introduced in order to get the economy going. Digging ditches or introducing various public projects, such as building roads, is strongly recommended.

According to this way of thinking, if the private sector is reluctant to boost spending then it is the duty of the government and the central bank to do so in order to bring the economy onto a self-sustaining economic-growth path.

This means that government and central-bank policies must err on the loose side, implying that the Fed should aggressively push money, which together with very low interest rates and loose fiscal policies, is expected to revive consumer confidence and push economic activity forward.

This is a good summary of the views of Bernanke, who believes that the key cause behind the Great Depression of the 1930s was inadequate pumping by the then-Fed. This time around Bernanke is determined not to repeat the same error.

Note again that, according to popular thinking, boosting the overall demand for goods and services is the key for the strengthening of US economic growth.

It's true that a strengthening in the demand for goods and services is required for an economic revival. However, any increase in demand must be fully backed up by an increase in the prior production of final goods and services. This increase in demand must be supported by the prior increase in saving and not by loose fiscal and monetary policies.

Neither monetary pumping nor any form of stimulatory policy can generate more real funding; rather they lead to the diversion of funding from wealth-generating activities to non-wealth-generating activities. These types of policies reduce the amount of available real funding to wealth generators and thus undermine the process of real wealth generation — economic growth comes under pressure on account of these policies. (It leads to capital consumption. Instead of planting the seeds in order to reap a crop in the future these policies cause people to consume the seeds. Obviously one shouldn't be surprised that no future crop could emerge as a result. Yet policy makers are trying to convince us that one can eat the seeds and also have a crop.)

Contrary to most experts — including Bernanke — the more aggressive the Fed's policies are, the worse the economy is going to be. If all that is required to revive the economy is pushing more money, then all third-world economies would be very wealthy by now.

The latest trends in banking foretell the possibility of very dangerous times ahead where developed economies go the way of such undeveloped economies and destroy wealth through inflation in the name of stimulating production. As we may soon discover yet again, printing money is no substitute for real wealth creation.

Frank Shostak is an adjunct scholar of the Mises Institute and a frequent contributor to Mises.org. His consulting firm, Applied Austrian School Economics, provides in-depth assessments and reports of financial markets and global economies. Send him mail. See Frank Shostak's article archives.

A Defense of Banks

by Steve Nelson

This article might be viewed with a bit of skepticism considering the audience, and the fact that I myself am a banker. The reason I write is to defend the concept of banking, not necessarily the government sanctioned banking cartel that exists today.

Let me begin with what is indefensible:

1. FDIC insurance: The blanket guarantee of bank deposits by the federal government removes consumer discretion when it comes to selecting a warehouse for their wealth. Each warehouse is equally risky, so what difference does it make? Credit officers do not think about risk to their depositors when making loans, only to their own capital. The net effect is to increase the amount of risk bankers are willing to take with money entrusted to them – a government induced phenomenon.

2. Government enforced fractional reserve lending: Much can be said about the fraudulent practice of lending funds and allowing simultaneous withdrawals of the same monies – it inflates the money supply, dilutes the currency in circulation, gives an advantage to the initial borrowers of the new funds; let alone the dishonesty of the practice in and of itself. However, fractional reserve lending in a free market (ie. without government sanction) would be a warning sign to depositors that the participating financial institution is an untrustworthy one, as there would be no way to guarantee a return of deposits. The net effect of the government enforcement of this practice is to negate market discipline on the risk of having too many obligations without the ability to meet them (ie. being over leveraged).

3. Central banking: Whether private or public, or some combination thereof, the central banks of today effectively control the entire wealth of those who use their currencies. At any given time, the ability to inflate means that the purchasing power, the savings, the accumulated wealth of an entire nation is at the disposal of these parasites. Aside from outright inflation, the manipulation of interest rates through

the purchase and sale of securities with banks creates a mismatch between the lending capacity of the country and the appetite for loans. The difference is made up for in inflated money, and also contributes to overextension on the part of consumers and businesses who borrow too much at artificial rates, creating the business cycle and economic waste.

There are many other egregious practices utilized by banks and allowed by a complicit government. In a free market, however, banks serve a tremendously important role, and still do so today. Banks serve the public in various ways, acting as a warehouse of savings, as a provider of loans and capital, as an intermediary to assist in money transfers, trade finance, raising capital for investors, advising corporations on acquisitions and balance sheet management.

Banks as financial intermediaries serve perhaps their most crucial role in an economy. A manufacturer in California, looking to build a new plant and in need of funds to do so, is greatly benefited by an efficient and liquid capital market. Whether equity or debt, banks source funds from investors or from other banks in the wholesale market to provide to their customer, the manufacturer. Due to the interconnectedness of our financial markets, and the fungibility of funds, the capital that our firm in California uses might be deposits from locals nearby, banks across the country, investors overseas or some combination thereof. Without this ability, our manufacturer would be required to accumulate capital through profits over a longer period of time to embark on their expansion. Banks essentially shorten the timeline of borrower's expansion plans, and the cost to the company is either losing ownership through equity or interest through debt. Without the coordination of the capital markets, other sectors of the economy would be hard pressed for capital, and investors and savers would find it much more difficult to earn a return on their money.

Banks provide treasury management services to many corporations with large cash flow needs. At the risk of sounding like an advertisement, banks facilitate the wiring of funds, clearing of cheques,

sweep accounts to improve cash efficiency, provide overnight investments to clients, foreign exchange services to importers/exporters, asset liability management to mitigate borrower's exposure to floating rates, and so forth.

The auto worker who builds sedans and vans serves society, even though the company he works for may also build tanks and war machines that serve the criminal class. Perhaps I'm writing due to the constant vilification of my industry, by both libertarians and progressive alike. Granted, there is much truth to the criticism. However, constant attacks on "banksters" and the illegitimate relationship with the state make it difficult to recognize the very legitimate function of banks, which would still exist if we lived in the free society we are working towards.

Perhaps I'm also writing because I remember, as a five year old sitting at a train station, I was awakened to the wonders of the world by observing the outbound train chug along its metal path, an airplane flying crossways overhead, and the skyscrapers and magnificent real estate of whatever city I happened to be in at the time. I noticed also at the time the mountainous backdrop, but I realized even then that the mountains were made by God, while everything else was built by man. I was in awe. I remember wondering "who are the men that build these things, how do they know how to make it all connect together? Do any of these men understand the whole world?" What I wondered at as a child was another way of asking "how does an economy run?" Well, I don't believe that I understand the whole world, but being a banker, I believe that I understand a good bit of what makes an economy run, and I'm proud to contribute in my own productive, non-violent way.

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Sixteen 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 16 -- Content: Page 29 & 30, *Becoming Your Own Banker – The Infinite Banking Concept*[®], Fifth Edition, Fifth Printing.

If you can overcome Parkinson's Law, rest assured, you must now face "Willie Sutton's Law" -- Wherever wealth is accumulated, someone will try to steal it. For those too young to remember him, Willie Sutton was a notorious bank robber who was born around 1900. When asked why he kept robbing banks he replied, "Why, that's where they keep the money!"

Willie didn't invent this idea – he was just a stellar practitioner of the art as an individual. Theft was the very first labor-saving device – don't bother to produce anything, just steal from those who do.

Frederic Bastiat, a French economist and statesman who, in 1850, wrote an essay entitled *The Law*, describes it this way:

"The law perverted! And the police powers of the state perverted along with it! The law, I say, not only turned from its proper purpose but made to follow an entirely contrary purpose! The law become the weapon of every kind of greed! Instead of checking crime, the law itself guilty of the evils it is supposed to punish! If this is true, it is a serious fact, and moral duty requires me to call the attention of my fellow-citizens to it."

What Bastiat saw in France in the mid-1800s – and which we have in abundance in the U.S. today – he correctly identified as legal plunder.

He goes on to explain, "But how is this legal plunder to be identified? Quite simply: See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does not belong. See

if the law benefits one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime.”

So, the question of the moment is: Who is the biggest thief in the world?

If you answered, “The Internal Revenue Service,” then go to the head of the class! You are absolutely correct!

As a result of the above bit of history you will find yourself engulfed in confiscatory taxation if you are the least bit effective in producing and accumulating wealth. You can count on it! Willis Sutton’s Law is active! At this point there are many who resort to despair – “Woe is me, I am productive, I whip Parkinson’s Law, and those dirty rotten tax collectors steal my wealth!” Why be surprised? They can’t steal from the poor – they have nothing to steal! For more insight on this matter, go to my *BankNotes* newsletter archives located at: www.infinitebanking.org/banknotes.php, and click on the April 2001 issue and download it. Now scroll down to my article entitled *Lies! Lies! Lies!* and give it a thorough study.

There is no need for despair. The government lawmakers and bureaucrats who carry out these perversions of law fully understand that they are dealing with a parasite-host relationship. Government is incapable of producing anything – it gets all its sustenance from the productive element of society. Government is a parasite and lives off the productive taxpayers, the host. It is self evident that if the parasite takes all the produce of the host, then both parties die! Government officials may be cunning, but they are not stupid! They want to keep you producing so that they will have a place from which to steal.

We all need to protect ourselves from the devastating effects of this monstrous idea outlined above. It just can’t work. Yet, generation after generation keeps trying the same old nonsense. Economic problems are best solved by people freely contracting with one another and with government limited to enforcing those contracts. The best way to do so is through

the magnificent idea of dividend-paying whole life insurance! It has been around for over 200 years. It has stood the test of time. It is not compulsory. It is not a government sponsored idea. It preceded the income tax idea by a long time and is not a creature of the IRS code. It is private property. Only the people who care about others that are dear to them participate in the idea. What a great group of people to be associated with in business!

There’s more homework to do. Go to <http://laissezfairebooks.com> or call 1-800-326-0996 and buy a copy of *The Law* by Frederic Bastiat. Study this little book intensively. Then buy 100 copies of it and give it to others. Bought in large quantities, it is very inexpensive and it will be one of the best things you can do for your fellow man! The world has always needed this knowledge.

Nelson’s Favorite Quotes of the Month

“Refrain from telling everything one knows; leave room for curiosity; generate questions; stimulate the spirit of inquiry.” -- *Leonard E. Read*

“The lesson investors are learning now is that there are bear markets as well as bull markets. Stocks go down as well as up, in other words. And sometimes, a downturn in the stock market is not a buying opportunity...it’s just a step on a long stairway to Hell.” -- *Bill Bonner*

The Financial Crisis Analyzed In One Sentence: The problems we face today are because the people who work for a living are outnumbered by those who vote for a living.

“Logic will get you from A to B. Imagination will take you everywhere.” -- *Albert Einstein*

“No one can become rich without enriching others. Anyone who adds to prosperity must prosper in turn.” -- *G. Alexander Orndorff*

“There are more instances of the abridgment of the freedom of the people by gradual and silent

encroachments of those in power than by violent and sudden usurpations.” -- *James Madison*

Nelson's Live Seminars for September and October 2011

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

Nelson Live in Cleveland, OH, Tuesday-Wednesday, September 27-28, contact Jill Banner, 440-554-3301, jbanner@thefedeligroup.com

Nelson Live in Las Vegas, NV, Saturday, October 1, contact Yvonne Burke, 702-430-4400, yvonne@alphaomegawest.com

Nelson Live in Denver, CO, Tuesday-Wednesday, October 4-5, contact Kate Gardner, 720-406-0543, kate@kgardnerfinancial

Nelson Live in Austin, TX, Thursday-Friday, October 6-7, contact Paul McDonald, 512-459-5966, paul@econwbs.com

Nelson Live in Birmingham, AL, Friday, October 14, contact Russell Morgan, 205-871-9993, rusmorgan@nowlinandassociates.com

Nelson Live in Wilkes-Barre, PA, Tuesday-Wednesday, October 18-19, contact Tim Yurek, 570-826-1801, tyurek@jacobicapital.com

Nelson Live in Boerne, TX, Thursday-Friday, October 20-21, contact Janet Sims, 830-331-9805, janet_sims@financialprocessgroup.com

Nelson Live in Baldwin City, KS, Tuesday, October 25, contact Mike Everett, 785-760-3189, michaelkeverett@gmail.com

Nelson Live in Fort Worth, TX, Thursday-Friday, October 27-28, contact James Neathery, 817-790-0405, jneat@gmail.com

Nelson's Newly Added Book Recommendations

Resist Not Evil by Clarence Darrow

High Financier: The Lives and Time of Siegmund Warburg by Niall Ferguson

Have an interesting article or quote related to IBC?

We gladly accept article submissions as long as permission to reprint is provided. Send submissions for review and possible inclusion in BankNotes to david@infinitebanking.org.

*Save the Date
February 9-10, 2012*

Infinite Banking Concepts Think Tank Symposium



Birmingham, AL

**Details to follow in next
Month's BankNotes**

IBCtraining.com

Infinite Banking Concepts Training for Life Agents

Rocky Nystrom and his team at IBCtraining.com have continued to update and enhance their training classes and we want to give you the latest news on their training for Life Agents.

Earlier in 2011, Rocky wrote an entirely new training offering for Life Agents with the goal of explaining the seven most powerful ways that your clients can benefit from IBC.

The newest class from IBCtraining.com entitled "**Marketing and Selling the Infinite Banking Concept**", includes these seven scenarios:

- *Recapturing the Money Spent Buying Cars with IBC*
- *Moving from Debt to Prosperity—Get Out of Debt by Becoming the Banker*
- *Paying for College—the IBC alternative to the 529 Plan*
- *Maximize Business Profits—Using IBC to Recapture Lost Cash Flow*
- *Take over your Mortgage—How IBC Can Help*
- *Retire like a Banker—the IBC alternative to the IRA or 401(k)*
- *Finance Your Family to Wealth—Building Multigenerational Wealth using IBC*

IBCtraining.com training is endorsed by R. Nelson Nash, founder of the Infinite Banking Concept.

The class also teaches up-to-date strategies for marketing, including:

- *How to use Web tools to generate valuable, pre-qualified leads.*
- *How to make sales presentations while you sleep.*
- *How to generate endless referrals from happy and satisfied clients.*

And, because Social Media is on everyone's mind today, Rocky has invited the founder of LifeIsABank and Social Media expert, Norm Robinson, to conduct an optional one-day seminar about using Social Media to promote IBC. Finally, Rocky has added another optional one-day class: "Introduction to the Infinite Banking Concept". If you're just getting started with IBC or if you just want a refresher course, this introduction is for you.

To make things easy for everyone to fit these courses into their busy schedules, Rocky is presenting his classes according to the following schedule:

- *Monday—Day 1 (optional): Introduction to the Infinite Banking Concept (included FREE with "Marketing and Selling IBC" class, if you sign up before 9/20/11)*
- *Tue./Wed.—Days 2 & 3: Marketing and Selling the Infinite Banking Concept (\$1,990)*
- *Thursday—Day 4 (optional): Social Media and the Infinite Banking Concept (\$995)*

The next scheduled deliveries of the IBCtraining.com seminars are in:

- *Philadelphia, October 23-27*
- *Phoenix, December 5-8*

Visit IBCtraining.com or call Rocky at 617.420.2265 for all the details. Additional classes are available at your location if minimum attendance requirements can be met.

Alpha & Omega Financial Services
Infinite Banking Concepts Agent Training
Special Offer Extended

Alpha & Omega Financial Services is offering a savings of almost \$2,500 for their Infinite Banking Agent Training Courses if you register and pay for all 3 courses. The deadline is now extended until Oct 1, 2011. You must attend the courses prior to the end of 2012. A&O teach the first IBC training course developed specifically for life producers. They have trained almost 100 financial professionals to date. A&O recently reworked the course to more closely follow R. Nelson Nash's book *Becoming Your Own Banker*.

The next training sessions are scheduled for October, 2011.

The course is still broken down into three levels (classes). The next class offerings are:

- *Level 1 (The Essentials) October 5*
- *Level 2 (The Professional) October 6-7*
- *Level 3 (The Masters) October 26-28*

The location for all three classes is the It's Your Money Educational Institute classroom at the Alpha & Omega Financial Services offices in Lawrence, KS.

To enroll online, go to our website <http://infinitebankingagenttraining.com> and complete your registration.

For additional information, to include enrollment procedures, please contact Lisa Gay at lmg@alphaomega-fs.com or call Lisa at 785.842.8333.