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3 reasons U.S. banks face imminent failure

William Vincent, Fort Worth Personal Finance Examiner

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Crisis moments. Banks. It seems like you just can't read a news report about the economy lately without reading about them. Possible bank failures in Italy and Spain causing a lot of furrow-browed stock activity in the United States. Greece's entitlement-saddled economy facing imminent collapse unless someone, somewhere, will lend their government more money. Like the long-term drug addict who's finally arrived at the crisis moment, Greece and the Greek people have to decide if they're going to cut their entitlements, or go back for more "drugs" ... continue the entitlements. And where will they go if they want to continue? Ultimately, banks.

Banks, globally, are on the proverbial ropes. Here in the United States, Moody's downgraded the condition of Bank of America and Wells Fargo, causing Bank of America Corp.'s stock to plunge 5.8%, and

Wells Fargo & Co's by 2.9%.

Spurred by this banking downgrade, yesterday the entire DOW dropped 284 points, to close out at 11,125.

Politicians, financial analysts and even prominent economists have now fallen into two camps: There are those who have capitulated to the current flawed banking system and are trying to make the best of it. These people are essentially known as proponents of Keynesian economics. The other camp is filled with those who insist that an overhaul to less centralization and to completely free trade will heal our economy. They're known generally as the Austrian economics camp.

Now to your obvious question: How are American banks doing? Surviving, for the moment. But the entire banking industry in the United States has fundamental flaws, bringing us to what could be our own banking "crisis moment".

There are 3 reasons our own banks may be facing complete failure. These reasons are very basic, rooted in extremely fundamental flaws in the United States banking system.

1. Commercial banks lend people money that doesn't exist. Yes, the bank where you deposit your money is actually able to lend people money that doesn't exist. The practice is known as fractional reserve banking. The way it works is that when you deposit money in your local bank, it can lend out about 10 times the amount of your deposit, and make interest off the total. When you deposit \$1,000, your bank can lend out about \$10,000. The other \$9,000 simply doesn't exist. It's a legal form of counterfeiting, and one of the primary causes of inflation. As long as borrowers pay back the money with interest, the bank will make between 500% and 700% off your deposit, pay you less than 1% (currently). The banks obviously love it when everyone pays back. They make money exponentially. However, when people begin to default on loans, or if everyone

decided to withdraw their money at the same time, banks are also hurt exponentially. If your local bank has \$1,000,000 in deposits, and has lent out \$10,000,000, it will make a lot of money if everyone pays interest and eventually pays off the loans. If everyone defaulted, the bank will fail, dragging many other victims with it. If everyone decided to withdraw their money, the bank has up to \$10,000,000 to have to pay depositors. This would cause a run on the bank, and the bank's failure.

2. People borrow from banks instead of save money. Why is this a problem? Because banks have assumed a role in our financial lives that they did not have 100 years ago, and that the Founding Fathers never anticipated. Every one of us needs a pool of capital in order to live our lives. In the 1800s, people used to save money either under the mattress or in a bank, or use life insurance policies to accumulate that pool of money needed to buy the things of life. Many people don't realize that the insurance industry is entirely separate from the banking industry, something which has caused many people to seek alternatives which give them complete independence from commercial banks, thus avoiding the pitfalls the current banking system has. The most prominent alternative is privatized banking, a movement begun by R. Nelson Nash, and explained in detail in the excellent book by Carlos Lara and Dr. Thomas Murphy, "How Privatized Banking Really Works." Banks were merely places where the gold and silver backing your money were stored. The beginning of the 20th century brought many pivotal changes in our economy which have worked their insidious way into our culture. 1913 was an especially critical watershed year, bringing us the 16th Amendment, allowing the Federal Government to directly tax citizen income, the establishment of the IRS, and the authorization of the Federal Reserve Bank (Fed) to control money. Then came fractional reserve banking authorized by the Fed, after which, Americans seemed to stop worrying about saving money to accumulate their pools of capital. Why worry about saving money when a bank can function as your pool of capital, for a fee? Bank

loans in all their forms (credit cards, mortgages, car loans, etc.) are not suited to serve as people's method of living. The very practice of fractional reserve banking that enabled banks to make interest by lending money that doesn't exist, also has infused our culture with demands on banks that will ultimately lead to their failures.

3. Abandonment of the gold standard. On August 8, 1971, President Richard Nixon issued an executive order temporarily taking the United States monetary system off the gold standard. This meant that our monetary system was no longer backed by a limited inventory of a metal valued by everyone. Previously, gold was considered the ultimate medium of exchange, and paper money was simply notes exchangeable for gold. It's been 40 years since this "temporary" order was issued. Paper money now stands with no backing. Like riding the rollercoaster with the brakes removed, or like falling out of a plane, we enjoy the ride. The problem is the crash. The gold standard was the braking system in our economy. Without it, values of all products are now subject to fluctuation. We've enjoyed the rollercoaster ride for 40 years. Commercial banks are riding the first car. They'll go first in the inevitable crash.

The reason to be alarmed by the failure of European banks is that their practices are almost identical to American bank practices. Just as American banks have evolved over the last 100 years, so have their European counterparts. Saddled with the entitlements that many of these European nations have that the United States does not, European banks have begun to fail before American banks have. But a few economists and politicians have warned that Europe is the proverbial harbinger of American things to come.

From the looks of things, it appears our banks are fast approaching their crisis moment.

Central Banks' Are Not Banks

by Michael S. Rozeff

I am going to make a number of obvious statements that we all can agree are true, but what they add up to is a startling conclusion. What we call "central banks" are not banks at all.

What is a bank? I refer the reader to a straightforward but reasonably detailed answer here. A bank is a financial organization in which people deposit their money, we are told. This is true. A bank is a business, we are told. This is true. We are also told in this little essay that "each bank tries to make THEIR bank look better than all of the other banks by offering services that some other banks might not have". That is to say, banks compete in a market. This is true, conceptually at least, and also true to some extent in reality, although numerous banking laws seriously alter the market and the competition. But it is the pure idea we are after here, and in the pure idea a bank is a business that competes in a market.

I won't analyze every "central bank" in the world. I don't have to because their setup is more or less the same everywhere. I'll use the Federal Reserve System (the FED) to represent all of them.

Historically, the FED and other "central banks" came to be called "central banks" for several reasons. First, they are financial organizations. Second, they hold deposits of other banks and governments. Third, their assets are largely financial assets. Fourth, they make advances or loans to other banks on collateral. Fifth, the government has made them to be at the heart or center of the banking industry and the monetary system. Sixth, government power is itself centralized or national. All of these statements are factual.

Now this is an imposing array of reasons why "central banks" are called "central banks". But the most important of these reasons is the fifth reason, which is that the government has used its power to make the "central bank" central. And because the government has used its power to create the "central

bank" and make it central, we know that the "central bank" is not a free market institution.

This is the main ground upon which I challenge the notion that a "central bank" is a bank. The concept of "central bank" fails to distinguish a free market business and a bureau created by government power. The term "central bank" undermines this distinction between free market and government. Indeed, it erases it altogether.

The FED is not a business. It has powers that no ordinary bank has. It has privileges that no ordinary banks have. It doesn't compete with other banks. The government created the FED. The government gave it power to create fiat money. The government can alter the FED's organization and powers at any time. The FED's so-called independence from the government is mythological. It is that of a dog on a long leash. The only independence the FED has is from the public.

Let's go back for a moment to the essay on banks that I just cited because it displays this erasing of any distinction between the free market and government. After defining the term bank, it lists the kinds of banks. Quite suddenly it introduces the term "central bank" in the same breath as ordinary banks that have national or state charters. It says

"There are different kinds of banks. There are national banks, state banks, and central banks. The Federal Reserve Bank is the United States government's central bank. The Bank of England is England's central bank."

Suddenly, what this essay told us earlier disappears. We were told that a bank was a business that competed with other banks. But now we are told that the FED "decides how much money is in circulation" and that it "may tell the [ordinary] banks to charge more interest or keep more money in 'reserve'".

Obviously, if the "central bank" has such powers, it gets them from the government. Just as obviously, the "central bank" is not a business and not in competition with other banks if it exercises these and other powers over ordinary banks.

Furthermore, distinctions between monies that ordinary free market banks deal in and the fiat money that central banks produce are completely glossed over and erased.

This essay is representative of the usual thought in the field of economics. Banks are businesses. But then all of a sudden there is another so-called "bank" that has an array of powers that business-banks do not have. This "bank" is actually a government bureau. Its fiat money is made into legal tender by the government. The government states that it stands behind this money. This "bank" has powers to control and organize the ordinary banks into a cartel.

The facts I've pointed out are widely recognized. There is a Wikipedia article titled "central bank" that confirms this:

"A central bank, reserve bank, or monetary authority is a public institution that usually issues the currency, regulates the money supply, and controls the interest rates in a country. Central banks often also oversee the commercial banking system of their respective countries. In contrast to a commercial bank, a central bank possesses a monopoly on printing the national currency, which usually serves as the nation's legal tender".

This too makes it very clear that a "central bank" is not a bank, but a powerful Monetary Authority and Fiat Money Administration.

However, the same Wikipedia article almost immediately contradicts itself when it states: "Central banks in most developed nations are independent in that they operate under rules designed to render them free from political interference."

How can a bureau that is established by the government and possesses extraordinary powers be independent and free from political interference? The "central bank" embodies political interference!

And to the extent that a Monetary Authority such as the FED has been granted powers that it can exercise free of political interference, how can such an institution be held accountable? How can it operate without being responsible to the government and

indirectly to the people?

"Central bank" independence is to a large extent a myth, that is, in the essence of the institution; and in those activities in which it is not mythical, it is an unaccountable power.

It may seem as if I am splitting hairs, but what I see is that the common explanations of central banking confuse banking as might occur in free markets with so-called banking as executed by a "central bank" that is empowered by government. They are two entirely different kinds of operations. A thoughtful or questioning reader is bound to feel a degree of discomfort when he encounters these explanations that blur important distinctions.

A "central bank" is a government department. It is a government bureau. It is the government's fiat money bureau. The "central bank" is the government's money-printing machinery or money-printing organization or money-printing bureau or money-printing agency. As contrasted with monies produced in a free market, the FED's money is state-produced "money". In the sense of comparing the FED's money to free-market money, it is counterfeit. It is held up by the force of government law and power. It is imposed on the public.

A more accurate term for the FED might be the Fiat Money Administration. Perhaps the term Monetary Authority would be more accurate. It would be more accurate if the latter were the official name. In the U.S. Constitution, at least, it is clear that there is no power to create a Monetary Authority, and, if there were such a power, it could not possibly be delegated in such a way as to make that Monetary Authority independent.

The "central bank" is not a real bank. Everything about it is permeated with government power.

At the heart of the financial and monetary system of a nation that is supposed to be an exemplar of free markets is a government money-bureau.

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Compromise!

By Charles Griffin, CLU, ChFC

Family Wealth and Wisdom, Inc.

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We hear of this daily in politics. It's as if this is the right thing to do! Why is it that we need to move to the middle and compromise in order to be viewed as willing to get things done in order to move any issue forward? Maybe we shouldn't be trying to move bad issues forward! Why do we tolerate such flagrant manipulation and/or violation of our own values, of our Constitution, and of the laws of nature?

So, just what is being compromised?

Usually, the right and proper thing to do is what is being compromised, and the result is that we end up with an idea, a principle, or a program that is inherently wrong. Compromising one's opinion and/or self-serving goals may be a way to imply tolerance and to show a "go along to get along" mentality (until one can seize the opportunity to have it all), but compromising values and what's right is just plain wrong! That's right, it's wrong! We should not have to choose between the lesser of two evils. Right is Right!

There are such things as absolutes. Truth, for example, is an absolute. None of us can determine, in and of ourselves, just what absolute truth is and what a right and proper value system is. We can only affirm it once we know it. Absolute truth was established a long time ago, prior to when anyone existed but the Creator himself. We can come to know truth only by knowing Him.

Sometimes we tolerate an injustice because we think that said injustice won't affect ourselves very much. Far too often we simply don't know what the effect will be upon ourselves and upon society around us. We're too busy to be involved or we're unfamiliar with what is really happening. While ignorance may seem to be blissful at times, it will never help one to be a proper steward of one's assets.

Proverbs 27:23 tells us to be mindful of our flocks and to tend to our herds. How can we even come remotely close to knowing the condition of our assets today when we readily allow ourselves to be influenced by marketing and persuasive advertising to make less than prudent decisions? We do have freedom of choice! We can choose to resist the various offers and temptations that bombard us daily tempting us to indulge in immediate gratification. While pleasure is not inherently wrong, its consequences and ramifications need to be taken into consideration when making decisions.

Ignorance, itself, breeds wealth transfers. Fortunately, ways do exist for us to eliminate many of the wealth transfers that cause us to have our productivity diminished. We can be more in control of what we do with our own assets. In order to obtain this position in life, proper structure and a deliberate process is important.

Thus, working within the "rules" as established, and understanding how they apply to one's own individual situation, can be a monumental task as we collectively work overtime to get ahead or to just maintain the status quo! We rely upon the "rules" established by the state to be fair and just while at the same time we depend upon imperfect and all too often self-serving individuals to administer and dose out "equity".

Unfortunately, our system of government has become so self-serving so as to make it difficult for the average citizen to practice freedom of belief when it comes to their own personal beliefs. Things become more complicated. We fall prey to "Conventional Wisdom" telling us what to do, where and how to invest, only to end up with the fruits

of our labor being transferred unknowingly and unnecessarily.

It's not impossible to adhere to one's personal belief system. It's just very difficult to do so when what we produce through our being productive is stolen or diminished in value by the very people who are sworn to protect our personal rights and freedoms.

Parkinson's Law, simply summarized, states that 1) "work expands to meet the time envelope allowed", 2) "a luxury, once enjoyed, becomes a necessity", and that 3) "expenses rise to equal income." Parkinson's Law is alive and well today.

1) It is extremely difficult for committees to produce good results. Things are typically put off until the last minute and we get a rushed-through result. 2) How many of us want to do without, even if we've borrowed in order to do with? 3) Our wishes will always exceed our means to pay for them.

Each of us has to decide how we can be productive. While a system, a plan, or a well-devised process can help one to avoid these very common pitfalls, if we choose to remain "average", then we can expect to end up with an average situation. Being average does not mean retiring leisurely; very few Americans can do this. The ones that strive to rise above average refuse to accept the "Conventional Wisdom" handed down to them.

The *Infinite Banking System* is designed to give you back control of your productivity. By private contract between free men and women you protect and preserve what you've acquired. You have access to it whenever you desire and for whatever reason you desire, without asking for permission or approval of some lending institution or having to pay a penalty to access your money. You are not subject to the whims or manipulations of the market. You can control how your money is put to work and who benefits by it. You can finance your own business or that of someone else's. You can take a more active role in cultivating a loved one's career or be more generous in some way.

We can all do this! We simply need to know how. We need to become more responsible for our own

outcomes. Don't take your dreams and desires for granted. Minimize your wealth transfers and become more involved in how your wealth is used. You earned it. You should have a say in how it's distributed. At Family Wealth & Wisdom, Inc., this is what we help people to do, to become. The cost of finding out how is minuscule. Ignorance could be devastating. Please call us with your goals and aspirations. We can help you get there sooner and more efficiently.

“Yad” (a Hebrew word) means “Open Hand”

By Charles Griffin, CLU, ChFC

Family Wealth and Wisdom, Inc.

It expresses the power by which one can achieve something. Silver, gold, money, all are akin to “Yad” today. An open hand represents the power, the means to obtain things. I think of the open hand and what can be done with it. While a clenched hand, a fist, can be used for defense, an open hand (yad) gives us the power to be industrious.

With it we can grasp a hammer with which to build. We can hold a pen through which thoughts and ideas can flow, conveying messages, communicating with others today and into the future, influencing individuals and the world. The “Yad” can even enhance what a closed fist can provide in the way of defense as our open hand enables us to hold, grasp, and manipulate objects and/or weapons used for protection.

Now think of your IBC (Infinite Banking Concept) program as your “Yad”. Your IBC Program is your open hand that gives you the power to effectively and efficiently accomplish anything that you so desire. It is a financial tool that is superior to any other.

With it you can build, you can help and/or provide for yourself and others. You can influence minds. You can get yourself and others out of debt. A nation can become strong through private contracts with free men and everyone can become prosperous

and independent, leaving the public welfare teat to shrivel up and wither on the chest of a once again vibrant republic. Independence, pride in self reliance, the ability to provide true charity and to live prosperous and productive lives through our own industry and ability can once again cause this nation to flourish.

We are not yet dead, simply numbed by the politics of our day. We need to find our "Yad" and use it, so go use it to build something bigger than yourself.

The Founding Father of 'Collective Responsibility'

by Thomas J. DiLorenzo

The phrase "collective responsibility" is rather pleasant sounding, with its implication that, perhaps, we should all collectively take responsibility for our own actions. What parents should not teach their children such things? But for at least the past 150 years "collective responsibility" also has a specific meaning with regard to U.S. military policy. In the military context, "collective responsibility" is a euphemism for the mass murder of innocent civilians. It is a phrase that was used by General William Tecumseh Sherman himself, long preceding today's nonchalant dismissal of the murder of civilians in foreign countries as "collateral damage."

The idea is that if the U.S is at war with another nation it is not only the combatants who are legitimate "targets" but all inhabitants of the "enemy nation," women, children, the disabled, everyone. As such, it is the primary cause of "blowback," or retaliation for the intentional murder of noncombatants by the U.S. military. It is common sense to expect the people of other countries to retaliate for such atrocities, even committing acts of terrorism against us. But most Americans seem to be so brainwashed in the lies and propaganda of "American Exceptionalism" (the idea that whatever foreign policy the U.S. pursues is virtuous by virtue of the fact that it is the U.S. foreign policy) that they simply cannot imagine why anyone from any foreign

country would want to harm us. In their ignorance they are prone to believe such fantasies and absurdities as the theory that Middle East terrorists attacked us on 9/11 because they hate the idea of freedom.

William Tecumseh Sherman was indeed the founding father of terrorism perpetrated by the U.S. government and disguised by the language of "collective security." Sherman biographer William Fellman (author of Citizen Sherman) quotes Sherman as saying this about his fellow American citizens from the Southern states: "*To the petulant and persistent secessionists, why death is mercy, and the quicker he or she is disposed of the better Until we can repopulate Georgia, it is useless to occupy it, but the utter destruction of its roads, houses, and people will cripple their military resources*" (emphasis added). Sherman was referring here to his plans for the civilian population of Georgia after the Confederate Army had left the state.

Referring to his plans for the civilian population of Northern Alabama, Fellman quotes Sherman as saying that the "Government of the United States" had the "right" to "take their lives, their homes, their lands, their everything We will take every life, every acre of land, every particle of property" And he was not referring to slaves when he used the word "property."

In a July 31, 1862 letter to his wife Sherman wrote that "*the war will soon assume a turn to extermination not of soldiers alone, that is the least part of the trouble, but the people There is a class of people, men, women, and children, who must be killed . . .*" (emphasis added).

In the autumn of 1862 Confederate snipers were firing at U.S. Navy gunboats on the Mississippi River. Unable to apprehend the combatants, Sherman took revenge on the civilian population by burning the entire town of Randolph, Tennessee to the ground. In the spring of 1863, after the Confederate Army had evacuated, Sherman ordered the destruction of Jackson, Mississippi. Afterwards, in a

letter to Grant Sherman boasted that "The inhabitants are subjugated. They cry aloud for mercy. The land is devastated for 30 miles around."

Sherman's troops also destroyed Meridian, Mississippi after Confederate troops were driven out, after which Sherman wrote to Grant: "For five days, ten thousand of our men worked hard and with a will, in that work of destruction, with axes, sledges, crowbars, clawbars, and with fire, and I have no hesitation in pronouncing the work well done. Meridian . . . no longer exists."

When Sherman's chief military engineer, Captain O.M. Poe, advised that the bombing of Atlanta after the Confederates had fled was of no military significance, Sherman ignored him and declared that the corpses of women and children in the streets was "a beautiful sight," as Fellman writes in *Citizen Sherman*.

In October of 1864 Sherman ordered the murder of randomly-chosen citizens in retaliation for Confederate Army attacks on his army. He wrote to General Louis Watkins: "Cannot you send over about Fairmount and Adairsville, burn ten or twelve houses . . . , kill a few at random, and let them know that it will be repeated every time a [military] train is fired upon" (See John B. Walters, *Merchant of Terror: General Sherman and Total War*, p. 137).

Two months after the formal end of the war, Sherman was placed in charge of the Military District of the Missouri, which was all land west of the Mississippi. His assignment was to commence a war of genocide against the Plains Indians, primarily to make way for the government-subsidized transcontinental railroads. Lincoln's personal friend, General Grenville Dodge, was the chief engineer of the project and recommended that slaves be made of the Indians, who could then be forced to dig the railroad beds from Iowa to California. Government policy was to attempt to murder as many of the Plains Indians instead, women and children included, and Sherman was the natural choice as the director of such an enterprise.

Fellman quotes Sherman's marching orders as the

following (p. 26): "We must act with vindictive earnestness against the Sioux, even to the extermination, men, women and children" (emphasis added). Fellman writes that Sherman "had given [General] Sheridan prior authorization to slaughter as many women and children as well as men Sheridan or his subordinates felt was necessary." "The more Indians we can kill this year, the less will have to be killed next year," Sherman wrote to Sheridan. By 1890 the U.S. Army murdered as many as 60,000 Indians, placing the survivors in concentration camps known as "reservations."

As Murray Rothbard once wrote, all government power rests ultimately on a series of myths and superstitions about the alleged magnificence of the state and its leaders and henchmen (and of corollary myths about the "evils" of the civil society). Americans will continue to be duped into supporting unconstitutional wars of aggression – and to be the victims of blowback – as long as they are conned into believing that such monsters and psychopathic killers as William Tecumseh Sherman are secular saints and heroes.

September 12, 2011

Thomas J. DiLorenzo is professor of economics at Loyola College in Maryland and the author of *The Real Lincoln; Lincoln Unmasked: What You're Not Supposed To Know about Dishonest Abe and How Capitalism Saved America*. His latest book is *Hamilton's Curse: How Jefferson's Archenemy Betrayed the American Revolution – And What It Means for America Today*.

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Lies, lies and more lies

By Paul A. Cleveland

Today we are increasingly being informed of cases of corruption in most every area of life, especially in government. While the media has tended to focus on cases of fraud and scandal committed by corporate leaders, it seems to me that the cases of fraud and corruption in government are far greater. In many

instances, the lies told here will ultimately lead to much worse consequences compared to private scandals which tend to be self-limiting. After all, the private sector quickly punishes those who are caught with their hands in the till.

In truth, there is a crisis of leadership in the United States. This leads us to ask the question, what has happened in this nation that has led to this increase in corruption and this crisis of leadership? I believe the answer can be found in Proverbs 29:12. "If a ruler listens to lies, all his officials become wicked."

The problem we face today is that our governors, as well as ourselves, either believe in lies or are willing to lie. Increasingly, the truth is rejected. These lies have led to legislation that has increasingly concentrated power in the hands of governmental officials. However, these officials are human. As a result, they are sinful. Once they are in positions of greater power and authority, they can use it for their own wicked ends if they so desire.

The lie that drives the whole process is the notion that the government is an agent of mercy. However, reason alone should dissuade us from accepting this idea. In order to show mercy to anyone, the benefactor must first have something to give. It is impossible for the government to be such a benefactor because its very existence is dependent upon the provision of resources provided to it by those living under its rule for its very existence. Therefore, if government officials claim that they are pursuing charitable enterprises by creating programs that redistribute wealth and property, they are in fact lying. In reality, they are acting like petty thieves who steal the property of some for purposes they find useful.

While these purposes might appear to be charitable, in reality there is no real charity in them. In true charity, the benefactor happily parts with his gift and his beneficiary happily receives it and is thankful for it. In government redistribution of property this is all missing. The person parting with his property is forced to give it up or find himself in jail. The tax collector is simply doing a job that he is being

paid to do. The politician is aiming to personally benefit from the law by attracting voters. Finally, the recipient need not be thankful since the material gain received can be viewed as an entitlement. Thus, government authorities today manipulate the system to their own ends. Bribery and corruption become the means to accomplishing those ends as government is continually extended beyond its legitimate boundaries.

IBC Advocates Attend the Supporters' Summit of the Ludwig von Mises Institute (LvMI) in Vienna, Austria

Ray and Imy Poteet, James and Jana Neathery, Nelson and Mary Nash, and Dr. Al Simpkins (an Orthopedic Surgeon) all attended the LvMI Supporters Summit in Vienna during the week of September 17 through 24. Vienna is the home of the Austrian School and home of Carl Menger, Ludwig von Mises, F.A. Hayek, and the entire intellectual movement that came to the defense of liberty in an age of the total state.

Our very good friend, Dr. Robert P. Murphy, the co-author of *How Privatized Banking Really Works*, was a prominent speaker on the program. After the conference, Dr. Murphy went on to Bratislava, Slovakia for another lecture. Matt Nocas went on to Frankfurt, Germany to lecture and then one to Athens, Greece to visit with relatives.

There were 220 attendees at this conference from 22 countries. Our IBC group was the largest one there. It was encouraging to see all those speakers from other countries who are advocates of libertarian ideas. *R. Nelson Nash*

Have an interesting article or quote related to IBC?

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



Seventeen 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 17: *The Golden Rule*

Content: Pages 31-33, *Becoming Your Own Banker – The Infinite Banking Concept*[®], Fifth Edition, Fifth Printing.

The Golden Rule - Those who have the Gold make the rules! We all have the tendency to chuckle when we see this perversion of a principle that was learned in childhood, one that serves us very well – that we should do unto others as we would have them do unto us! But this corruption is very true, also! I think that it is a pity that it is not often looked upon with favor. Perhaps it is because we have almost lost the concept of what capitalism is all about. The common man has become so infatuated with living for today that the importance of saving – of creating wealth – is all but a lost value. The American savings rate is miserably low. At the time of this writing it has been negative for over eighteen months.

As a result someone else must provide the capital that is necessary to sustain our way of life. This strategy carries with it a very high cost, and we all suffer the consequences. It all begins with faulty premises.

Let me build the case this way – what could be more idyllic than a marriage of Japanese capital and Mexican labor? Here is one group of people who need employment desperately and there is another group that has more money than you can imagine! If we can only get them together on a project it would be paradise!

A number of years back Panasonic wanted to build a plant in Mexico to solve the obvious equation. But, in the infinite wisdom of the Mexican government at

that time, they required that Mexicans should own 51% of the business. That means Mexicans control the business.

The typical Japanese strategy runs something like this – you put money into a business and you should expect to lose money for five years. When you start making money you should plow it all back into the business for five more years. Only after this time should you expect to take money out of the business. But, the typical Mexican outlook on a business venture is to demand a bonus at the very start – like the signing bonus for a star athlete!

Do I have to tell you what happened? Panasonic pulled out of Mexico and went somewhere else where capital is appreciated and managed with care. Who won and who lost in the story? Panasonic had the Gold and so they made the rules! It can be no other way. Capital is a responsibility and should be treated with great respect. If not, then all parties involved will lose. It is really difficult to write or talk about this fact, perhaps because it is so blatantly obvious.

When you have a large amount of cash on hand all sorts of good opportunities will appear, and you can also negotiate very favorable purchase prices. If this understanding were generally accepted and practiced widely among the population many of life's problems would disappear.

A word of caution is in order – do not think that everyone must conduct his financial affairs in this manner.? It is not a numbers game. Individuals can reap the rewards that such discipline yields. In fact, we all need to remind ourselves that whatever you do in the financial world is compared with what everyone else is doing.

Then, why is there general despair in our country regarding financial matters? Why are people “paying through the nose” for capital? Why the feelings of helplessness and futility? I say again, it all begins with faulty premises. We all operate from a paradigm and the Infinite Banking Concept is a major paradigm shift for most people.

This explains what I mean when I say, “Most people know there is a play going on out in the financial world – but they don’t understand it. Worse than that, they can’t get the characters in the play straight!” Recalling that Shakespeare said, “All of the world is a stage and the people are the actors thereon.” People just don’t play their proper role in the scheme of things. They have abdicated their opportunity/responsibility as it pertains to the banking function in the economy. They are depending on someone else to perform that job – and that character in the play is making most of the money! And rightly so, because of The Golden Rule – those who have the gold make the rules! It can be no other way.

**Nelson’s Live Seminars
for October and November 2011
<http://infinitebanking.org/seminars/>**

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 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.com

Nelson Live in Birmingham, AL, Friday, October 14, contact Russell Morgan, 205-871-9993, russmorgan@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, jcneat@gmail.com

Nelson Live in Little Rock, AR, Tuesday-Wednesday, November 1-2, contact Zach Pitsch, 501-868-3434, zack@rebeccarice.net

Nelson Live in Tucson, AZ, Friday-Saturday, November 18-19, contact Carol Rundle, 520-577-5506, carol.rundle@sagarizona.com

Nelson’s Favorite Quotes of the Month

“Thinking is easy, acting is difficult, and to put one’s thoughts into action is the most difficult thing in the world.” — *Johann von Goether*

“You become what you think about.” — *Earl Nightingale: Author, The Strangest Secret, Lead the Field*

**Nelson’s Newly Added Book
Recommendations
<http://infinitebanking.org/reading-list/>**

The Tragedy of the Euro by Philipp Bagus

The American Way of War by Tom Engelhardt

Washington Rules – America’s Path to Permanent War by Andrew J. Bacevich

Dismanteling the Empire by Chalmers Johnson

“IBC – What Right Looks Like”

2012 Think Tank Symposium

9-10 February, 2012

Downtown Sheraton, Birmingham, Alabama.

Start time is 10AM on 9 February. We will finish at 4PM on 10 February.

The annual IBC Think Tank is hosted by IBC founder Nelson Nash. David Stearns facilitates the meeting. In this gathering of Infinite Banking enthusiasts we emphasize our sharing approach in spreading the IBC word. Life producers present success stories, case studies and new ideas.

This year's Think Tank theme is ***“IBC – What Right Looks Like.”*** There will be a small dose of Austrian Economics, but the majority of the meeting will be devoted to practical application.

We will use a progressive building-block approach to the symposium so that the presentations build on each other. More than one speaker can present under the respective category, relevant to time constraints. Speakers will be announced soon. Here is the agenda:

- The “WHY of IBC” Nelson will stress the “why”.
- Setting the conditions: Agency organizational IBC promotion and training.
- Approaching the prospective client.
- Choosing the right product: The Mutual Insurance Company and the Participating Whole Life Product.
- Designing the optimal “Bank”: Policy Design.
- Service after the sale: Client follow-up and loan support.
- Supporting tools that help IBC producers and their clients (breakout sessions).
- Panel of agents, Q&A oriented to covering best practices.

We are expanding the agenda to add two more hours for breakouts. Breakout presenters will have the opportunity to present twice in 45 minute breakout sessions; once Thursday and once Friday.

If you are interested in attending, please email me your contact information so I can ensure that you are included in the email registration announcements, my email address is: david@infinitebanking.org.

Look forward to seeing you in February!

David Stearns