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Suffering Under Improper Banking Practices and Government Monetary Laws

by Michael S. Rozeff

There are many by ways in which human beings have created means of exchange (currency, means of payment, money) that have worked successfully over long periods of time. There is the way that Menger explained, through discovery of a highly marketable commodity. This is the way in which precious metals gained ascendancy. Another way is through banks that have intermediated short-term (90-day) bills of exchange and provided bank notes. This was common for many centuries. Another way is through the deposits of goldsmiths at a bank in exchange for certificates that circulate. Fourth, governments have created tax certificates good for paying taxes, and these have functioned as means of exchange. We should not forget also that there been many commodities that have been used as means of exchange.

This is not an exhaustive list. It is enough to suggest that the private economy is perfectly capable

of generating a variety of means of exchange that solve the economic challenge of low-cost exchange without barter. It is also enough to suggest that even a government can devise a legitimate means of exchange without imposing an illegitimate forced currency, that is, legal tender.

None of these listed methods can cause an economy to malfunction, properly used. None can cause unemployment, properly used. None of them ever has, not unless banks or governments broke certain rules that fundamentally changed the means of exchange into something illegitimate or improper or not fitted to the purpose and to the economizing behavior of human beings.

I have particularly in mind such improper acts as the following:

1. Governments taxing freely-developed means of exchange so as to disadvantage them.
2. Governments forcing citizens to use a currency by legal tender restrictions.
3. Banks issuing notes against assets that were not short-term or were not liquid, assets such as term loans, real estate, stocks and mortgages.
4. Banks using financial leverage, usually excessive, to borrow money to buy illiquid and/or long-term assets and mixing this activity with the issuance of notes against short-term self-liquidating bills.
5. Banks rolling over short-term bills and improperly converting them into longer-term obligations.
6. Governments making their own bonds the basis of issuing bank notes.
7. Governments insuring bank deposits when the banks were using the funds to buy long-term and/or illiquid assets.
8. Governments setting up central banks with special privileges such as making their notes legal tender.
9. Central banks with the power to bail out illiquid banks and other financial institutions that have

- purchased illiquid assets and become insolvent.
10. Governments and central banks that favor large banks.
 11. Central banks with the power to purchase government bonds with its government-forced means of payment.
 12. Governments that seize gold, outlaw gold contracts and issue irredeemable money.
 13. Governments that issue certificates or bills of credit far in excess of what they can collect in taxes.
 14. Governments that prevent or restrict their citizens from buying foreign currencies or foreign assets.
 15. Central banks with a monopoly on note issue and the concurrent phasing out of notes issued by individual banks.

This too is not an exhaustive list.

Here we have the opposite situation. Every one of these improper and illegitimate activities has historically been used. Not only can they cause large economic problems, they have caused such problems.

Even prior to the Great Depression, thousands of banks failed in America. This was not because they were unit banks or undiversified, it was because they had invested in long-term illiquid assets, such as farm land and mortgages tied to farm land, whose prices declined. They declined because they had been driven up by World War I and the accompanying excessive creation of means of payment by the central bank (the FED). During the 1920s, the FED created funds that flowed into stocks financed by loans issued, improperly, by banks, since stocks are long-term assets. History shows again and again that banks cannot safely issue redeemable bank notes against long-term assets. Indeed, the stock market crash in 1929 triggered bank failures in America and worldwide.

The large-scale bank failures in the 1930s caused a currency famine, much as in 1893, but the banks in this case did not create a currency of clearinghouse certificates as they had in 1893. The FED now

controlled base money. The result was a large-scale deflation and depression.

With the private creation of currency by proper means and a proper system of governing law, this could not have happened.

When banks employ improper practices and when governments make improper laws that shape the banking industry and the entire monetary system, what are the results? We get inflation, deflation, stagflation, booms and crashes, unemployment and, very often, needless wars. We get frictions with other nations, trade interruptions, and excessive volatility of asset and commodity prices. We get resources diverted into efforts to protect against this system. We get failures in accounting. We get excessive frauds and rampant speculation. We get malinvestment. We get extremely unhealthy alliances between financial institutions and governments.

We the ordinary people get a great deal of needless suffering.

Improper practices and laws are the rule, not the exception. It is absurd to blame the 2008 crash and the subsequent deep recession and continuing economic difficulties on the free market or on capitalism. When it comes to the monetary system, these are nowhere in sight.

The current financial system issues that surfaced with a vengeance in 2007-2008 and have not yet been resolved are no different from any others in the past in the sense that the causes of them are the same as always: improper banking practices and improper government laws shaping financial institutions and the monetary system.

Major banks and investment banks borrowed short and lent long. They bought long-term assets with short-term deposits that, under the central banking system, are treated as money or close to it. They broke the economic rule that banks should only properly invest such deposits in self-liquidating loans of 90 days or less while also keeping liquid reserves. They broke the other rules as well. The long-term assets were and are related to the housing industry, in which prices were inflated both by the FED's easy

money and government encouragement in various ways. When those assets fell in price, the dominoes began to fall. By providing loans and creating huge amounts of base money, the FED prevented widespread failures of these fundamentally flawed and mismanaged institutions that are working within a fundamentally flawed government-created system of laws and regulations.

The FED postponed fixing the system, but this simply continues and worsens the suffering. The basic problems and issues have not been resolved in the intervening 4 years. They have literally been papered over or, more accurately, digitized over. The system is now operating in "pretend" mode. In some countries in Europe, pretending is no longer possible.

There are those who think – and those who are being instructed to think – that the direct printing of forced currency (politely called legal tender and colloquially called greenbacks) by the U.S. Treasury is better than the printing of forced currency by the FED and will solve the nation's problems. Move the printing press a few blocks down the street, we are told by Ellen Brown, and all will be well. Why? Because those nasty banks that charge interest will be deleted from the picture.

Yes, there are those who think that replacing the central bank's (forced) currency monopoly by the Treasury's (forced) currency monopoly will ameliorate the nation's economic difficulties. These people are so confused that they do not realize that a money monopoly by any other name is still a money monopoly. The currency forced upon the nation that is called the Federal Reserve Note will not be improved by relabeling it a U.S. Note and forcing it upon the nation. In both cases, we the people are not in a position to produce our own currencies because a central institution has forced its own currency upon us as legal tender and monopolistically disallowed other currencies or created insurmountable barriers to their use. It is a farce to think that a government's forced currency is the people's free market currency.

Greenbackism in the form of the printing of forced currency by the U.S. government is totally futile as a method of monetary reform.

Equally futile is another movement spurred on by the evidently energetic Ms. Brown. This is for individual states to start up their own state banks. These banks will, in certain important respects, be much like all other banks. They will adopt the same flawed practices now in evidence everywhere of making long-term loans against deposits, and they will be under the same flawed government laws that exist now that prevent monetary freedom. Their currency will be the same. The states will guarantee deposits.

This movement is much ado about nothing, because it changes nothing fundamental. The hopes and promises articulated by the true believers in this solution are bound to be disappointed. We need not even stop to analyze the many paths by which such government-run banks will fail to operate efficiently, distort economies, and/or cause a decline in the banking within their states. The main point is that the proposed institutions do absolutely nothing to bring about monetary freedom, proper banking practices and proper government laws that must underpin a decent monetary system. State banks that use the national currency and work within the central banking system and the national laws do nothing to rid us of inflation, deflation, stagflation, booms and crashes, unemployment, needless wars and all the other ill effects mentioned above.

The most important message that I can deliver as the bottom line is that a great deal of economic hardship and suffering today is directly related to and caused by improper banking practices and a flawed monetary system created by bad government laws. To reduce this suffering, these must be changed.

This requires far more radical changes in thinking and action in this nation's and the world's monetary system than are commonly mentioned in the main stream media. The radical changes have to be the right changes and effective changes. They can't be dithering around with greenback ideas that are non-starters.

Until we make government make these foundational changes, the current system is going to deliver continued needless suffering.

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.

The Watermelon Summit

by Thomas J. DiLorenzo

An "environmentalist" is a totalitarian socialist whose real objective is to revive socialism and economic central planning under the subterfuge of "saving the planet" from capitalism. He is "green" on the outside, but red on the inside, and is hence appropriately labeled a "watermelon."

A conservationist, by contrast, is someone who is actually interested in solving environmental and ecological problems and protecting wildlife and its habitat. He does not propose having government force a separation of man and nature by nationalizing land and other resources, confiscating private property, prohibiting the raising of certain types of animals, regulating human food intake, etc. He is not a socialist ideologue who is hell bent on destroying capitalism. He does not publicly wish that a "new virus" will come along and kill millions, as the founder of "Earth First" once did. More often than not, he seeks ways to use the institutions of capitalism to solve environmental problems. There is even a new name for such a person: enviropreneur. Or he may call himself a "free-market environmentalist" who understands how property rights, common law, and markets can solve many environmental problems, as indeed they have.

In light of the distinction between an environmentalist and a conservationist, "Watermelons of the World Unite!" should be the theme of the upcoming "Earth Summit" in Rio that begins on June 19. The meeting will be devoted to endless conniving about how to go about creating a centrally planned world economy (under the auspices of United Nations bureaucrats) in the name of the latest euphemism for socialist central

planning, "sustainable development." This doesn't mean that the Watermelons of the World will be successful; only that they are as numerous as flies on a herd of cattle, and will never give up on their pipe dream of a centrally planned, socialist world economy, no matter how much of a nightmare socialism has been for millions of people all around the world.

The watermelon strategy was announced and encouraged by one of the gray eminences of academic socialism, the late economist Robert Heilbroner, in a September 10, 1990 essay in *The New Yorker* entitled "After Communism." Written in the midst of the worldwide collapse of socialism, and the realization that socialist governments during the twentieth century had murdered more than 100 million of their own people as part of the "price" of establishing their "socialist paradise," Heilbroner's essay was a huge mea culpa (See *Death by Government* by Rudolph Rummel). He even wrote the words, "Mises was right," about the inherent failures of socialism, referring to the writings of Ludwig von Mises in the 1920s and 1930s that explained in great detail why socialism could never work as an economic system (See his book, *Socialism*).

After admitting that he had been dead wrong for the previous half century during which he devoted his academic career to promoting socialism in America (the veiled purpose of his *The Worldly Philosophers*, that made him a millionaire), Heilbroner sadly bemoaned that "I am not very sanguine about the prospect that socialism will continue as an important form of economic organization . . ." While much of the rest of the world was wildly celebrating the demise of this diabolically evil institution, Heilbroner was crying in his soup over it.

Rather than facing the reality of the inherent evil of all forms of socialism, Heilbroner intoned that "the collapse of the planned economies has forced us to rethink the meaning of socialism." (Writing in *The New Yorker*, Heilbroner naturally assumed that all of "us" readers were socialist ideologues like himself).

After all, he continued, "socialism is a general description of a society in which we would like our grandchildren to live." But "what, then, is left" of "the honorable title of socialism," asked Heilbroner.

The man was obviously depressed and dejected that history had proven his academic career to have been a complete fraud, but he was not about to admit that fact, or to give up on perpetrating the same fraud that he had perpetrated for at least the previous half century. A new subterfuge must be invented, he said, that will fool or lull the public into acquiescing in adopting socialism. This might take a while, he said, and if "we" are successful, "our great grandchildren or great-great grandchildren may be prepared to acquiesce in social arrangements that our children or grandchildren would not."

Heilbroner's suggested subterfuge was explained by him as follows: "There is, however, another way of looking at . . . socialism. It is to conceive of it . . . as the society that must emerge if humanity is to cope with . . . the ecological burden that economic growth is placing on the environment." "We" socialists must all become watermelons, in other words. If enough members of the public can be hoodwinked with this subterfuge, then "capitalism must be monitored, regulated, and contained to such a degree that it would be difficult to call the final social order capitalism." That is exactly what will be discussed at the upcoming "Earth Summit" in Rio.

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The Seven Rules of Bureaucracy (cont'd)

by Loyd S. Pettegrew and Carol A. Vance

Harry E. Teasley Jr

This is a continuation of the article from last month's BankNotes.

Rule #4: Control the flow and release of information while feigning openness.

It is telling that the term public relations is not used in government bureaucracies. This is not to say that governmental bureaucracies don't engage in public influence; it's just that they don't want to be seen as doing so. Ironically, they spend huge sums of money at all levels trying to persuade the public and media that they aren't persuading them. Instead you have "public affairs," "public information," "public communication & liaison," and "public engagement" to duck public criticism of their information-control efforts. The bottom line is that government bureaucracies don't want people to think that they are controlling the spin and flow of information, so the appearance is all about giving the public the information they want and need and making it sound benign, instead of persuasive.

During the Vietnam War, war correspondents brought death and destruction to television screens every night and kindled immense negative public opposition (see Meyrowitz, 1985). Since then, the government has been strategically engaged in efforts to co-opt the media by organizing carefully controlled combat sorties, led by the US military and their public-relations staff. It is a testament to information control that Operation Desert Storm received rave media reviews and that Operation Iraqi Freedom, despite its questionable validity, had mostly positive news until the war began to drag on and warriors from other Middle Eastern countries began using terrorist tactics.

One of the best examples of controlling information surrounds the information on Iraq's alleged weapons of mass destruction (WMD) that was strategically released just before the United States and its

allies invaded Iraq. Feeling the need to create widespread support for the invasion, the government strategically leaked a CIA report from 2002 that strongly presented the idea that Iraq did have WMDs (see CIA). While this was going on, Secretary of Defense Donald Rumsfeld held multiple press conferences about the invasion and reported WMDs where he would routinely begin by stating the question and then answering it before the press had a chance to probe further.

Another example of government information control comes from the economic recession that began in 2007. While President Obama certainly inherited the recession from President Bush, his administration's efforts to control the information about it and our progress through it are instructive. As employment continued to decline, the government's Bureau of Labor Statistics continued to release optimistic monthly reports that would subsequently prove to be wrong. What many people don't know is that government methods of data gathering are skewed to be much more positive than they ever are. For example, employed persons are anybody 16 years of age or older who did any work for pay or profit during the survey week and all persons who did at least 15 hours of work in a family-owned enterprise operated by someone in their household. Unemployment data from the Bureau of Labor Statistics (2012) do not include retirees reentering the workforce, new college graduates looking for a job, nondeployed military personnel, or people who have been out of work for five months or more. It is instructive that the Department of Labor's little-known measure of unemployment, U-6, is ignored by the president, Congress, and the media in favor of the rate presented monthly. The U-6 unemployment rate is currently 16 percent.

Rule 4a: Deny, delay, obfuscate, spin, and lie.

There are two classic examples of this rule. The first was from the Nixon administration during the Watergate scandal. When the press called for the president's ouster after the Republican break-in to the Democratic Party's offices at the Watergate Hotel was confirmed by W. Mark Felt

("Deep Throat"), President Nixon came on national television and uttered the now famous, "I am not a crook." In all, six top-level administration officials were indicted and sent to prison. Bill Clinton, whose administration had honed the fine art of spin doctoring into a science, also spoke to the American people as well as Congress and his cabinet and said, "I did not have sexual relations with that woman, Miss Lewinsky." Hillary Clinton stood by him and attributed the commotion to the "vast right-wing conspiracy." After DNA evidence was presented by Miss Lewinsky to the federal prosecutor, most of Clinton's cabinet resigned (presumably for having been lied to by the president). Lying, cheating, obfuscating, and spinning are all tools of the accomplished bureaucrat who is caught doing something wrong.

Rule #5: Maximize public-relations exposure by creating a cover story that appeals to the universal need to help people.

Government bureaucracy is honed on populist rhetoric. Bureaucrats have become skilled at using the "helping the people" angle when making speeches, and especially when dealing with the press. It is a variation of the "people angle" taught in media relations training programs as the best method to attract media attention and promotion. Almost any government program, no matter what its cost in money or personal liberties, can be sold through the media by claiming it is for (1) the children, (2) the environment, (3) the elderly, (4) the poor, (5) the homeless, (6) the national defense, (7) homeland security, or (8) the sick.

For example, CNN (2003) reported that George W. Bush claimed the Medicare Part D pharmaceutical supplement he signed into law was the greatest advance in health care coverage for America's seniors since the founding of Medicare. With this law, we're giving older Americans better choices and more control over their health care, so they can receive the modern medical care they deserve. These reforms are the act of a vibrant and compassionate government.

He forgot to mention the actuarial fiscal liabilities

of this law. From the 2009 Financial Report of the United States Government, the long-range unfunded cost projections of the Medicare Part D mandate is \$7.2 trillion.

When bureaucrats of any ilk promote their new law or program as being “for the people,” it is important to first look behind the curtain. “Social justice” is the veneer used by bureaucrats to gain positive media exposure while pursuing the building of more bureaucracy. It is so pervasive that your child can even pursue a major in social justice at institutions of higher learning like the University of California, Santa Barbara. Sowell points out in his book *The Quest for Cosmic Justice* that all justice is, by definition, social, and “social” is most often used in the populist sense of everyone but the wealthy. A cover story that seeks social justice or to right the wrongs of an unjust society is guaranteed media attention, yet very few in the media or the public are inclined to look beneath the veneer of social justice to examine the costs and the unintended consequences.

BankNotes will conclude the article next month with 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., and Rule #7: Demonize the truth tellers who have the temerity to say, “The emperor has no clothes.”

Lloyd 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 Lloyd S. Pettegrew's article archives.

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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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Number Twenty-Six 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.

Part III, Lesson 26: How to Start Building Your Own Banking System

Content: Page 42-43, *Becoming Your Own Banker: The Infinite Banking Concept*® Fifth Edition, Sixth Printing

Having just completed Methods, A, B, And C, we continue our study of the five methods of financing the use of an automobile. Do you realize that, thus far, we have covered the methods used by at least 95% of the American public? And by looking at the graph isn't it evident that there is not a great deal of difference in the results of them? None of these methods has addressed the need for capitalization – the creation of a pool of money from which to make the purchases and also large enough to accommodate the needs of some other people, too. It is true that Method C is building a pool from which to make car purchases -- but it is not big enough!

Remember the grocery store described in Part One. If it is only large enough to serve your own needs, you won't have much of a successful business. A number of years ago in an article in

FORTUNE magazine, Professor James Bryan Quinn of Dartmouth estimated that it takes a corporation seven years to show a profit on a new product. This may take some people by surprise and think that he is overstating the case. But, we foresters would counter that he is understating it – it's more like 25 years! Taking a clue from Quinn's observation, why not accumulate money over a seven-year period of time and at a somewhat higher annual amount, say \$5,000.

In covering these last two methods, D & E, let's imagine that the two are twin sisters – one chooses method D and the other method E. The first one – we'll call her "C/D Sister"-- accumulates money on a monthly basis in a savings account and buys a Certificate of Deposit (at someone else's bank) in the amount of \$5,000 each year with a yield of 5.5% interest. Show me someone who does this for seven years – just to build a banking system – and I will show you someone who has whipped Parkinson's Law. She will win by default in comparison with her peers, because they can't discipline themselves to do so.

This young lady will also attract the Willie Sutton types – the Internal Revenue Service – and they will take 30% of the earnings. The net effect is that she will earn 4% after taxes. Table (1) on page 47 will show the results of this procedure. The C/D account now has an after-tax accumulation of \$41,071.13 at the end of seven years.

Now it's time to start the self-financing of car purchases from the system. A word of caution is in order – if she is dull enough to let the salesman at the auto dealership know that she has over \$40,000 in her C/D account the salesman will most assuredly say, "Lady, you don't need to be looking at a Taurus – let me show you this BMW!" But this young lady has done some studying and recognizes that if she jumps through that hoop she will end up with the same results as Method C, except on a grand scale.

So, she withdraws \$10,550 from the C/D account – takes it plus her trade-in car, and purchases the Taurus. She continues to fund the monthly savings account and annually withdraws \$3,030.00 from it to

purchase a new C/D. She is playing "honest banker" with herself – but she is using someone else's bank to do it. She has no ownership of that bank and is earning only the interest that the bank is paying her.

There are several "characters in the play" that must be considered:

- The Stockholders or Owners of the bank - earn dividends.
- The C/D holder - earns interest.
- The Administrators at the bank - earn salaries.
- The Borrower of money - Pays interest - an absolute necessity in the whole scene. Nothing happens without him. He pays for the whole works listed above.

Table (1) on page 47 shows the results of this procedure over the same 44 years as compared with the previous three methods. Figure (1) on page 44 is the graphical depiction of the data in Table (1). There is a significant difference between the results of Method C and Method D. It is the result of three additional years of accumulation and all seven years are at an additional amount, in this case it is \$5,000. She is taking the necessity of capitalization seriously. The results speak for themselves.

In Lesson 27 we will look at the results of her twin sister who builds her banking system with the identical cash outlay through dividend-paying whole life insurance.

Nelson's Favorite Quotes

There are two methods, or means, and only two, whereby man's needs and desires can be satisfied: One is the production and exchange of wealth; this is the economic means. The other is uncompensated appropriation of wealth produced by others; this is the political means... - Alfred J. Nock

"All lasting change starts inside and works its way out."

People have asked me why or when I am going to write another book. I think I am getting warmed up and inspired. Simon Sinek talks about knowing your why [*Start With Why*]. It has taken me since the time I met Nelson almost 2 years ago to really figure that out. But I think I am just about there. Here is what my WHY is.

A whole life insurance policy produces spiritual freedom, economic freedom, and political freedom.

(A valuable commodity in a world of decreasing personal freedoms)

It just so happens that those three attributes are fundamental to the constitution. I believe that those men who conceived whole life insurance held an intimate understanding of these three freedoms 200 years ago. Today, a whole life insurance policy is one of the last remaining untouched freedoms Americans can empower themselves with.

*Its not just about numbers because if you don't have financial freedom, numbers are a meaningless conversation. It's about freedom. You cannot put a price on Freedom. - Rick Bueter, Author of *The Great Wall Street Retirement Scam*, and developer of www.theprivatizedbankingmovement.org*

(Hampton, NH, May 22, 2012). Barry James Dyke, author of *The Pirates of Manhattan II: Highway to Serfdom* predicts that student loans, in excess of \$1 trillion, will likely be one of the country's next financial infernos.

Federal student loans interest rates will rise to 6.8% on July 1st 2012 from their current 3.4% base if Congress does not act. Banking lobbies oppose any reduction in interest rates. If Congress does nothing, the average student \$23 thousand subsidized loan costs will increase an additional \$5,000 over a ten year period.

The author states, "Student loans are a treacherous minefield. Faculty and admission staffs urge students to pursue their dreams rather than focus on the sticker price of college. Student loans are a form of indentured servitude as student loans cannot be

discharged in bankruptcy. Student loans do not die with death. Collection agencies can call day and night to collect student loan debts. Garnishment to pay student loan debt is common. Students are not getting enough well-paying jobs to pay back these enormous loans, yet The Department of Education through the Department of Treasury can attach tax refunds to pay off student loans. What is more, our Congress drove the getaway car for academia and the banks in 2005 with the Bankruptcy Abuse and Consumer Protection Act of 2005—which turned student loans into non-dischargeable debt."

According to the Department of Education, two thirds of students who earn a bachelor degree use some type of loan to finance their education with an average loan of roughly \$23 thousand. The New York Times recently reported that as much as 94% of students borrow to get a college degree.

The taxpayer underwrites roughly \$105 billion a year in Title IV student loans a year, with \$24 billion going to for profit schools owned by Wall Street asset managers. Student loans guaranteed by the taxpayer are a major source of revenue for the U.S. higher educational system and if default rates accelerate, it could bring about a Greece like debt problem to the nation's colleges.

"Excessive borrowing for an education will be a dark cloud hanging over this generation for decades," claims Dyke. "Default rates on student loans for traditional undergraduate and graduate rates are currently as high as 15.8%, and as high as 48% for for-profit colleges. The New York Fed reports that nearly one in four student loan holders are falling behind on their student loan payments. Make no mistake, the exorbitant cost of college coupled with large student debt loads is another financial inferno in the making—with students and regular Americans holding the bag. In many ways the student loan problem is worse than the recent real estate bubble—at least with real estate there is some tangible collateral. Please tell me, how many families in America can readily afford \$50 thousand plus a year to attend one of America's schools of higher learning?" [For the list of the highest priced colleges

in the U.S. see this link. <http://www.campusgrotto.com/top-100-colleges-with-the-highest-total-cost-2011-2012.html>]

Like mutual funds, credit cards, subprime mortgages, derivatives, 401(k)s and other complex financial products designed, packaged and sold on Wall Street, student loan complexity, economic hazards and the true cost of college is hidden from public view.

College pricing and funding a college education is complicated by a myriad of factors; constant tuition increases, a vast array of grants and numerous opaque formulas. Financial aid letters generated by colleges for families are often confusing and misleading.

The author laments, "Our institutions of higher learning are failure factories. Higher education continues to devour a larger portion of the overall portion gross domestic product (GDP) with little improved job prospects for graduates. High college tuitions funded with large loans do not consistently create jobs. American colleges graduate only about half of their students within six years at traditional schools. Start digging into for-profit college graduation rates, and success falls off a cliff. No one is held accountable. The biggest winners in this student loan mess are Wall Street and a bloated Vichy like educational system which is more concerned about academic tenure entitlement than in living in an extremely competitive global economy." For further information, visit <http://www.collegeresults.org/default.aspx>

Though the federal government is now the major direct lender for student loans, for years student loans and for-profit schools have been signature Wall Street industries. Sallie Mae—[a former Government Sponsored Enterprise (GSE) like failed Fannie Mae], is the 800 pound gorilla in the student loan industry. Citigroup, Regions Bank, JPMorgan Chase, U.S. Bank, Goldman Sachs, Nelnet, Wells Fargo, Bank of American and others have all participated in the student loan business as well debt collection for student loans. JPMorgan Chase's private equity arm One Equity owns The NCO Group, one of the world's largest debt collectors which

specializes in collecting debts such as student loans. Goldman Sachs is a major shareholder in Education Management Corporation (EMC) the country's second largest for-profit educator. [EMC is currently being investigated by the Department of Justice and attorney generals in four states (California, Illinois, Florida & Indiana) over an \$11 billion recruiting fraud which involves student loans].

Dyke concludes, "For years I believed the Federal Reserve System in the United States to be the greatest financial scam. My views are now changing. I now believe our antiquated inefficient educational system, coupled with the student loan tsunami, is even a greater scam than the Fed. The American educational system is not so much an educational system, but an indoctrination system which supports failed systems like the Federal Reserve System—our private central bank which is at the heart of this country's economic woes." The author documents the lobbying efforts which led up to the student loan crisis in *The Pirates of Manhattan II: Highway to Serfdom* with U.S. Senate voting records and other research. www.thepiratesofmanhattan.com. You can reach the author at castleassetmgmt@comcast.net or via the telephone at 603-929-7891.

Nelson's Newly Added Book Recommendations

<http://infinitebanking.org/reading-list/>

Adapt: Why Success Always Starts With Failure
by Tim Harford

A Republic—If We Can Keep It by Lawrence W. Reed and Burton W. Folsom, Jr.

A Tiger by the Tail: The Keynesian Legacy of Inflation by Friedrich A. Hayek and Sudha R. Shenoy

The Harbinger: The Ancient Mystery that Holds the Secret of America's Future by Jonathan Cahn

**Nelson's Live Seminars & Events
for July & August 2012
<http://infinitebanking.org/seminars/>**

Our comprehensive *Becoming Your Own Banker*® seminar is 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 Logan, UT, Friday-Saturday, 27-28 July, contact Dan Rust, 435-753-5249, dan@yourfamilybank.com

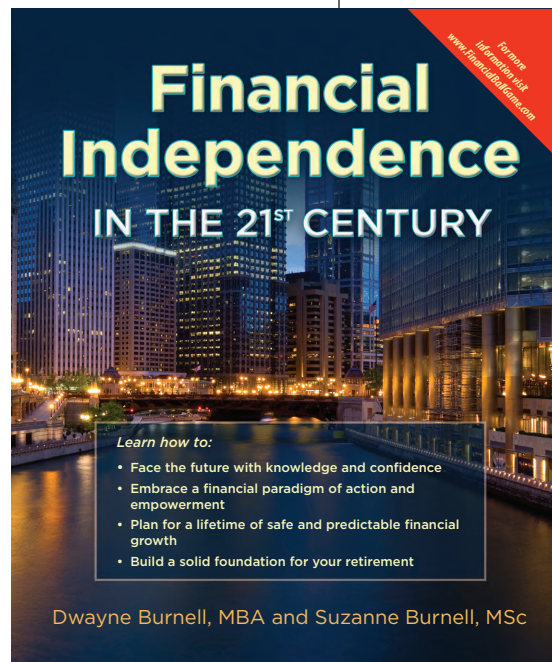
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