The Birth of Sedition

by Doug French

It is the strangest dysmorphic transformation of any holiday in history. The day that overthrew a government, July 4, 1776, now celebrates the power of a government that is far more vast, predatory and imperialist than the one overthrown.

Not only is the real meaning of Independence Day forgotten; it has been turned on its head. The ethos of the real July Fourth celebrated sedition as essential to life and liberty. This is the same spirit that motivated the founding of the private literary society the Laissez Faire Club today. Then as now, all lovers of liberty are welcome.

The ethos of today's July Fourth celebrations bolsters a government and standing army that punishes sedition with a ferocity and cruelty that would have startled even the British.

If you return to the writings of the original Revolutionary generation, you find that seditious and revolutionary spirit, one completely unlike the fatuous pro-American "patriotism" on display today with pledges, flags and songs about national greatness.

As we learn from Murray Rothbard's Conceived in Liberty, the 1776 generation consisted of a people who rallied around a principle, and that principle was liberty (which stands against government control) and its extension in the right of private property.

Since the writings of John Locke and before, the notion had been advanced that all people have the fundamental right to life, liberty and property. But there is a gigantic distance to travel from theory to practice. What made the link is absolutely indisputable: taxation. It was this above all else that caused the revolting generation to make reality accord with an idea that they had already seen working for 150 years.

Pre-revolutionary America was an experiment in practical anarchism that worked beautifully. There was no central state at all and, therefore, no taxes or regulations. The homeland was not a code word for a bureaucracy, but merely the self-organizing community in which people lived. If the community became oppressive, people moved to the next one. This created a dynamic that unfolded over time with a trajectory toward evermore liberty.

So long as the British overlords were benignly neglectful, there was no problem. But as the British began to see the colonies as a revenue source (Britain had war debts to pay!) and an exploitable extension of a growing empire, the Americans refused to go along. This refusal culminated in the great Declaration of Independence, a revolutionary document that continues to inspire every person who seeks to overthrow despotism.

The action began more than a decade before the Declaration. The direct taxes of the Stamp Act of 1765 and the indirect taxes of the Townshend Acts of 1767 combined to light a fire in the colonies.

Eliphalet Dyer of Windham, Conn., attacked the revenue bill for supporting a standing army and called on the colonies to unite in protest. If they failed to do so, they may "bid farewell to freedom and liberty, burn their charters and make the best of
thralldom and slavery."

The New York Assembly's "Remonstrance and Petition" proclaimed that exemption from taxation was a "natural right of mankind... a right... inseparable from the very idea of property, for who can call this his own which can be taken away at the pleasure of another?"

The Committee of Correspondence of West Jersey said, "we look upon all taxes laid upon us without our consent as a fundamental infringement of the rights and privileges secured to us as English subjects, and by charter."

The consistent rallying cries across the Colonies became:

- "Liberty, Property and No Excise"
- "Liberty, Property and No Stamps"
- "Liberty and Property!"

Sir Francis Bernard, a British administrator, wrote on the rural people's reaction to the Stamp Act: "They talk of revolting from Great Britain in the most familiar manner, and declare that ... the British forces... never will subdue the island." He rightly observed that when the militia refused to obey his orders, "the real authority of the government is at an end; some of the principal ringleaders in the late riots walk the streets with impunity; no officers dare attack them; nor attorney general prosecute them; and no judges sit upon them."

John Holt, editor of a New York paper, emblazoned on his newspaper the motto: "Liberty, Property and No Stamps." A British officer who had boasted that he "would cram the stamps down their throats with the end of his sword" had his home burned down.

The Sons of Liberty of Windham at New London, Conn., resolved:

"That every form of government rightfully founded originates from the consent of the people... That whatever those bounds [on government, set by the people] are exceeded, the people have a right to reassume the exercise of that authority, which by nature they had before they delegated it to individuals... That every tax imposed upon English subjects without consent is against the natural rights and the bounds prescribed in the English constitution."

An aging William Pitt, Earl of Chatham, sympathetic with the plight of the Colonies, presented the following speech in Parliament in 1766:

"Gentlemen, sir, have been charged with giving birth to sedition in America. They have spoken their sentiments with freedom against this unhappy act, and that freedom has become their crime. Sorry I am to hear the liberty of speech in this House imputed as a crime. But the imputation shall not discourage me. It is a liberty I mean to exercise. No gentleman ought to be afraid to exercise it... The gentleman tells us America is obstinate; America is almost in open rebellion. I rejoice that America has resisted. Three millions of people, so dead to all the feelings of liberty as voluntarily to submit to be slaves, would have been fit instruments to make slaves of the rest.... The gentleman asks, 'When were the colonies emancipated?' I desire to know, when were they made slaves?"

Massachusetts attorney James Otis urged one and all to "defend our liberties and privileges... even unto blood." Gov. Francis Bernard called Otis' speech "the most violent, insolent, abusive, treasonable declaration that perhaps was ever delivered." Silas Downer, a lawyer and leader of the Sons of Liberty of Providence, denied the right of Parliament to make "any laws whatsoever to bind us..."

Samuel Adams summed up the essential point in 1772:

"It is the greatest absurdity to suppose it in the power of one, or any number of men, at the entering into society, to renounce their essential natural rights, or the means of preserving those rights; when the grand end of civil government, from the very nature of its institution, is for the support, protection and defense of those very rights; the principal of which, as is before observed, are Life, Liberty and Property. If men, through fear, fraud or mistake, should in terms renounce or give up any essential natural right, the eternal law of reason and the grand end of
society would absolutely vacate such renunciation. The right to freedom being the gift of God Almighty, it is not in the power of man to alienate this gift and voluntarily become a slave."

Remember, too, that the taxes were small potatoes by modern standards. People today would call them piddly. But the point was not their scale; it was their existence at all. Every tax is enforced at the point of a gun. This generation knew that they had to kill despotism in the crib. A seemingly small violation of essential rights was as egregious as any other.

These were the actual views of the generation we celebrate today, views that if spoken today by any American citizen would risk that person's inclusion in a watch list that could lead to a denial even of the right to travel. And as we've found in recent days, the president himself possesses the authority to murder any citizen he deems a threat to public order.

In the immortal words of The New York Times: Obama is "the first president to claim the legal authority to order an American citizen killed without judicial involvement, real oversight or public accountability."

The revelation made the headlines one day, cycled through the 48-hour news cycle and was forgotten.

Consider, finally, the astonishing transformation of the term "patriot." In revolutionary times, it meant a person who was dedicated to essential human rights against government tyranny. Today, one of the most despotic pieces of legislation in modern times is called the Patriot Act.

The mistake of the revolutionary generation was not in overthrowing a government, but permitting another one to take its place.

When Americans Understood the Declaration of Independence

by Thomas J. DiLorenzo

The Fourth of July was not always a national celebration of the militarization of American society and of the federal government's never-ending quest for world domination (disguised as "defending our interests abroad"). Americans did not always attend church services on the Sunday before the Fourth of July to "honor" their "military heroes" and pray that they may kill many more human beings in other countries that have done them no harm. Americans once actually read and understood the Declaration of Independence for what it was: a declaration of secession from the British empire and a roadmap for opposing a highly centralized, militaristic empire of the sort the U.S. government has become.

The Declaration of Independence was the ultimate secessionist or states' rights document. "Governments are instituted among men," Thomas Jefferson wrote, for the sole purpose of securing God-given, "unalienable" rights to life, liberty, and the pursuit of happiness. Moreover, governments derive "their just powers from the consent of the governed" and nowhere else. And "whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government . . ."

The way in which "the People" were to express their consent (or lack thereof) was through state and local political organizations. Hence, in the final paragraph of the Declaration of Independence Jefferson wrote that: "We . . . the Representatives of the united States of America . . . are, and of Right ought to be Free and Independent States, that they are Absolved from all Allegiance to the British Crown, and that all political connection between them and the State of Great Britain, is and ought to be totally dissolved; and that as Free and Independent States, they have full Power to levy War, conclude Peace, contract Alliances, establish Commerce, and to do all other Acts and Things which Independent States may of right do."

It is important to note that the word "united" is not capitalized but "States" is, and that the individual states are described as "Free and Independent." Thus, the free, independent, and sovereign states were united in the cause of secession from the British empire. The phrase "united States" did not mean, and does not mean in any of the founding documents, the
"United States government," as is commonly believed today. It is always in the plural to signify that the free and independent states are united in their common cause of protecting life, liberty, and the pursuit of happiness. To Jefferson and the other signers of the Declaration of Independence, each American state was sovereign in the same sense that Great Britain, France, and Spain were sovereign states. It was through "representatives of the united States" that the consent of the people was to be expressed (or not).

It was Abraham Lincoln, who Murray Rothbard once described as a masterful "liar, conniver, and manipulator," whose rhetoric began to fog the understanding of Americans of their Declaration of Independence. Lincoln’s twisted language in The Gettysburg Address that focused solely on the words "all men are created equal" in the Declaration, were designed to reinterpret the preeminent secessionist document as an anti-secessionist document. It was an attempt to fool Northern voters into believing in the absurd notion that he was a Jeffersonian.

Not that Lincoln ever believed that all men were – or should be considered to be – equal in any sense. As he stated in the September 18, 1858 debate with Stephen Douglas: "I will say than that I am not, nor ever have been in favor of bringing about in any way the social and political equality of the white and black races, that I am not nor ever have been in favor of making voters or jurors of negroes, nor of qualifying them to hold office, nor to intermarry with white people; and I will say in addition to this that here is a physical difference between the white and black races which I believe will forever forbid the two races living together on terms of social and political equality. And inasmuch as they cannot so live, while they do remain together there must be the position of superior and inferior, and I as much as any man am in favor of having the superior position assigned to the white race" (emphasis added).

In his first inaugural address Lincoln strongly supported the Fugitive Slave Act and the proposed "Corwin Amendment" to the Constitution, which had already passed the House and Senate, which would have prohibited the federal government from ever interfering with Southern slavery. Thus, it was his position that slavery should be explicitly enshrined in the Constitution, made "express and irrevocable" to use his exact words, which is hardly the position one who believes that "all men are created equal" would take. It was empty political rhetoric at its worst.

At the time, nearly everyone else in the Northern states understood the actual meaning of the Declaration of Independence, as opposed to Lincoln’s attempt at the rhetorical bastardization of the document. This point is documented in a two-volume work entitled Northern Editorials on Secession, edited by Howard Cecil Perkins. It is a collection of 495 Northern newspaper editorials from September 1860 through June 1861 on the issue of secession. The majority of Northern newspaper editorials, writes Perkins, favored peaceful secession because Northern editorialists generally believed in the Jeffersonian dictum that governments derive their just powers from the consent of the governed. The Southern states no longer consented to being governed by Washington, D.C., they reasoned, therefore, they should be allowed to go in peace, however misguided their reasons for secession might have been. "During the weeks following the election [of Lincoln], Perkins writes, ",[Northern] editors . . . assumed that secession as a constitutional right was not in question . . . . On the contrary, the southern claim to a right of peaceable withdrawal was countenanced out of reverence for the natural law principle of government by consent of the governed."

Perkins highlights what he calls "a classic statement" of this position, written by New York Tribune editor Horace Greeley on November 9, 1860: "We hope never to live in a republic whereof one section is pinned to the residue by bayonets." At the time, the New York Tribune was the most influential newspaper in America. There are dozens of other statements to that effect from newspapers all over the Northern states. On December 17, 1860, the New York Tribune further editorialized that if "Mr. Jefferson's statement in the Declaration of Independence that governments derive their just powers from the consent of the governed" is accepted, and "if it justi-
fied the secession from the British Empire of Three Millions of colonists in 1776, we do not see why it would not justify the secession of Five Millions of Southerns from the Federal Union in 1861."

This view of the Declaration of Independence, the pro-Lincoln Indianapolis Daily Journal wrote on December 22, 1860, "shows us the course to be pursued towards South Carolina. It is to let her go freely and entirely . . . without resistance." On January 11, 1861, the Kenosha, Wisconsin Democrat added that "the very freedom claimed by every individual citizen, precludes the idea of compulsory association, as individuals, as communities, or as States . . . . The right of secession adheres to the people of every sovereign state." "The founders of our government," moreover, "were constant secessionists . . . not only in theory, but in practice," the Wisconsin paper reminded its readers.

"[I]f disunion must come, let it come without war," wrote the Albany, New York Atlas and Argus on January 12, 1861. For war would mean "the ruin of business, the destruction of property, oppressive debt, grinding taxation and sacrifice of millions of lives . . . ." On the same day the New York Journal of Commerce advocated the peaceful secession of the Southern states by asking, "Shall we, by such a policy [as war] change our government from a voluntary one, in which the people are sovereigns, to a despotism where one part of the people are slaves? Such is the logical deduction from the policy of the advocates of force."

On February 19, 1861 the Detroit Free Press expressed the hope that "By recognizing the independence of the Southern Confederacy, we should, to a considerable degree, disarm its people of the hostility they naturally feel towards the people of the North." If so, then the two sections could trade with one another, establishing ties that could eventually lead to a reuniting of the union.

On March 11, 1861 the Trenton, New Jersey Daily True American editorialized that failing to acquiesce in the peaceful secession of the Southern states would be to "embark in the mad and Quixotic attempt of conquering and holding the seceded States in subjugation." Furthermore, the pro-war argument that "the laws must be enforced at all hazards" [i.e., Lincoln’s argument], "are not new arguments; they are such as prevailed with Lord North and the other minions of George III and their futile efforts to crush out American Independence." A union maintained by force "would be worse than a mockery," the New Jersey newspaper wrote.

On March 21, 1861 the New York Times pointed out that even "the Abolitionists everywhere have been in favor of a dissolution of the Union from the beginning" as a way of politically isolating the Southern states and pressuring them to end slavery. (It should be noted that New York did not eman¬cipate its last slaves until 1853). "Let us separate in peace," the Times editorialized, for "force, as a means of restoring the Union . . . is out of the question." Even the Springfield Daily Illinois State Journal, from Lincoln’s home town, wrote on April 3, 1861 that "the sooner we cut loose from the disaffected States, the better it may be for all parties and for the nation." "Public opinion in the North seems to be gradually settling down in favor of the recognition of the New Confederacy by the Federal Government," the Hartford, Connecticut Daily Courant editorialized on April 12, 1861.

Once Lincoln manipulated South Carolinians into firing on Fort Sumter as a pretext for invading his own country (the very definition of treason according to Article 1, Section 3 of the Constitution), newspapers that were associated with and controlled by the Republican Party invented the fiction that there is a supposed difference between a right of seces¬sion based on Jefferson’s words in the Declaration and a "right of revolution." The former was illegiti¬mate, they said, whereas the latter was not. This was not something that Jefferson or any other founders believed. It was an invention of the Republican Party propaganda apparatus, and is repeated to this day by pseudo-historians such as Harry Jaffa and his fellow "Straussian" neocons.

Another Republican Party fiction is the bizarre claim that Lincoln was a Jeffersonian for having
mouthed the words "all men are created equal" in the Gettysburg Address. This fiction is the cornerstone of the Jaffa/Straussian false "history" of the "Civil War." (Jaffa has never written anything about the war per se, or even many of Lincoln’s actions and behavior. His books have to do mostly with the rhetoric of Lincoln’s speeches).

This second fiction has long been a cornerstone of the culture of lies and propaganda that supports American military imperialism. It is the language of permanent revolution, as the late Mel Bradford wrote in numerous articles and books, not too different from the ideology of the twentieth-century communist propagandist Leon Trotsky who was also known for his theory of "permanent revolution." (It should not be surprising that many of the founders of "neo-conservatism" who were students of Leo Strauss or his students, proudly boasted that they were Trotskyites in their youth. The late Irving Kristol would be the best example).

By the late nineteenth century Lincoln’s bastardization of Jefferson’s language in the Declaration of Independence was employed to "justify" aggressive military imperialism in the name of spreading "equality" around the globe. "All men" means all men, not just American men, the "progressives" argued. Therefore, in the name of the sainted "Father Abraham" [Lincoln], Americans were told that it was their "divine" duty to invade, conquer, and occupy such places as the Philippines in order to bring American-style freedom to those lands. Today the Philippines, tomorrow Europe. For example, one of the most vociferous proponents of the Spanish-American war was Indiana Senator Albert Jeremiah Beveridge, who advocated the war in a speech before the U.S. Senate in which he declared that: "It was America’s destiny to set the world its example of right and honor, for we cannot fly from our world duties. We cannot retreat from any soil where Providence has unfurled our banner. It is ours to save that soil, for liberty and civilization" (Quoted in Gregg Jones, Honor in the Dust: Theodore Roosevelt, War in the Philippines, and the Rise and Fall of America’s Imperial Dream, p. 95).

More than 200,000 Filipinos were murdered by American soldiers in order to "save" their "soil" for liberty. As for the real Jeffersonians who opposed the Spanish-American war, Beveridge mocked them by saying, "the opposition tells us we ought not to rule a people without their consent." But Filipinos were not capable of self-government, he said. They needed their American occupiers to "rescue" them from "savage, bloody rule of pillage and extortion." This "march of the flag" is "America’s divine destiny," he bloviated. This last passage sounds more like the effects of the American invasion and occupation of the Philippines than the cause.

If Americans ever began celebrating the real meaning of the Declaration of Independence, then they would embrace the Jeffersonian rights of secession and nullification as a means of fighting back against governmental tyranny. They would also withdraw their support for the U.S. government’s aggressive wars of imperialism in the Middle East and elsewhere, along with its hundreds of military bases on every continent on the planet. They might even begin an opposition to being plundered by the incredibly corrupt military/industrial/congressional complex and its main funding sources, the Fed and the income tax. July 4, 2012


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Financial Independence in the 21st Century
By Dwayne & Suzanne Burnell

Learn how to:
• Face the future with knowledge and confidence
• Embrace a financial paradigm of action and empowerment
• Plan for a lifetime of safe and predictable financial growth
• Build a solid foundation for your retirement

Money is a metaphor: Take away the right to determine what people do with their earned, after-tax income and you will take away their self-confidence, self-determination, creativity and courage to act on their beliefs and their ideas.

-- Dr. Keith Ablow

There is no means by which “the rich” can be taxed without ultimately taxing “the poor” far more heavily. And one tax tends to increase all other taxes, instead of lessening them, because tax expenditure goes into things which require upkeep and yield no return (public buildings and political jobs).

-- Isabel Paterson

“Our federal tax system is, in short, utterly impossible, utterly unjust and completely counterproductive [it] reeks with injustice and is fundamentally un-American... it has earned a rebellion and it’s time we rebelled”.

-- President Ronald Reagan, May 1983, Williamsburg, VA

The man I have long considered to be the father of modern libertarian thinking, Leonard Read, was of the view that the most successful way to promote the cause of liberty was to be – in your behavior – the kind of person that your philosophy espoused. This is another way of encouraging people to live the centered life; to live with integrity; without contradiction between your ideas and your actions.

-- Butler Shaffer
The Seven Rules of Bureaucracy (cont’d)
by Loyd S. Pettegrew and Carol A. Vance
Harry E. Teasley Jr

This is the final part of the article continued from last month’s BankNotes.

Rule #6: Create vested support groups by distributing concentrated benefits and/or entitlements to these special interests, while distributing the costs broadly to one’s political opponents.

The Community Reinvestment Act of 1977, signed into law by President Carter, established the federal government’s role in providing affordable housing to the needy. Over the 33 years it has been in existence, its force has grown the size and reach of the Federal Housing Administration, the Federal Deposit Insurance Corporation, the Federal Reserve, and the Departments of Justice and Housing & Urban Development. It has also given rise to the Federal National Mortgage Association (“Fannie Mae” and “Freddie Mac”). While the initial goal was to provide the less economically advantaged with an opportunity to purchase a home, no one bothered to look at the possible unintended consequences of helping people whose personal credit wouldn’t qualify them to buy a home.

As Sowell (2009, pp. 31–56) points out, “affordable” became the ability for people to buy the home they wanted in the area they wanted and the government’s role was to make it financially possible to purchase it. The Community Reinvestment Act ultimately led to the biggest financial crisis since the Great Depression, yet many of its proponents and even the media failed to see or understand the real problem or the long-term costs and market dislocation that would result.

Even more insidious are government laws that benefit for-profit corporations. These are the recipients of corporate welfare. The poster child of corporate welfare is Archer Daniels Midland (ADM), having received billions of tax dollars from more than 15 federal agencies over the past 50 years. As James Bovard (1995) and Chip Krakoff (2011) point out, to return the favor to the federal bureaucracy, ADM has also been funding reelection campaigns on both sides of the congressional aisle and for both Democratic and Republican presidential candidates. As a testament to ADM’s political ecumenicalism, it has been a long-time sponsor/advertiser of National Public Radio, which attracts a large portion of the left-liberal minded. The EPA is planning to issue an edict to allow 15 percent ethanol to be blended into gasoline, which will result in a 50 percent market gain for ADM’s ethanol-production facilities and a similar market gain in the sale of their dominant field-corn holdings used to make ethanol.

Chip Krakoff (2011) quotes ADM’s Dwayne Andreas as justifying his corporate welfare history: “There isn’t one grain of anything in the world that is sold in a free market. Not one! The only place you see a free market is in the speeches of politicians. People who are not in the Midwest do not understand that this is a socialist country.”

Our last example of Teasley’s sixth rule of bureaucracy is Solyndra, one of three green-energy companies that received nearly $700 million in federal-government money and filed bankruptcy in the past two years. Solyndra is a photovoltaic-solar-energy-systems manufacturer in California. It has received huge loan guarantees ($535 million) through the American Recovery and Reinvestment Act (itself a huge and expensive federal program to fix the mistakes of the Community Reinvestment Act) and the Federal Financing Bank, as well as being the beneficiary of federal and state policies mandating the use of renewable energy sources (US Department of Energy’s ENERGY STAR Program and by the requirements of the California Title 24 Energy Standard, which prescribes cool roofs to be employed whenever low-slope commercial roofs are constructed or replaced).

The Wall Street Journal (2011) indicated that the company was also backed by the George Kaiser Family Foundation and, along with its founder, were big financial supporters of the Obama presidential
campaign as a bona fide for his “green” stand. An additional $75 million loan was made to Solyndra, but the agreement with private investors, including Kaiser, placed them ahead of American taxpayers in case of default. Until the company announced its bankruptcy in August 2011, President Obama had hailed the company as “leading the way toward a brighter and more prosperous future” (Ibid). More than 20 trips were made by company officials, investors, and George Kaiser to the White House between March 2009 and April 2010, and despite reports from industry insiders about Solyndra’s financial health, administration officials dismissed these reports as “B.S.”

**Rule #7: Demonize the truth tellers who have the temerity to say, “The emperor has no clothes.”**

There were plenty of people sounding alarms as early as 2003 about the housing bubble and growing deficits that led directly to the devastating economic downturn that lingers today, not only in America but around the world. Most in Washington, including Fannie Mae, Freddie Mac, HUD, the Federal Reserve, Congressman Barney Frank (head of the House Financial Services Committee) and Senator Dodd (head of the Senate Banking Committee), all refused to pay attention to the growing signs of the housing-market collapse and its risk to the US economy, railing against any warnings that Fannie and Freddie were in financial trouble.

Stephen Labaton (2003) of the New York Times quoted Mr. Frank as saying, “These two entities — Fannie Mae and Freddie Mac — are not facing any kind of financial crisis.”

In the House of Representatives on June 25, 2007, Congressman Frank stated, “We have, I think, an excessive degree of concern right now about home ownership and its role in the economy. Obviously speculation is never a good thing. But those who argue that housing prices are now at the point of a bubble seem to me to be missing a very important point. Unlike previous examples we have had where substantial excessive inflation of prices later caused some problems, we are talking here about an entity, home ownership, homes, where there is not the degree of leverage that we have seen elsewhere. This is not the dot com situation…. Homes that are occupied may see an ebb and flow in the price at a certain percentage level but you’re not going to see a collapse that you see when people talk about a bubble. So those of us on our committee in particular will continue to push toward home ownership.”

In 2010 Mr. Frank implicated foreign central banks, particularly China, when attacking a letter written by Republican economists to the Federal Reserve for joining a broad attack by the foreign central banks who insist that America somehow must subordinate our own legitimate economic needs to their currency requirements. What did disappoint me was to see conservative economists, high-ranking officials of previous Republican administrations, and Republican congressional leaders share the attack by these foreign banks not simply on the Federal Reserve’s proposal, but on the very notion that America has a right to give a primary focus to our own economic need for growth at this time. (McDonald, 2010)

Of course, both political parties demonize the truth tellers who speak out against costly and wasteful policies and their unintended consequences. During the invasion of Iraq, Vice President Dick Cheney, Donald Rumsfeld, and even President Bush frequently took critics to task, asserting that there was “incontrovertible” evidence that Saddam Hussein had weapons of mass destruction. CNN (2005) reported that President Bush said during a Veteran’s Day speech in Pennsylvania, “Some Democrats and anti-war critics are now claiming we manipulated the intelligence and misled the American people about why we went to war. They also know that intelligence agencies from around the world agreed with our assessment of Saddam Hussein. While it’s perfectly legitimate to criticize my decision or the conduct of the war, it is deeply irresponsible to rewrite the history of how that war began.”

**Rule 7a: Accuse the truth teller of one’s own defects, deficiencies, crimes, and misdemeanors.**
One wag said, “Gall was divided into three parts and politicians have all three of them.” We habitually find government bureaucrats, particularly politicians, trying to turn the tables of their accusers in misdeeds. Glen Johnson (2008), Associate Press writer, quoted Congressman Barney Frank, who attended a foreclosure symposium in Boston and challenged the critics of Fannie Mae, implying racism as the motive for the criticism:

They get to take things out on poor people. Let’s be honest: The fact that some of the poor people are black doesn’t hurt them either, from their standpoint. This is an effort, I believe, to appeal to a kind of anger in people.

Former representative Charles Rangel was ultimately accused of 13 ethics infractions by the House of Representatives. Washington Post reporters Leoning & Kane (2010) reported that, after a news conference Mr. Rangel held about the ethics violations, he responded about the possibility of being removed as chairman of the House Ways and Means Committee:

“I don’t see what purpose that would serve, I don’t think reporters should be in the position to remove chairmen, not even temporarily, especially when the reporting is false.” When asked specifically about nearly $80,000 his son had received from his campaign to design a website, he replied, “The reporter should really crawl from under his rock and apologize to my son, a veteran, my friend, my son and a great American,” Mr. Rangel said. “It’s one of the crummiest deviations from the truth that I’ve seen in these recent stories.”

The Road Less Traveled from Here

After presenting Teasley’s rules of bureaucracy, asking where Americans can go from here is not a rhetorical question. Given an economy that is not responding to Keynesian stimulus, proffered by an authoritarian administration and a market-corrupting federal bureaucracy, there are several solutions that we believe will make a difference and take the wind out of the sails of bureaucracy. We offer a series of antidotes to the scourge of bureaucracy.

1. “Bureaucrat” should not be thought of as a career path. History has proven that “career bureaucrats” do much more harm than good and we must characterize such people as pariahs and scallywags, not saviors of this country. The Democratic and Republican parties will push back from this antidote in their faux political fight for power.[1] Knowing how to get things done in state capitols and in Washington is only an asset to law-making junkies and directly reflects the dark underbelly of the bureaucratic beast.

2. If Congress comes up with a new “war against,” we should fight it, no matter what the war is against. The federal government’s track record is abysmal and the equivalent of a taxpayer boat — a hole in the water that you sink your money in.

3. Send all newly elected officials to the state capitol or Washington with the specific goal to reduce legislation. America’s bureaucracies have forgotten that resources are scarce, and most legislation builds bigger government and demands more tax dollars. Federal bureaucracy has grown at an alarming rate under Republican president George Bush and as much in just three years under Democratic president Barack Obama. While legislators keep an informal scorecard with how many pieces of legislation bear their names, does America need Sarbanes-Oxley or Dodd-Frank legislation? While it may inflate bureaucrats’ self-worth and hubris, America must reduce the number of existing laws and agencies significantly.

Sowell (1999) has long advocated that we use an economic analysis to examine our legislative initiatives before they become law. To stem the tide of fiscal irresponsibility leading to unsustainable government size and debt, no bill should pass from committee to a full chamber vote without first being carefully analyzed by the Government Accountability Office using a four-step rubric, the results of which must be presented to the American people before the vote. First, an analysis of what we
can do about a problem, including its importance to the economic competitiveness of our country, and how much it will cost. Second, an analysis of what we should do collectively as a nation and what should be left up to individual initiative. Personal health and education are splendid examples. Third, a careful analysis must be undertaken of who will be helped and who will be hurt by any new legislation. As Bastiat warned us more that 150 years ago, political bureaucrats ignore who will be hurt by a new law. Fourth, a careful, econometric analysis must be made of the possible long-term unintended consequences of proposed legislation. Had our legislators done this, instead of trying to seize the political moment and the headlines, much of the federal legislation of the last two decades would never have been passed.

Addressing real problems while reducing government bureaucracies and entitlements will give the United States a new resourcefulness that can go a long way toward making the United States a decidedly freer market, and it will reestablish our exceptionalism in a way that other first-world countries have been unable to do with their stifling bureaucracies and statist programs.

Loyd S. Pettegrew is a tenured full professor of communication at the University of South Florida, where he teaches and studies public influence and also runs his consulting firm, Decision Strategies Group, Inc., which performs research and training for corporations. Send him mail. See Loyd S. Pettegrew’s article archives.

Carol A. Vance is an instructor of accounting at the University of South Florida-St. Petersburg School of Accountancy. She is a principal of Vance & Likens, LLC, an accounting firm, and of Carol A. Vance, ESQ CPA PLC, a tax-law firm specializing in high-net-worth clients. Send her mail. See Carol A. Vance’s article archives.

This essay was developed from a bullet point presentation originated by Harry E. Teasley Jr.

Teasley has spent his life confronting and triumphing over bureaucracy. His business career was spent at The Coca-Cola Company as head of various lines of business. His nickname was “Thor” for his willingness to confront the evils of bureaucracy and its mindless agents. Teasley’s experience with bureaucracy included federal, state, and local government, labor unions, nongovernmental organizations (NGOs), environmental protectionists, Coca-Cola itself and other corporations. Since retiring, Teasley has served as the chairman of the Reason Foundation and has successfully defeated numerous government attempts to infringe on the free market and usurp private-property rights in Tampa, Florida.

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Notes
[1] We direct the reader to Lawrence Vance “Not a Dime’s Worth of Difference” on LeRockwell.com and a presentation Loyd Pettegrew has made to his Influencing Public Opinion class at the University of South Florida titled “Politics in America: Professional Wrestling at its Worst.”

Now, let’s take a look at Method E. We will call this twin “Insurance Sister.” She uses dividend-paying whole life insurance as a depositary of the necessary capital to create her banking system to finance her automobiles. She puts $5,000 per year into very high-premium life insurance with a mutual company. Recall the diagram back on page 41. (There are some exceptions to this requirement – there are some stock companies that have dividend-paying policies that perform very well).

After the seven years of capitalization, she withdraws dividends in the amount required to pay cash for the car. Her cash flow is identical with her sister. In this case she is not making a policy loan. In order to play honest banker with herself, she must make premium payments to her policy instead of loan.
repayments to a finance company – but in the same amount that she would have to pay to one – in this case, $3,030.00 per year – the same as her sister is using to buy C/Ds.

Notice that in Table (1) the results favor “C/D Sister” up through year 14 – but from that point on the difference favors “Insurance Sister” in an accelerating fashion. There is a very simple explanation for this effect. Hardly anyone takes into consideration that the Banker in Method D that issued the C/D went through a long and costly process of getting a bank charter and winning the deposits of customers (whose money he lends to borrowers). It is just like getting started in the grocery business as described in the first part of this course.

Every time a person buys a life insurance policy he is starting a business from scratch. There is the inevitable delay in results in getting a business started. The life insurance company is nothing more than an administrator of the plan the policy owner has adopted as his own.

If you have seen an Executive Vice-President at a Life Insurance Company and an Executive Vice-President at a Bank, they could change jobs every six months and no one would know the difference! For practical purposes they do the same thing. It is the Stockholder (or Bank Owner) that makes all the difference. This is the party that puts up the capital to start the business and earns the rewards or suffers the loss.

Remember the “characters in the play” in the last lesson – both Method D and E is dependent on borrowers to make their business successful. In the Life Insurance method the policy owner is earning both dividends and interest. There are no stockholders! The cost of administration in both cases is a “wash.” Look at year 52 in Table (1) and compare the difference between the methods. The difference is what went to the stockholders at the bank in Method D, if it were accumulated on a tax-deferred basis for that period of time. To make all this money the Banker had to go through that gory mess that was described on page 21 & 22. But, hardly anyone takes this into consideration. They all tend to look at the early years of the two methods and conclude, “Life insurance is a poor place to accumulate wealth.” They couldn’t be more wrong!

In studying Table (1), when you get to year 52, you may realize that you are just now witnessing the real power of the life insurance method – the comparison of the of the retirement income that can come from each method. If “C/D Sister” wants to withdraw $50,000 per year she had better not live very long because she is going to run out of money in five years and eight months! But the cash value belonging to “Life Insurance Sister” is still growing although she is drawing out $50,000 in dividends until the cost basis is recovered and from policy loans from that point on, hence the income is not a taxable event.

Assume that “Life Insurance Sister” dies at the 65th year (age 85). She has withdrawn $650,000 in dividend income and then the net death benefit is $1,365,057 !! If she lived longer then the dividend income would continue and the death benefit would never get below $1,000,000. There is no real comparison between the methods.

This is what the Infinite Banking Concept is all about – recovering the interest that one normally pays to some banking institution and then lending it to others so that the policy owner makes what a bank does. It is like building an environment in the airplane world where you have a perpetual tailwind instead of a perpetual headwind. Isn’t that simple?!

Controlling the environment is much more productive than trying to make the airplane fly 5 miles per hour faster!
While Main Street Net Worth Has Been Pummeled, Wall Street Asset Manager Compensation Soars

(Hampton, NH June 18, 2012). Barry James Dyke, author of the new book *The Pirates of Manhattan: Highway to Serfdom* reports that while Main Street net worth has been pummeled, Wall Street asset managers’ compensation is soaring. In his new book, the author documents the explosion of the investment asset management business—which he calls the “asset management industrial complex” where managers are guaranteed Olympian paydays and consumers are left holding the bag with poor investment performance. www.thepiratesofmanhattan.com

The current financial report card for Main Street Americans is grim. In June 2012, the Federal Reserve reported that the median net worth of families plunged by 39% in just three years from $126,400 in 2007 to $77,000 in 2010. According to the Fed, the financial crisis, which began in 2007, wiped out nearly two decades of wealth—with middle class families bearing the brunt of the decline. This puts Americans roughly in the financial position they were in 1992. In three years, Americans saw two decades of economic efforts vaporize.

Much of Americans’ wealth resides in retirement plans managed by the asset management industrial complex (mutual funds, private equity, hedge funds, banks, etc)—which the author estimates to be a minimum $18 trillion. However, management fees eat up investor returns—creating headwinds virtually impossible to overcome. The author, citing Morningstar data, estimates that mutual fund shareholders—where most 401(k) funds resides—pay a minimum of 0.90 percent for every $10 thousand invested (and much higher when trading costs and other costs are factored in). Private equity and hedge fund managers—extract a much higher fee schedule, commanding 2 to 3% manager fee, plus 20 to 30% incentive compensation fee known as “carried interest.” [Private equity is where Presidential Candidate Mitt Romney made his fortune].

The author comments, “On a whole, investment
performance from highly paid investment managers has been horrible over extended periods of time. According to Morningstar, over 61 percent of stock mutual funds have lagged the S&P 500 index over the past five years. In 2011, only 20 percent of funds beat the Standard & Poor’s 500-stock index, the worst showing for active fund managers in over a decade. Returns for private equity and hedge funds [both get much of their money from state pension funds] have been inconsistent, opaque, self-serving and hard to measure.”

However, asset managers saw their compensation soar. According to reports filed with the SEC in 2012, in reporting to go public, the private equity firm The Carlyle Group [which gets a great investment money from state pension giant CalPERS] reported that three billionaire founders David Rubinstein, William Conway and Daniel D’Aniello reported a combined payday of $402 million in 2011. Most of this compensation was in cash dividends, where financiers enjoy a highly favorable 15% capital gains taxation rate on income.

Dyke notes while 401(k) mutual fund investors were hammered, fund managers compensation soared.

- Gregory Johnson, CEO of Franklin Resources made $5.3 million in 2008 despite that many Franklin funds lost -16% of their value in 2008. His pay increased to $6.7 million in 2010. Johnson’s father Charles Johnson is worth $4 billion.

- Duncan Richardson, CIO of Eaton Vance made $3.7 million in 2008 despite the family of funds losing -38% in 2008.

- Bill Miller, of Legg Mason bet heavily on financial stocks which would lose 50% in 2008. Miller made $5 million in 2008 and made as much as $30 million per year. In 2006, Miller bought the yacht Utopia, a 235 foot Feadship yacht, then the 9th largest yacht in the United States.

- Laurence Fink, CEO of BlackRock, the world’s largest asset manager—thanks to financial backing from Uncle Sam, saw his compensation increase to $21.9 million in 2011. [Fink still has a considerable way to go to the $41.8 million he got in 2007]. Robert Kapito of BlackRock made $18.3 million in 2010, up 53% from the previous year.

- Richard Weil, CEO of Janus Capital, a mutual fund company noted by Morningstar as one of the worst wealth destroyers over a decade losing -$58.4 billion for its investors, earned $20 million in 2010.

- Martin Flanagan of Invesco Ltd saw his compensation rise 48% in 2010 to $11.5 million despite Invesco share price being lower than 2008.

- Sean Healy, of Affiliated Managers took home $19.9 million in 2010 despite a share price which was 30% lower than 2007.

- Abigail Johnson and Ned Johnson, owners of privately held Fidelity Investments are worth $10.3 billion and $5.8 billion according to Forbes in 2012—making them one of the wealthiest families in America while their investors have seen half-baked performance.

The author details one of the greatest compensation crimes in 2008 when Citigroup and Merrill Lynch blew up and had to be bailed out by taxpayers for their failed cataclysmic bets in subprime mortgages. Citigroup lost $27.7 billion yet paid its top bankers $5.33 billion in bonuses. [In the same year Citigroup froze its cash balance pension plan for rank-and-file employees]. Merrill Lynch lost $27.6 billion and paid its top bankers $3.6 billion in bonuses. In 2011, Robert P. Kelly, CEO of Bank of NYMellon, a giant asset manager, got $33.8 million in severance and benefits as an exit package in 2011 just prior to the bank being sued by the U.S. Justice Department for allegedly overcharging pension clients as much as $2 billion over a ten year period. Prior to this, Kelly was CFO of Wachovia, a failed bank which is now part of Wells Fargo. Not only were the banks bailed out during the crisis, most of the mutual industry was bailed out by the Federal Reserve. For further information, contact the author Barry James Dyke at castleassetmgmt@comcast.net or via telephone 603-929-7891. The author’s new book The Pirates of Manhattan II: Highway to Serfdom, The Hijacking of America’s Savings is available exclusively at www.thepiratesofmanhattan.com