My Thoughts on Our Mission

by R. Nelson Nash

I believe that it is imperative that the public recognize the devastating consequences of Keynesian thinking that has dominated the economic world since the early twentieth century. Not to mention the monetarist thinking of Milton Friedman that has compounded the problem. Also understand that this thinking cannot continue indefinitely into the future. I believe that it is evident that history has demonstrated this truth. Unless the problem is understood there is not much chance of a solution.

Accurately identifying the root cause for this predicament as central banking and their fractional reserve lending system (which is fraudulent action) is critical. They must be exposed for what they really are, however, there is a huge body of influential people who have a vested interest in perpetuating the system as is.

My real goal is to educate the general public about how all this chicanery came to be through a monopoly granted by Congress and signed into law by President Woodrow Wilson in December 1913. It’s clear to me that governments are the only ones who can create monopolies and its equally clear that all monopolies come to an end after a period of time. Witness the efforts of creating and maintaining a central bank twice in the U.S. before the current Federal Reserve System was established. The current one has lasted almost 100 years now and repealing it through political means has been talked about for many years but there is such a large vested interest in preserving the current fraud that I don’t see that this “top-down” strategy working all that well.

Take a look at another monopoly that is firmly established – The U.S. Postal Service. This was granted by the Continental Congress in 1775, before the rebellion with the mother country. This was all because of the way people thought -- i.e., only government is capable of delivering mail. Why? Governments don’t deliver mail -- people do! Why did it have to be through this means? Again, it is simply the way they thought. Bureaucrats (not elected people) create problems through bogus statistics – then they run this bogus information through their “crystal ball” and then make the case “the world is coming to an end if the government doesn’t take over.” All government programs start with generating fear in the minds of citizens. Take note that Ben Franklin, the first USPS Postmaster was not elected – he was a bureaucrat. (Exercise your imagination a bit and observe how much of our lives is controlled by bureaucrats. This fact is frightening!)

Now, let’s consider some things that have come to pass in the last fifty years like United Postal Service, Federal Express, DHL, and there is no telling how many other such organizations in the world. Did they create a political movement to end the U.S. Postal Service monopoly? I don’t recall any such activity. They simply started up a business and rendered the USPS relatively meaningless.

What are the results? When a business wants good, prompt service, with safety please notice the predominance of FedEx, UPS, DHL, et al, in our world. And what do we get from the U.S. Postal Service? Long lines, sullen employees, lots of junk mail in our mail boxes, lost mail, and endless financial deficits etc.

Yes, we have the Federal Reserve System monopoly on money and they are the ones who create inflation of
the money supply through their fraudulent fractional reserve lending system. At this point in time we all deal with dollars but there is a place where all can warehouse their wealth of dollars through contract with like-minded people, and this warehouse cannot inflate the money supply. It is called dividend-paying whole life insurance with a mutual company. Get enough people to understand this fact and inflation can be, theoretically, brought to an end. But that is going to require a major change in the way people think.

Years ago, I thought the place to create this change in thinking would be the home offices of life insurance companies since they held a vital position in making such a change. I spent five years with this effort and concluded that it was a waste of time. They were totally indoctrinated with what I call “Harvard MBA Thinking.” It was wasted effort.

When exploring other possibilities to get the message across, I concluded that I should have learned all this in Academia – particularly in Forestry School, because the entire wood products industry is totally dependent on borrowed money. Because I knew the Dean of the Forestry School at the University of Georgia at that time, (you see, I was in the very first class that he taught in 1949 and felt I would have a receptive audience based on this relationship) I flew over to Athens and spent the day with him, outlining the concept and suggesting that the school should create a “Chair” that would do nothing but teach this concept. I was prepared to go out and find the money to endow the Chair. But, all he was interested in was “How much money are you planning to give to the Alumni Society this year, you see, I’m retiring next year?”

Nevertheless, I pursued that possibility for two years and found out that if I would give them $250,000 they would let me teach this concept! They should have been giving me $250,000 to teach this!!

Those seven years taught me that mental paralysis in home offices of corporations is legendary – but in academia, it is worse! For instance, people in general love to have “letters” behind their names - MD, PhD, RN, CFP, etc. etc. In life insurance the first such designation to appear was CLU – Chartered Life Underwriter. The brain child of Professor Solomon Huebner, PhD in the Wharton School of Business in Pennsylvania. He was the person who developed the concept of “Human Life Value.” He still dominates the thinking of most all life insurance companies.

I ask you to go to pages 17 and 26 of Becoming Your Own Banker. In these two examples have I not proven that “during your lifetime, your need for finance is greater that you need for death benefit? Why didn’t Dr. Huebner of the Wharton School of Business see this? I suggest it was all because of the way he thought.

All of the above thoughts led me to write my second book, Building Your Warehouse of Wealth – A Grassroots Method of Avoiding Fractional Reserve Banking – Think About it! I hope you will read it and consider its message.

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**Annual Night of Clarity Event**

The Night of Clarity this year will be held at the downtown Nashville Sheraton on August 23 and 24. The theme is the **100th anniversary of the Federal Reserve.** On the first day, which is a Friday, the event will start at 1pm. In addition to Carlos Lara and Bob Murphy, the event will feature speeches from Foundation for Economic Education (FEE) President Larry Reed, Nelson Nash, Tom Woods, and Ron Paul. This program will focus on “the problem,” namely government intervention in money and banking. We are expecting a crowd of about 600 people for this general session.

After Dr. Paul’s speech ends (around 6:45pm), the main crowd will disperse while those staying for the whole event will have a private reception and then a dinner, with Ron Paul giving us a Q&A.

On Saturday we will have an IBC workshop, dedicated to “the solution.” This will run from 9am – 4pm, with a large break in the middle for lunch. The lecturers will include Carlos Lara, Bob Murphy and Nelson Nash, with possibly others that are yet to be determined.
This workshop will be ideal for clients who have been introduced to IBC but have lingering doubts, or who want to hear it described from different perspectives. In the first session we will explain the “big picture” of IBC, and then over the course of the day we will walk step by step through its applications to the household and business owner.

We will explain how whole life insurance and policy loans work from an economic and actuarial perspective, we will explain that IBC isn’t tax evasion or some other scheme, we will explain how the growing practice of IBC will minimize the very problem we diagnosed the night before, we will explain the function of the IBC Practitioner’s Program in helping the public locate insurance professionals who are familiar with Nelson’s ideas, we will defuse common objections/myths, and we will field questions from the audience.

The Saturday workshop will prove quite useful even to the veteran IBC producer, for help in clarifying some of the finer points and perhaps bringing up new considerations, but we want to stress that we are designing it for the general public who are interested in IBC but need more details.

For just the Friday afternoon/evening lectures, students pay $35 while others pay $75. (We expect many Nashville residents will want to see Ron Paul.)

A second package gets the Friday lectures, AND the Friday cocktail reception, the Friday dinner, and the Saturday lunch and workshop, for $650.

However, for IBC Practitioners and those currently enrolled in the Program (but who have not yet taken the final exam), there is a 10% discount code, which you can obtain by emailing Carlos, usatrust@comcast.net which would make your actual price $585.

You will need to make your hotel reservations yourself, at the downtown Nashville Sheraton. You can either call them directly or use the dedicated link at our event website. There is a generous group discount rate available for two days before and after our event dates, so be sure to either use our dedicated link or to say you are with the “Night of Clarity” if you call. However, there are only a limited number of rooms that the Sheraton can guarantee us at this special rate, so please make your reservations as soon as possible, before we begin our marketing wave to a broader Austrian/libertarian audience.

Please go to the event website for the pricing packages: http://nightofclarity.com.

Please let us know if you have any questions or concerns. Thank you again for your support in helping us build the ten percent!

Sincerely,
Nelson, David, Carlos and Bob

The Fatal Flaw at the Heart of Modern Economics
by Bill Bonner, Chairman, Bonner & Partners

We are visiting our children in the US before heading to Europe for the summer. Last weekend was spent with son Henry in La Jolla, California. Henry is working with Rick Rule's investment firm in Carlsbad.

Now we are in Mississippi, visiting daughter Maria, who is shooting a movie here. Mississippi is courting the film industry with low costs and tax breaks. This is the second film Maria has done in this area.

Yesterday, the markets reversed direction, albeit timidly. The Dow fell 19 points. Gold rose $19 per ounce.

And if there is anyone who knows what these markets will do tomorrow, he doesn't work at the Diary of a Rogue Economist.

The Rise of the Technicians
Before coming to California and Mississippi, we gave a speech in London. In it we quoted economist Paul Krugman. Here's the quote, from an article in The New York Times:

Keynesian economics rests fundamentally on the proposition that macroeconomics isn't a morality play – that depressions are essentially a technical malfunction. As the Great Depression deepened, Keynes famously declared that "we have magneto..."
“trouble” – i.e., the economy's troubles were like those of a car with a small but critical problem in its electrical system, and the job of the economist is to figure out how to repair that technical problem.

What kind of brain could think such a thing? How could you confuse an economy with a machine? We promise not to become earnest about it, but it is probably worth spending a few minutes exploring this claptrap.

It is the fatal flaw at the heart of modern economics. It also happens to be the foundation of the Fed's attempt to revive the economy. Krugman, Bernanke, Summers et al. think they are technicians... They've got the wrong metaphor. You may be able to describe the human body as a machine too. But don't try to fix it with an adjustable wrench. It's a good thing Paul Krugman isn't a medical doctor!

Unlike a machine, an economy was neither designed by anyone nor built in a factory. There are no plans... no owner's manual... no guide to troubleshooting problems... and no website where owners go to talk about the problems they've had and the tricks they've used to fix them.

Not made by man... it cannot be repaired by man. But let's look at why this is so.

**The Economy Is Not a Machine**

First, an economy is a "complex adaptive system." It has lots of moving parts, in other words, and each of these parts has information and desires of its own.

The farmer in Mississippi may know that his bottom 40 acres are too wet to plow. The Department of Agriculture has no idea. The plumber in Milwaukee may know that his business is slowing down. But how would Krugman know?

What machine has intelligent parts... each responding to its own information base, more or less independently?

Second... and perhaps more importantly... the parts have desires of their own. You build a machine to accomplish the desires of the designer. An economy, on the other hand, is merely a way for the constituent parts to achieve their own ends.

Imagine an automobile that goes where the steering wheel wants to go! Imagine a motor that runs faster when the carburetor feels frisky... and slows down when the valves get tired.

You can see that this is like no machine ever created. The parts want to go in different directions... at different speeds... for different reasons. The economy is much more like a flock of birds than a Boeing 747.

In today's America, real (inflation-adjusted) wages are lower today than they were 10 years ago. Depending on how you adjust for inflation, they may be as low as they were at the end of the second Eisenhower administration.

With so little in earnings, people are naturally careful with their money. They go to giant discount shops... in order to get as much for their money as possible. They want low prices.

What is an economy for, if not to satisfy the hopes and desires of the people who live in it? And what is the goal of activist economics, if not to help people get what they want?

**So what does Paul Krugman do?**

He urges the government to raise consumer prices – to consciously and intentionally sabotage the wishes of the people by raising the cost of living. That's the point of QE: to put more money in circulation so that prices rise. Then people will get less for their earnings and savings... and be more eager to spend now, rather than saving for later (rightly fearing that their dollars will lose value over time).

And that's why Krugman prefers to think of an economy as a machine. Machines can be manipulated and controlled. Real economies can't.

About The Author - This article originally appeared at www.billbonnersdiary.com/ARTICLE-URL.

Bill Bonner founded Agora, Inc in 1978. It has since grown into one of the largest independent newsletter publishing companies in the world. He has also written three New York Times bestselling books, *Financial Reckoning Day, Empire of Debt and Mobs, Messiahs and Markets.*

His free daily e-letter *Bill Bonner’s Diary of a Rogue Economist*
A Deadlier Disaster for the Third World: Unemployment

by George Reisman

The recent collapse of a garment factory building in Bangladesh, resulting in the death, at latest count, of more than 1,100 workers who were employed there, has led to international outrage not only against the building’s owner but also against the various retailers in the United States and Europe, many of them prominent, that have sold clothing produced in that building. It is demanded that they assume responsibility for working conditions in the factories that supply them and not deal with factories that do not provide safe and humane conditions and pay fair wages.

Such demands rest on the belief that, if left free of government interference, the profit motive of businessmen or capitalists leads them to pay subsistence wages to workers compelled to work intolerable hours in sub-human conditions. And, more, that the profits wrung from the workers in this way exist in the hands of the capitalists as a kind of disposable slush fund as it were, at least some more or less substantial portion of which can be given back to the workers from whom they were taken, or used on behalf of those workers, with no negative effect except to deprive the capitalists of some of their ill-gotten gains. It is generally taken for granted that the reason the kind of conditions that prevail in Bangladesh and the rest of the Third World do not exist in the United States and Western Europe is the enactment of labor and social legislation, and that what is needed is to extend such legislation to the countries that do not yet have it.

The first point is wrong. It is not the case that the profit motive of businessmen leads them to pay subsistence wages to workers. It is not the case that the profits wrung from the workers in this way exist in the hands of the capitalists as a kind of disposable slush fund. The belief that the reason the kind of conditions that prevail in Bangladesh and the rest of the Third World do not exist in the United States and Western Europe is the enactment of labor and social legislation, and that what is needed is to extend such legislation to the countries that do not yet have it.

Every aspect of this set of beliefs is wrong and its consequences are highly destructive, above all to the masses of workers in the Third World who already live close to starvation and who are in danger of being driven into it by needlessly increasing the cost of employing them either by arbitrarily raising their wages or by requiring that they be provided with improved working conditions that must be at their expense and which they cannot afford.

One of the most elementary propositions of the science of economics is that the higher the price of anything, the smaller is the quantity of it that will be purchased. This applies to labor no less than to goods. If wage rates in Bangladesh are arbitrarily increased, fewer workers will be employed in Bangladesh. In that case, workers who would have earned low wages will earn no wages. They will starve. If employers in Bangladesh are compelled to make improvements in working conditions of a kind that do not pay for themselves, the cost of those improvements represents the equivalent of a rise in wage rates. Again, there will be unemployment. The unemployment could be avoided only if workers’ take-home wages could fall sufficiently to offset the cost of the improvements. In that case, the situation would be comparable to making the workers use their already meager wages to pay for improvements that they simply cannot afford.

These are not outcomes that the advocates of imposing labor standards want. What they want is higher wages and better working conditions. Their problem is that they do not realize what is actually necessary to achieve these results.

What will achieve these results is leaving business firms in Bangladesh and throughout the Third World alone, to be as profitable as they can be. (It should be obvious that the loss of a factory building and its machinery was not profitable and that while it may be legitimate to denounce the building’s owner for criminal recklessness and negligence, it is simply absurd to denounce him for seeking profit, when what
he actually achieved, and could only achieve through such conduct, was total loss.

The high profits that can be earned in a Third World country, if not prevented by too many obstacles, will be heavily saved and invested, mainly in that Third World country. As the experience of Taiwan, South Korea, and now even mainland China shows, a generation or more of such a process results in a vast accumulation of means of production in the country—i.e., numerous new factories, with better and better equipment. This results in an intensified competition for labor and thus rising wage rates. As wage rates rise, workers can more and more afford to accept lesser increases along with improved working conditions of a kind that must be at their expense.

Economic freedom, not government interference, is the road that the wealth of nations travels.


Three Early Works by H. L. Mencken. 12-Minute Executive Summary

by Doug Hill of Laissez Faire Books

Why Americans Give up Their Freedom

The three essays in this book were first published early in the career of H.L.

Mencken (1880–1956). Mencken was one of the great essayists and intellectuals of the 20th century. It is a tragedy he is so neglected today.

These essays provide a fantastic and bracing look at the power of his mind and prose. They were all shaped by the ghastly war that accompanied their writing and preceded their publication, and Mencken’s close study of American culture during that period. Written nearly 100 years ago, they predict and explain the rise of leviathan and offer a mode of escape.

During World War I, Americans gave up their freedom, not reluctantly, but joyfully. Mencken’s study of crowd psychology — Damn! A Book of Calumny first published in 1918 — investigates every sector of society to show how it is corrupted by mass delusion, emotion, and irrational enthusiasm.

His real masterpiece herein is his long reflection called The American Credo. This book argues that the core of the American personality is the belief in the possibility of individual progress, something made possible only through authentic freedom. Authentic freedom, though, is something that Americans only dimly embrace.

The American imagines himself as an exalted monopolist of liberty, but this is far from true. During World War I, prices, speech, the press, and association were all controlled, and any actions, civil or economic, that contradicted government plans were punished by fines or jail. Hardly anyone protested. Most of those who did resist this imposition of outright tyranny were socialists and immigrant political agitators, and hardly any native-born Americans lined up to support them. Americans pride themselves on love of freedom, but embrace the worst tyranny, and not only during war. The movement to prohibit alcohol came immediately after.

At the same time, the true American spirit is not what the European believes. It is not really about money making and money accumulation. In fact, the typical immigrant — then and now — is far more focused on material production than the native. They come to America expecting a country that worships the dollar. Instead, they find a country that squanders money in the name of social progress. The native spends; the immigrant saves. Americans get rid of money as soon as they get it. They love credit and consumption, but production not so much.

What is the American credo then? What sets him apart and gives him a peculiar color is social aspiration, the passion and drive to lift himself by a step or two in the society of which he is part. It is a passion to improve his position, to break down a
shadowy barrier of caste. The American is a pusher, eyes ever fixed upon some rung in the ladder just beyond his current station. All energies are about yearning to grasp this one, then another and another. The American is violently eager to move up.

At the same time, nothing sickens the American more than the fear of slipping back in social status. This is the source of the longing for security and the drive to slay evildoers (foreign and domestic) who would bring us down. And so the American spends his life vexed about slipping back, on the one hand, and deluded about the possibility for infinite upward advance on the other: “both egotistical and subservient, assertive and politic, blatant and shy.”

This character is formed by the American social reality. There are no real aristocrats, and the ones that come closest invent myths about themselves and how they came from nothing. Still, it is true that our richest men and women are only one or two generations away from day laborers and penniless immigrants. This is unlike the whole of Europe and most of the rest of the world (that is today changing in the developing world). This strange character of combining a pathology for social advance with fear of falling back is what creates the American regime that stands in such violation of liberty itself.

Our politics (and the social welfare state created long after this essay) cater to these impulses to live out the dream: high education, home ownership, greater access to luxury, and a safety net that quells our fears. Moreover, the American character does not seek calm lodging and secure position. It wants something just ahead and fears something just behind. We have no peerage or rank; our individual boats are forever at sea, and this is what gives rise to the grasping, spending, irrational longing for upward movement. It is what we seek for ourselves and especially for our children.

What of the American penchant toward social conformism? Mencken says

it stems from the impulse to imitate our betters so that we can become like them and, therefore, move up the pecking order. The more we are like others who are fashionable, rich, accepted, and secure, the more we can hope to be tolerated and accepted by them and, therefore, move up ourselves.

This has unfortunate political ramifications. Americans join political movements in order to achieve something and appear educated and aware, but also enjoy the security of mob opinion. This is not an independent spirit, but rather an example of running with the pack. This whole thinking creates a ceaseless frenzy of mob emotion. There is no genuine conflict of emotion, only a succession of crazes. It is dangerous to oppose these crazes.

Mencken’s affectionate diagnosis of the American spirit includes a dissection of the role that religion plays in the American penchant for controlling others. It was the religious establishments that pushed so hard for World War I and for prohibition too — all in the name of stamping out sin and uprighting the world morally to achieve the divine status. Methodists, Presbyterians, and Episcopalians come in for special excoriation — using language that would be unprintable in any newspaper today.

This impulse toward social uplift of everyone ends up inventing more crimes and, therefore, criminals. And the laws that result are all based on the presumption that the average citizen is half-witted: Without laws against booze, he would be drunk every day. Without censorship, everyone would become a Bolshevik. Without laws against prostitution, every marriage would collapse and every daughter would walk the streets.

This longing for uplift and fear of falling back causes more and more of American life to devolve into the political sphere. Summarizing Mencken, there are five penchants of politics: Belligerence replaces rational explanation, emotional manipulation replaces intelligent persuasion, coercion replaces appeals to human choice, graft replaces exchange, and mindless mob action replaces individual rights.

A possible conclusion of Mencken’s extraordinary reflection: Americans love of social progress is both a great feature and a source of terrible undoing. It causes Americans to fall prey to the most egregious impositions from the state, even as it also gives
rise to extraordinary feats in the area of commerce. Mencken’s possible lesson here: Cling to the push for progress, but understand that it is liberty that undergirds it, and never surrender to the crowd’s preferred method of getting there.

So far, we’ve covered the introduction, but the actual book itself, called The American Credo, is a fascinating exploration of various pieces of folk wisdom that Americans believed some 100 years ago. All are quite silly and insightful, and probably written by his friend and sometimes-coauthor George Jean Nathan, such as:

- “That a doctor knows so much about women that he can no longer fall in love with one of them”
- “That something mysterious goes on in the rooms back of chop suey restaurants”
- “That is dangerous to drink out of a garden hose, since if one does, one is likely to swallow a snake”
- “That when a girl enters a hospital as a nurse, her primary object is always to catch one of the doctors”
- “That all great men have illegible signatures”
- “That every circus clown’s heart is breaking for one reason or another”
- “That the accumulation of great wealth always brings with it great unhappiness.”

And so on throughout 869 such pieces of folk wisdom, many of which are still with us today, and many of which are long forgotten, but still magnificently hilarious.

His Book of Prefaces illustrates Mencken’s astonishing literacy, marking him out as one of the great critics of all times. In his view, the greatest writers are inevitably dismissed and disregarded by the academic elites. Mark Twain is his favorite example of this. Mencken regards him as a genius, but says that the establishment never regarded him as anything but a comedian.

To right wrongs, he writes in praise of novelist Joseph Conrad (“There is no touch of sentimentality, no man could be less the romantic...”), critic Theodore Dreiser (“There is something downright heroic in the way the man has held “College professors, alas, never learn anything.” his narrow and perilous ground, disdaining all compromise”); and critic James Huneker (“He has reported more of interest and value than any other American critics, living or dead... a true cosmopolitan”).

The Book of Calumny contains more outrageous opinionating per page than any other Mencken book. It is particularly joyful to read, because it consists of 49 small essays that can be read in just a few minutes. You learn that George Washington loved swearing and whiskey in real life and has no resemblance to the 19th-century legend. He opinionates against zoos, which he finds ridiculously wasteful and pointless. He denounces dinner parties, which always seem to include one insufferable guest. He inveighs against crowds because they will believe anything and do anything. He laughs at men’s clubs because they are joined chiefly by men without women in their lives. He investigates the difference between women who are blonde, brunette, and redhead. He praises alcohol. This entire section might end up being the most dangerous, politically incorrect, and offensive series of small essays you will ever read.

**Takeaways**

1. Americanism is only superficially about freedom; it is really about a pathological longing for social advancement.
2. Fear of failure and lust for social climbing is the basis of the American legal system, which attempts to bolster social standing while protecting against the downside. All the developments in the welfare state since his writing confirm this.
3. Personal freedom was already on the decline in 1917, all due to the Puritanism Mencken hated his entire life, which he regarded as the urge to purge sin, spy on your neighbors, and use force to improve the lives of others. Only the politicians benefit.
4. People who go into politics, and those who cheer...
and adore those who do, are wasting their lives or proving that they have nothing to contribute to the world except vainly to attempt to control and subjugate others.

5. The American penchant for wanting and cheering war extends from the impulse to demonize people and rid the world of their influence. But war ends up creating more of them and exalting the worst scoundrels of the political world.

6. The intellectuals, especially those at universities, are the last people who are capable of spotting talent. Their conservatism ends up celebrating mediocrity and disparaging true genius.

7. True progress in this world comes from violating taboos, ignoring conventions, distrusting folk wisdom, living dangerously, saving money, loving true art, and going against the crowd.

Important Quotations:

“The third-rate man, though he may wear the false whiskers of a first-rate man, may always be detected by his inability to keep his head in the face of an appeal to his emotions.”

“Crowds, properly worked up by skillful demagogues, are ready to believe anything, and to do anything.”

“All the great works of man have been done by men who thus lived joyously, strenuously, and perhaps a bit dangerously. They have never been concerned about stretching life for two or three more years; they have been concerned about making life engrossing and stimulating and a high adventure while it lasts.”

“Teetotalism is as impossible to such men as any other manifestation of cowardice, and, if it were possible, it would destroy their utility and significance just as certainly.”

“In no other country in the world is there so ferocious a short way with dissenters; in none other is it socially so costly to heed the inner voice and to be one’s own man.”

“The only permanent values in the world are truth and beauty, and of these it is probable that truth is lasting only insofar as it is a function and manifestation of beauty—a projection of feeling in terms of idea. The world is a charnel house of dead religions. Where are all the faiths of the Middle Ages, so complex and yet so precise? But all that was essential in the beauty of the Middle Ages still lives....”

“No other nation has laws which oppress the arts so ignorantly and so abominably as ours do, nor has any other nation handed over the enforcement of the statutes which exist to agencies so openly pledged to reduce all aesthetic expression to the service of a stupid and unworkable scheme of rectitude”

“It is the misfortune of humanity that its history is chiefly written by third-rate men. The first-rate man seldom has any impulse to record and philosophize; his impulse is to act; life, to him, is an adventure, not a syllogism or an autopsy. Thus, the writing of history is left to college professors, moralists, theorists, dunderheads.”

“The American of today, in fact, probably enjoys less personal liberty than any other man of Christendom, and even his political liberty is fast succumbing to the new dogma that certain theories of government are virtuous and lawful and others abhorrent and felonious. Laws limiting the radius of his free activity multiply year by year: It is now practically impossible for him to exhibit anything describable as genuine individuality, either in action or in thought, without running afoul of some harsh and unintelligible penalty.”

Nelson’s Favorite Quotes

“Sometimes one pays the most for the things one gets for nothing.” - Albert Einstein

“People only see what they are prepared to see.” - Ralph Waldo Emerson

“Another difference between death and taxes is that death is frequently painless.” - Anonymous
Morality and Capitalism

By Paul A. Cleveland

Critics of capitalism often argue that free enterprise promotes the worst kind of human behavior and, therefore, must be rejected if moral human action is to prevail. They argue that free enterprise promotes jealousy, envy, and greed. In their opinion, life on this planet would be better served if we substituted government control over the production and distribution of economic goods. The assumption is that such a collectivization of life would promote the highest level of virtuous living amongst one another. But, is this assessment correct?

I would argue that such thinking is at best naïve. At worst it is simply motivated by the very greed that its promoters supposedly deplore. First, it must be noted that jealousy, envy, and greed are all evidence of the inherent sinful passions present in every human heart. They are not spawned by economic activity. Moreover, to assume that they are the outgrowth of economic action displays an almost thorough ignorance of what capitalism actually is. A free market is nothing more than an institutional arrangement of private property and voluntary trade. The only way to succeed in such an economic environment is by continually serving your customers with goods and services that they value more than what they must give up to get them. One of the first principles of economic exchange is the realization that there are mutual gains from trade. Otherwise, no trade would ever develop in the first place.

Consider for a moment a world where you had to produce all the goods and services you consumed solely by your own efforts without the benefit of the efforts of any other person. A casual consideration of such a world ought to convince you that you are the great beneficiary of economic exchange and voluntary trade. Things as simple as preparing a ham sandwich for lunch would be impossible if it all depended on you. Think for a moment about the tasks that you would have to perform. You would have to find a pig, kill the pig, prep the pig, cure the ham, and slice the ham. To accomplish these tasks would require a wide variety of tools and ingredients which you would likewise have to produce for yourself. You would need a knife to kill and carve the pig along with all the ingredients needed to cure the ham. This would entail the knowledge of mining metal and forging it into the proper form. The amount of labor needed to complete every task would run into years. But for a fraction of an hour of your labor, someone is willing to make a sandwich for you as is evidenced by the fact that Subway advertises foot long sandwiches for $5.00 regularly. Not only that, but everyone who had a hand in the labor needed to produce all the ingredients for your sandwich along with the necessary tools needed to secure their production did their work voluntarily. No one had to force them to do what they did.

When we begin to think about it in these terms, what would be immoral and reprehensible would be a situation where some people forced other people to do certain things for them or else be punished in some way. Regrettably, this is what the critics of capitalism advocate whether wittingly or unwittingly. They tell us that people have a right to education, housing, health care and a wide variety of other goods and services. But is this true? In fact, what they are arguing is that some people have a right to force others to provide such goods and services for them or else be thrown in jail for failure to do so. They are actually arguing that governments should use their force to punish productive people for the benefit of those who are not. They are essentially enslaving some people to other people and that is immoral.

Despite this fact, some worry about private monopolies of certain goods. However, a private monopoly associated with market power is a far cry from the dictatorial power exercised by government which uses the force of a gun to accomplish its ends. A single provider in the market must still serve his customers at prices that the customers are willing to pay if he is to achieve his own ends. He cannot hold a gun to the heads of his customers. As Yuri Maltsev observed, “The sad legacy of Marxism is the mind set of certain people, both in the East and West, who believe that the state can cure all economic ills and bring about social justice.” (1993, 29) The truth is that
markets are dynamic and not static. A business can only be successful as long as it provides satisfactory goods to its consumers at prices that the consumers are willing to pay. It cannot infringe upon any other offer that some other firm might offer to its customers. As a result, it must continually improve upon its product offer if it hopes to keep serving its customers since great success always invites competition. The only way to maintain a monopoly position without truly serving the highest interests of one’s customers at any point in time is to seek and gain political privilege which is again to use the force of government to enslave people to yourself.

References
Maltsev, Yuri, Requiem for Marx, (Auburn, AL: Ludwig von Mises Institute, 1993).

I’m still not through reading David Stockman’s The Great Deformation – The Corruption of Capitalism. What a great explanation of the financial mess we have in the U. S.! This is essential reading, so please read this 719 page masterpiece.

In fact, if he wishes, our man can get into the business of financing anything that might come to his mind. Just use your imagination. Suppose that he finds a very good deal on a piece of real estate. With the cash resources that he has he can negotiate a very good price. All he has to do to get the cash is call his “gopher” at the insurance company and direct him to send whatever is needed.

You may have noticed that all the illustrations in the book are using dividend withdrawals to make the purchases of cars, etc. except this series on Equipment Financing. To understand all this, turn to page 55 and study the circle with all the arrows again. Notice there are two ways to introduce money into the pool of money – one is by paying premiums and the other is by making loans and repaying greater interest than the policy calls for. Pay very close attention at this point because it is extremely important – it doesn’t make all that much difference which method you use to get money into the pool. In fact, it is slightly more efficient to make dividend withdrawals for the major purchases, like cars, and pay premiums that are equal to, or larger than you would have to pay some finance company or bank.

Then, why is the logger using policy loans to buy the equipment and making loan repayments to the policy? Because he wants to own the bank (the policy) personally. Then he can buy the equipment, personally, and lease the equipment to his “C” corporation, which is a “captive customer” just like the example of the grocery store in Part I of this
course. This strategy gives him an interest deduction for the policy loans because he made the loan for business purposes. He can depreciate the equipment over a fairly short period of time and recover his cost in it. Lastly, he can lease to his captive company and charge it more than normal price for the equipment needed in that business.

If he were to make dividend withdrawals to purchase the equipment, he could, indeed, depreciate the cost of it, and have the captive customer advantage – but he would not have an interest deduction for income tax purposes. This factor makes it more profitable to use the loan and repayment method in such a case as this.

This won’t work if he has an “S” corporation. That is not a different tax entity from him. If this presents a problem to you in your understanding of corporations then I suggest you read all of Robert Kiyosaki’s books where he stresses the value of “C” corporations.

The withdrawal of dividend credits method is much easier to explain and easier to understand. Therefore, all the illustrations in the balance of the book will use this method.

Finally, look at the income stream of $92,000 per year on page 54. That income is not taxable until he withdraws more than his cost basis of $160,000. Now, go to page 62 and look at that stream of income -- $225,000. When does this become taxable? Same answer – when his income total exceeds his cost basis. Next, look at his Cumulative Net Outlay at age 65. It is $946,184. Now, subtract his original premiums for the first four years ($160,000) from that number and you have isolated the “interest” (it is really additional premium) that he paid his policy to finance his equipment. This figure becomes part of his cost basis and he gets it all back tax-free at retirement time.

By now, I hope that you realize the figures you see as to yield in cash values, death benefits, and dividends are not “set in concrete.” They will vary with the economic conditions of the times. But, the largest factor is how the policy owner understands what is going on and how he utilizes the resource. If he will adopt all the suggestions to improve the performance that we have outlined in the last two lessons then the figures you see on this illustration should be much larger. When you think all this through, I think that the figures should double!

This completes Part IV. We start Part V in the next lesson.

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amigos@gulftel.com 251-964-4901

Some Dead Things To Memorialize on Memorial Day
by Thomas J. DiLorenzo

On this Memorial Day it is appropriate to memorialize a number of long-dead American institutions (RIP). The first would be the main principles of the Declaration of Independence, beginning with the notion that governments derive their just powers from the consent of the governed. The Lincoln administration destroyed that principle long ago when it responded to the withdrawal of consent by eleven Southern states by waging total
war on their civilian populations for four long years, killing as many as 400,000 Southerners according to the latest research, while bombing, burning, and looting Southern cities and towns.

The Declaration of Independence also declared in its closing paragraphs that the states were "free and independent" of any other government. Ha, ha, ha, ha, ha! At the time, "free and independent states" meant that Virginia, Massachusetts, New York, etc. were considered to be free and independent states in the same sense that Great Britain, France and Spain were free and independent states.

Treason in the U.S. Constitution is defined as "only" levying war upon the states, or giving aid and comfort to THEIR enemies. This of course is exactly what the Lincoln regime did, while redefining treason to mean exactly the opposite of what it means in the Constitution: opposition to the federal government.

The notion of "limited constitutional government" is also long dead, thanks to the victorious Hamiltonian nationalists in American politics. It was Hamilton himself who invented the notion of "implied powers" of the Constitution almost before the ink was dry on the original document. In Hamiltonian language, "implied" means "unlimited." Jefferson believed that the Constitution could "bind" the government in "chains." His nemesis Hamilton was of the opposite opinion that the Constitution could be used to rubber stamp anything and everything the central government ever wanted to do as long as it was "properly" interpreted by slick, conniving lawyers like himself (or by fellow nationalists like John Marshall or Abraham Lincoln). Hamilton’s view has prevailed, as was proven for the millionth time by Chief Justice John Roberts when he declared the Obamacare mandate to be a "tax" and therefore constitutional despite the fact that Obamacare’s proponents argued before the Supreme Court that the mandate was NOT a tax.

Also dead is the notion that there is such a thing as personal liberty – at least in the eyes of the federal government. The government now claims to have a "right" to spy on every citizen without a search warrant, to monitor the mails, bank accounts and emails, to grope and sexually assault each and every citizen passing through an airport, and even to murder American citizens with drones, on American soil, in the name of "security."

What’s left of America’s market economy is controlled, regulated, regimented, and suffocated by more than two hundred years of accumulated government bureaucracy. American businesses are regulated by more than 80,000 pages of fine print regulations in The Federal Register; by dozens of federal regulatory agencies whose agents often carry firearms to enforce their edicts against the citizens; and by hundreds of other state and local government regulatory bureaucracies that attempt to regulate and tax all aspects of business life. There are even local government taxes on the air above "public" sidewalks if occupied by a commercial enterprise. It is all a part of government’s relentless, never-ending war on capitalism and freedom.

Almost twenty-five years after the worldwide collapse of socialism the American regime has embraced socialist central planning with tremendous zeal. The primary vehicle for the American version of Soviet central planning is the Federal Reserve Board, which claims "authority" to control, regulate, and regiment all aspects of financial markets. It is devoted to destroying market interest rates, which are a necessary ingredient for real capitalism to exist, and believes in the "fatal conceit" of a centrally-planned economy. Its head, the bearded Ben Bernanke, even looks a lot like Lenin.

Also gone are the days when American politicians would be praised with words like "he kept us out of war" or took seriously Thomas Jefferson’s warnings about "entangling alliances" with foreign countries. The new foreign policy mantra is: "Do As We Say, Or We Will Invade and Occupy Your Country and Murder Your Citizens by the Hundreds of Thousands." "Soldiers" are not defenders of American freedom but paid murderers for the state. Endless military intervention all around the world has made life more dangerous and more insecure for Americans by creating endless enemies who resent it when other countries invade, bomb, and destroy their homelands.
Nothing has been more destructive of American freedom than the state itself and its military-industrial-congressional complex. War is the health of the state, and an expanded state is always and everywhere the enemy of personal freedom.

Governments at all levels have been very busy for a very long time destroying American freedom and prosperity. A single day could never be long enough to memorialize all of our lost freedoms, but I guess one has to start somewhere.

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