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Norman Vincent Peale's Timeless Advice: Take Charge of Your Own Life, First

Dr. Norman Vincent Peale's ideas are especially important today, when envy and jealousy seem to permeate much of our politics.

by Lawrence W. Read

"The more jealousy one has in his nature, the more critical he is of those who have accomplished things. If you are critical and mouthing negativisms it could be that your own failures are caused by a mixed-up, hate-filled mind.

A sign of mental health is to be glad when others achieve, and to rejoice with them. Never compare yourself or your achievements with others, but make your comparisons only with yourself. Maintain a constant competition with yourself. This will force you to attain higher standards and achievements.

Do not defeat yourself by holding spiteful or jealous thoughts. Think straight, with love, hope and optimism, and you will attain victory in life."

- Dr. Norman Vincent Peale in *Stay Alive All Your Life* (1957).

In this hyper-politicized season of meanness, demagoguery, and class warfare, a little positive thinking is overdue, wouldn't you say? The remarks above from the 20th century's guru of positive thinking, Norman Vincent Peale, are especially appropriate at a time when envy and jealousy seem to be motivating a good deal of the political nastiness.

This year promises one of the dirtiest brawls in American history. So much seems to be at stake for all sides—namely, lots of power and money—that you can expect new lows in public discourse in coming months. The polarizing personalities who dominate our politics are partly responsible, but this is also a symptom of a larger problem.

As I explained [here](#), big government is incompatible with good government. The bigger it gets, the rottener the process becomes if you want to climb what Disraeli called "the greasy pole." And if its size and intrusiveness isn't rolled back, we might soon find ourselves with the worst of both worlds: *bad people running big government*.

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The Power of Positive Thinking

Born in Ohio, Norman Vincent Peale (1898-1993) was ordained as a Methodist but moved on in 1932 to the Dutch Reformed Church. He pastored the Marble Collegiate Church in New York City for 52 years. He was a nationally known speaker, radio and television personality, and author of numerous books—his most famous being *The Power of Positive Thinking*. More than five million copies have sold since the first edition appeared in 1952.

Peale's folksy philosophy of encouragement, optimism, and self-help drew more than a few detractors. Some in the psychology profession derided his perspective as unscientific and purely anecdotal, even a deleterious form of hypnotism. Perhaps they had a point, but I personally think much of that criticism was akin to taxi drivers objecting to competition from Uber.

When he dabbled in politics, Peale provoked even more controversy. In the 1950s, he spoke out against the idea of a Catholic president who might be swayed by pronouncements from the Vatican, presenting a problem of divided loyalties. He opposed Kennedy and supported Nixon in 1960 largely for that reason. When asked about that, Illinois governor and two-time presidential nominee Adlai Stevenson famously replied, "I find the Apostle Paul appealing and the Apostle Peale appalling."

In 1984, President Reagan honored Peale by bestowing upon him the Presidential Medal of Freedom. When Peale died on Christmas Eve 1993, President Bill Clinton remarked,

"In a productive and giving life that spanned the 20th century, Dr. Peale lifted the spirits of millions and millions of people who were nourished and sustained by his example, his teaching, and his giving."

Among the millions of admirers was Scott Adams, creator of the popular Dilbert comic strip, who credited Peale with inspiring him to a successful career.

Intentional Introspection

At the core of Peale's message was a call to take charge of your life. Don't let negativity, pessimism

or victimology sap your potential. And don't sit back and expect politicians to do for you what you can and should do for yourself. Here are a few of his comments along those lines:

- "Believe that problems do have answers. Believe that they can be overcome. Believe that they can be handled. And finally, believe that you can solve them."
- "People become really quite remarkable when they start thinking that they can do things. When they believe in themselves they have the first secret of success."
- "Change your thoughts and you can change the world."
- "When obstacles or difficulties arise, the positive thinker takes them as creative opportunities. He welcomes the challenge of a tough problem and looks for ways to turn it to advantage."
- "No matter how dark things seem to be or actually are, raise your sights and see the possibilities, always see them, for they're always there."
- "Problems are to the mind what exercise is to the muscles; they toughen and make strong."
- "Never talk defeat. Use words like hope, belief, faith, victory."
- "Believe in yourself! Have faith in your abilities! Without a humble but reasonable confidence in your own powers you cannot be successful or happy."

Introspection is an attribute in short supply these days, especially during a heated political campaign. It's another word for self-examination, the ability to look upon oneself as others may see you. It tends to make one humble enough to see one's own shortcomings, which is the first step to fixing them. Serious introspection can be an antidote to vanity. And Lord knows the vanity in politics is bottomless!

Don't Rely on Politicians

Millions are suckered by vain politicians seeking power by telling others, "You're a victim and I'll be

your savior. You can't do it without me."

Norman Vincent Peale would not be amused, to which these quotes attest:

- "One of the greatest moments in anybody's developing experience is when he no longer tries to hide from himself but determines to get acquainted with himself as he really is."
- "Empty pockets never held anyone back...it's only empty heads and empty hearts that do it."
- "The trouble with most of us is that we would rather be ruined by praise than saved by criticism."
- "Even people who have a long record of not succeeding can be turned into tremendous achievers if they will discard their images of themselves as failures."
- "Our happiness depends on the habit of mind we cultivate. So practice happy thinking every day. Cultivate the merry heart, develop the happiness habit, and life will become a continual feast."

The "positive thinking" of Norman Vincent Peale is both timely and timeless. Politics overpromises and disappoints but self-improvement produces a calm satisfaction that you accomplished something through your own initiative.

Politics rarely make a better you; YOU are the one who can most effectively do that.

Illegitimi non carborundum.

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When It Comes to Raw Power, Few Have More of It Than Central Bankers

by Per Bylund

A common retort to the claim that in voluntary exchange both parties expect to become better off (or they wouldn't do it) is that exchanges are seldom, if ever, a matter of horizontal, equal exchange of values. Instead, any such interaction between people is ultimately a matter of their exercising power over one another. The implication, and often explicitly stated conclusion, is that there is no voluntariness, that exploitation is always present, that one party necessarily gains at the other's expense.

This rather dismal view of man makes clear that people apparently are slaves to power, their own hunger for it as well as others' wielding of it. We are forever at each other's throats in some kind of hyper-Hobbesian fashion:

Although power is always involved, barter trade, in which goods are traded for other goods, sees significantly less of it. Here, the exchange of, for example, fish for bread reduces our ability to rely on power, and we are thus forced, as it were, to accept a somewhat equal trade. But the introduction of money exacerbates the problem by having a seemingly mysterious magnifying impact on the underlying power structures.

In a recent Twitter exchange, the tweeter summarized the issue with admirable (and rare) clarity: "a dollar is a unit of entitlement, an authorization to obtain resources, goods, and services." In other words, the person with the dollar does not simply have something to use in exchange with others. Money is a means to command others to give up their goods, the ultimate expression of power. Money releases our savage lust for power and innate desire to cause harm to one another.

Consequently, markets unleash the barbarian within us and worse: they provide a framework that rewards greed by providing numerous goods and values,

all expressed in money, to be used in our quest to subdue others. The only way to stop this destructive process from running amuck is to establish a social institution to keep these forces at bay, to leash the beast. In other words, it requires a state strong enough to counterbalance the detrimental impact of markets and also to suppress and control our basic destructive desires.

Or so the reasoning goes. But let's unpack this all-too-common view, because it doesn't make much sense even on its own terms.

What Is Money?

Those claiming the power of money hesitate to define this mysterious institution. The resulting lack of clarity explains some of the confusion. A money is simply a medium of exchange, something that is generally accepted—universally employed—in trade.

Money helps facilitate exchange throughout the economy by releasing actors of the necessity of finding exchange partners who want exactly what they are offering in trade and have exactly what they want to acquire. In other words, where there is money we can engage in indirect exchange: instead of being limited to situations of coincidence of wants for trade, person A can sell what they produce to person B for money and then use that money to pay person C for what they sell.

Simply put, money earned represents one's value contribution to the economy and, since money is a generally accepted medium, it has purchasing power roughly representing that value. We produce in order to consume, and our production facilitates our consumption by earning us purchasing power—which is generally usable through the institution of money.

So where do power and command enter this picture? They do not, because there is no requirement that a potential seller accept money in exchange for what they are selling. And there certainly is no magic power in money to buy what is offered for sale regardless the amount of money offered.

The seller typically has a reservation price below

which they will not sell. Unless the potential buyer offers a sufficiently high amount, the seller will not accept and there will be no trade. And the seller will accept money in exchange for the good simply because it is money, and so can be used in terms of its purchasing power. Similarly, the buyer would not part with his money unless he considered the good more valuable to him than the purchasing power of the money given up.

Consequently, the voluntariness of exchange remains a fact. Both parties can veto the exchange, meaning that it will take place only if both parties consider it worth it. Assuming no fraud and that what is offered in exchange is legitimately theirs, we have no reason to question the ethics of this situation.

This holds true virtually regardless of the nature of money, since it is traded (and traded for) given its estimated purchasing power. It doesn't matter if the money exchanged is a gold coin, a fully backed bill of exchange, or a fiat currency like the dollar. However, those believing money is power should recognize the fact that an economy that relies on a commodity money is practically still a barter economy, but with the difference that actors released from the burden of coincidence of wants. They should thus be comparatively in favor of an economy with, say, a gold standard, since it leaves less room for the exercise of power than one with a fiat money regime.

When and How Power Enters

Where money is a commodity, regardless of which particular commodity, it is simply a good like any other except that it is also used in indirect exchange. This does not in itself imply that this money provides the holder with power. Nobody, or at least very few, would claim that bread in a bread commodity-money economy is a source of power over people that other types of food (or any other types of goods) are not. It is still just bread, the difference being only that people would accept bread as payment even if they do not actually want bread—because they expect that they can use the bread as payment when trading with others.

The bread itself is still useful. Even if we do not par-

ticularly care for it, whether temporarily or at all, we can see that it is a good with specific uses. The same is true with any commodity money, even though precious metals likely have fewer specific uses to us personally than bread does.

Fiat money changes the situation somewhat, but not regarding the actual use and nature of money in exchanges. Money is still used and accepted for its (expected) purchasing power. However, it is not a good that we can use for anything other than as money. So, in a sense, we're stuck with it as money only, whereas bread can be eaten, gold can be used in jewelry, and bills of exchange are direct claims on such goods.

For this reason, the bearer of noncommodity money is more vulnerable: if the money loses its purchasing power, partially or completely, there is no alternate course of action. A \$20 bill is a \$20 bill whether or not the purchasing power of the dollar plummets (or surges), whereas it might make sense to eat one's bread money if its purchasing power falls.

The holder of cash in a fiat money regime is thus subject to the monetary policymakers. Should the latter choose to double the money supply, which would severely undermine the currency unit's purchasing power, it would affect the money in your pocket, mattress, or bank account. You are made the victim of another's decision, which is certainly a form of power. But this is the very opposite of what is claimed by those insisting that money is power. To them, to hold money is to have power. Yet in this example whoever holds money is powerless against any changes in monetary policy.

What about money as the power to command? As we saw above, there is no such thing in a barter economy. But fiat money may be different, and in our day and age typically is. This is due to legal tender laws. As is printed on every federal reserve note, "This note is legal tender for all debts, public and private." In other words, if someone is indebted to you, you are legally required to accept payment in dollars. So whoever has borrowed can, due to the powers of the state, require that the lender accept dollars in repay-

ment.

Although this does not mean that you can, as a holder of dollar bills, command anyone to sell to you, other laws introduce such power. For instance, Michigan's Scanner Law requires stores not only to display prices for all goods offered for sale, but to accept the displayed price in dollars. This means the customer has the (legally granted) power to command the store to sell an item for the price displayed even if it was a mistaken one.

Consequently, we cannot fully dismiss the view that "money is power." However, this power is not due to money being money, as is often and widely believed. Money is not mysteriously powerful. But there are situations in which money constitutes power. This is the case under fiat money regimes and legal tender laws, and other laws that may be in force to change the power dynamics. Whereas money is involved in all of these examples, the common source of such powers is not the money itself. The source is the state.

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How Fractional Reserve Lending Makes Money Disappear

by Frank Shostak

According to the popular way of thinking, it is held that banks are responsible for the expansion of lending also known as credit, and given that economic prosperity is associated with an increase in credit, they are seen as crucial to the economic well-being. But are banks the true source of credit?

Real Credit Is Backed by Real Savings

For instance, take farmer Joe, who produced two kilograms of potatoes. He requires one kilogram for his own consumption. The rest he decides to lend for one year to farmer Bob. The unconsumed one kilo-

gram of potatoes that Joe agrees to lend is his real savings.

Remember, real savings are a necessary precondition of lending. Loans must be fully backed by real savings.

By lending one kilogram of potatoes to Bob, Joe agrees to give up ownership of these potatoes for one year. In return, Bob provides Joe with a written promise to repay 1.1 kilograms of potatoes in one year. The additional 0.1 kilograms constitutes interest.

What we have here is an exchange of one kilogram of present potatoes for 1.1 kilograms of potatoes in one year. Both Joe and Bob have entered this transaction voluntarily, because they both have reached the conclusion that it would serve their objectives.

The introduction of money does not alter the essence of what lending is all about. Let's say that instead of lending his one kilogram of potatoes Joe first exchanges (sells) it for money, let us say for ten dollars.

Joe may now decide to lend his money to another farmer, John, for one year at the going interest rate of 10 percent. John the farmer in turn buys a piece of equipment with the borrowed money, which increases his production.

Observe that the introduction of money did not change the fact that real savings precede the act of lending. When a saver lends money, what he in fact lends to borrowers are final consumer goods that he did not consume.

Credit Unbacked by Real Savings Results In Economic Impoverishment

When credit is not backed by real savings, no real savings have been exchanged. The borrower holds empty money, so to speak, which he exchanges for goods and services.

What emerges is an exchange of nothing for something, or consumption of goods that is not backed by production. This leads to the diversion of real wealth from wealth-generating activities toward the hold-

ers of credit, who hold money generated out of "thin air."

Obviously, this type of credit undermines the production of real wealth, and the weakening of the production of real wealth ultimately diminishes the borrower's own ability to repay his debt.

Fractional Reserve Banking as the Source of Money Out of "Thin Air"

The existence of the system of fractional reserve banking permits commercial banks to generate credit not backed by real savings, i.e., the generation of credit out of "thin air."

For instance, let's say that farmer Joe sells his saved kilogram of potatoes for ten dollars. He then deposits this money with the Bank A. The ten dollars are fully backed by the saved kilogram of potatoes.

Now let us say that Bank A "lends" \$5 to Bob by taking \$5 from Joe's deposit. The money hasn't really been lent, because Joe still uses his \$10 as if it hadn't been lent out at all. This means that whenever he deems it necessary he is entitled to take the \$10 out of deposit. No additional real savings have been accumulated to back the \$5 loaned to Bob.

Once Bob, the borrower of the \$5, uses the borrowed money, he has in fact engaged in an exchange of nothing for something, the reason being that the \$5 are not backed by any real savings—it is empty money.

What we have here is \$15 that are only backed by \$10 proper. The \$10 are fully backed by one kilogram of potatoes—real wealth that has been saved.

How Money Disappears

Because this \$5 dollars was never backed by real savings it presents a problem: when credit originates out of "thin air" and is returned to the bank on the maturity date, this leads to a withdrawal of money from the economy, i.e., to a decline in the money stock. This is because in this case we never had a saver/lender, since this credit was unbacked.

So now when Bob repays the \$5, the money leaves the economy because the bank is not required to

transfer it back to the original lender. There is *no* original lender—the bank created the \$5 loan out of nothing. When a bank generates a new deposit that is unbacked by real savings and lends it out, we have no original lender/saver.

The \$5 in new money set in motion an exchange of nothing for something and provide a platform for various nonproductive activities that prior to the generation of unbacked credit would not have emerged.

As long as banks continue to expand credit out of “thin air” in this way, nonproductive activities continue to expand. But once the continuous generation of such credit increases the pace of real wealth consumption above the pace of real wealth production, the positive flow of real savings is arrested and a decline in the existing pool of real savings is set in motion.

Because what drives economic activity is real saving, the performance of various activities starts to deteriorate and the number of bad loans starts to increase. In response to this, banks curtail their lending activities, *setting in motion a contraction* of the money stock. (Remember, the money stock declines once loans generated out of “thin air” are repaid and not renewed.)

The fall in the money stock begins to undermine various nonproductive bubble activities, which cannot stand on their own feet—an economic recession emerges. These activities require the assistance of unbacked credit that is no longer available—credit created out of “thin air” and that had diverted real wealth from its producers to them.

According to many mainstream economists, a severe economic slump, also known as an economic depression, occurs due to the sharp fall in the money supply. This view originated with the Chicago school and was championed by Milton Friedman.

But as we have seen, depression is not caused by the collapse in the money stock as such, but by the shrinking pool of real savings on account of previous easy monetary policy.

Thus, even if the central bank were to be successful

in preventing the fall of the money stock, it could not prevent a depression as long as the pool of real savings was declining.

Conclusion

To conclude, then, banks do not lend but merely facilitate the lending of real savings by wealth producers. Banks facilitate the flow of real savings by connecting the suppliers of real savings with the demanders. In the sense of fulfilling the role of intermediary, banks play an important role in the process of real wealth formation.

When banks begin to engage in lending by attempting to replace genuine lenders/savers, however, it sets in motion the menace of the boom-bust cycle and economic impoverishment.

It must be understood that it is not possible to genuinely increase credit without the growth of real savings. Unbacked credit expansion can only encourage volatile, nonproductive activities that consume real saved wealth and halt its accumulation, setting the stage for certain economic disaster.

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Rose Wilder Lane Is Now More Relevant Than Ever

by Gary Galles

March is Women's History Month. Among the women who have been remembered and honored, however, one who has clearly not received enough attention is Rose Wilder Lane (daughter of Laura Ingalls Wilder). Among the past century's most ardent proponents of liberty, she developed the inseparable connection between life and liberty and the importance of individuals understanding the implications of their freedom. In her honor, especially given the current lack of serious attention to protecting our liberties in current American politics, revisiting *Give Me Liberty* (1936), which traces her evolution from

communism to a devotion to liberty, seems particularly appropriate. And it has surprisingly clear implications for the 2020 election.

In 1919 I was a communist.

From this point of view...the Profit System causes the injustice, the inequality, we see. We must eliminate profit; that is to say, we must eliminate the Capitalist. We will take his current profits, distribute his accumulated wealth, and ourselves administer his former affairs....When the Capitalist is gone, who will manage production? The State.... It was at this point that the first doubt pierced my Communist faith....

This economic revolution concentrated economic power in the hands of the State...so that the lives, the livelihoods, of common men were once more subject to dictators...Every advance toward personal liberty which had been gained...was lost by the collectivist economic reaction....

Representative government cannot express the will of the mass of the people....In actual fact, the population of a country is a multitude of diverse human beings with an infinite variety of purposes and desires and fluctuating wills...Any government of multitudes of men, anywhere, at any time, must be a man, or few men, in power....

Centralized economic control over multitudes of human beings...must become such minute and rigorous control of details of individual life as no people will accept without compulsion....

What I saw was not an extension of human freedom, but the establishment of tyranny on a new, widely extended and deeper base....

The Soviet government exists to do good to its people, whether they like it or not...To that end they have suppressed personal freedom; freedom of movement, of choice of work, freedom of self-expression in ways of life, freedom of speech, freedom of conscience....

Producing food from the earth and the sea, making goods from assembled raw materials, and their storing, exchanging, transporting, distributing and

consuming by vast multitudes of human beings are activities so intricately inter-related and inter-dependent that efficient control of any part of them demands control of the whole....

The Communist hope of economic equality... rests...on the death of all men and women who are individuals....

I came out of the Soviet Union no longer a communist, because I believed in personal freedom....I [saw] an essentially medieval, planned and controlled economic order was taking over the fruits of the industrial revolution while destroying its root, the freedom of the individual....

I understood at last that every human being is free; that I am endowed by the Creator with inalienable liberty as I am endowed with life; that my freedom is inseparable from my life, since freedom is the individual's self-controlling nature....

I hold the truth to be self-evident, that all men are endowed by the Creator with inalienable liberty, with individual self-control and responsibility.... The extent to which this natural liberty can be exercised depends upon the amount of external coercion imposed upon the individual....Whoever makes decisions is responsible....

The men who met in Philadelphia to form a government believed that all men are born free. They founded this government on the principle: All power to the individual....The intent was actually to give the governing power to each common man equally....Common men were to govern themselves...by destroying power itself, so far as this could possibly be done. Power was diminished to an irreducible minimum....Never before had the multitudes of men been set free to do as they pleased....

[I]ndividualism. In less than a century, it created our America....

American wealth is innumerable streams of power...flowing through the mechanisms that produce the vast quantities of goods consumed by the multitudes, and the men who are called the own-

ers can hardly be said even to control the wealth that stands recorded as theirs, for its very existence depends upon satisfying chaotic wants and pleasing unpredictable tastes....in this American chaos business and industry were compelled to serve those desires or perish....

There is no system here....But if this chaos were replaced by a system...functioning for the sole purpose of serving the public good, these men must be replaced by a bureaucracy... controlling in detail, and according to a plan devised by men possessing centralized economic power, all the processes....

[America's] brief experiment in individualism has not only created great wealth and an unimaginable multiplication of forms of wealth in goods and services, but it has also distributed these forms of wealth to an unprecedented and elsewhere unequalled degree.

As I was reading Lane's words, I started to get a strong sense of how "this is as much about 2020 as it is about when she wrote." But I was then floored by just how true that sense was.

I read...that less than 10 per cent of our population own more than 90 per cent of the wealth. This alarmed me in 1893...But it seems to me even more alarming that many American minds accept this statement as true upon no better proof than that they have read it, and from it conclude, first, that "something must be done," and, second, that the proper thing to do is to take ownership away from individuals and have property administered by The State; which means, by autocratic rulers giving orders through an enormous bureaucracy....

There is nothing new in planned and controlled economy. Human beings have lived under various forms...for six thousand years. The new thing is...individualism...[the principle that created this country and has, in fact, brought the greatest good to the greatest number]....

Can individualism...stand against the determined attack of [those] organized, controlled, and fanati-

cally sure that a strong man in power can give a people better lives than they can create for themselves?...

Will [we] defend the Constitutional law that divides, restricts, limits and weakens political-police power, and thus protects every citizen's personal freedom, his human rights, his exercise of those rights in a free, productive, capitalist economy and a free society? Or will he permit...suppressing individual liberty, sacrificing human rights to an imagined "common good," and substituting for civil laws the edicts, or "directives," once accurately called tyranny and now called administrative law? This is the choice that every American must make....the present situation puts it before us and requires a decision....

[N]othing whatever but the constitutional law, the political structure, of these United States protects any American from arbitrary seizure of his property and his person....

In 1933 a group of sincere and ardent collectivists seized control of the Democratic Party, used it as a means of grasping Federal power, and...began to make America over. The Democratic Party is now a political mechanism having a genuine political principle: national socialism....

[R]eactionary pseudo-thinkers shifted American thought into reverse....They called it "liberal" to suppress liberty; "progressive" to stop the free initiative that is the source of all human progress; "economic freedom," to obstruct all freedom, and "economic equality" to make men slaves....We never heard that these United States are a political structure unique in all history, built upon...the fact that individual persons are naturally free, self-controlling and responsible....

These United States stand for a political principle that must conquer and change the whole world, because it is true....Americans have been creating a new world, the modern world...[but] We wanted the ancient thing that was marked "New."...

Today, Federal administrative agencies have nearly

destroyed those divisions of the political power which alone protect the property, liberty and lives of American citizens...because a state that dictates men's action in producing and distributing goods must have undivided and absolute power.

[L]eading statesmen assume that...suppression of liberty is good for mankind, and that these new forms of an old tyranny are here to stay....

Free thought, free speech, free action, and freehold property are the source of the modern world. It cannot exist without them. Its existence depends upon abolishing these reactionary state controls and destroying the socialist State.

The task before Americans is to end these police-controls of peaceful, productive American citizens, to repeal all the reactionary legislation and...Executive orders...to abolish the Federal corporations, departments, bureaus and agencies that dictate and enforce these State controls...to require men in public office to recognize again every American's natural right as a free person....

No politician, yet, has asked American voters to give him the power to strip any State of the powers it has usurped from its citizens, nor to strip the Federal Government of the powers it has usurped from the States; to restore the rights of the citizens, the rights and powers of the States...nor to add... further restrictions that will adequately protect the property, liberty and lives of persons... and make the United States again the world-champion of human rights and the leader of the world-liberating revolution....

[R]eactionary national socialism hampers all Americans now.

Lane's experience with the reality of Russian socialism, expressed insightfully, has brought many to see the paramount importance of freedom (or more often, the tragedy of its absence) in human lives. What we can learn from Give Me Liberty is also reinforced in her 1943 *The Discovery of Freedom*. She offers us lessons which need relearning in each generation if liberty is to be defended from the ongoing erosion

it faces. And it is very hard to miss just how appropriate her words still are for the political situation Americans face most of a century later. That is why it is useful to remember what she wrote in her autobiographical sketch,

I am now a fundamentalist American; give me time and I will tell you why individualism, laissez-faire and the slightly restrained anarchy of capitalism offer the best opportunities for the development of the human spirit. Also I will tell you why the relative freedom of human spirit is better—and more productive, even in material ways—than... any other rigidity organized for material ends.

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Eleventh in a monthly series of Nelson Nash's personally written Becoming Your Own Banker® lessons. We will continue these lessons until we have gone through the entire book.

PART 1 Lesson 11: Creating Your Own Banking System through Dividend-Paying Whole Life Insurance

Content: Page 21 *Becoming Your Own Banker Fifth Edition*

At this point it is worthwhile to remember that “you finance everything that you buy,” whether you like the idea or not – you either borrow money from some other source and pay them interest or you use your own money and give up interest that you could have been earning. Some folks call this “opportunity cost.” Yet, it is amazing how many people give this idea lip service but do not put it into practice in their financial dealings.

In the September 1993 issue of FORTUNE magazine there was an article entitled, “The Real Key to Creating Wealth” by Shawn Tully. He is describing the concept of Economic Value Added (EVA) developed by Stern Stewart & Co. of New York. Tully says, “Understanding that while EVA is easily today’s leading idea in corporate finance and one of the most talked about in business, it is far from the newest. On the contrary: earning more than the cost of capital is about the oldest idea in enterprise. But, just as Greece’s glories were forgotten in the Dark Ages, to be rediscovered in the Renaissance, so the idea behind EVA has often been lost in the ever-darker muddles of accounting. Managers and investors who come upon it act as if they have seen a revelation.” We do live in a strange world!

To create your own banking system through dividend-paying whole life insurance we must understand how it all works. Tragically, there are very few people that really understand the idea. As it is with most things, it all begins with engineering. For instance, consider the automobile business. The car you drive started out being “lines on a piece of paper.” If the production workers don’t do what the engineers designed, you won’t have an automobile – but they did, and produced yours. I get the next one right off the assembly line. It is the same make, model, color, and optional equipment as yours. They are identical. Now, try to tell me that both cars will perform identically during their lifetime! There is no way that this is true because we know a number of people that can get 200,000 to 300,000 miles out of a car with no trouble. And we all know some folks that can’t get 50,000 miles out of it before they have worn it out -- because of the way they drive and maintain it. Please keep this thought in mind as we look closer at the life insurance idea.

The engineers in life insurance are “actuaries.” They are dealing with a field of 10 million selected lives – persons that have been through a screening process (underwriting). And they are working with a theoretical life span of 100 years. Then they turn their information over to rate makers who determine how much to charge clients in order to be able to pay

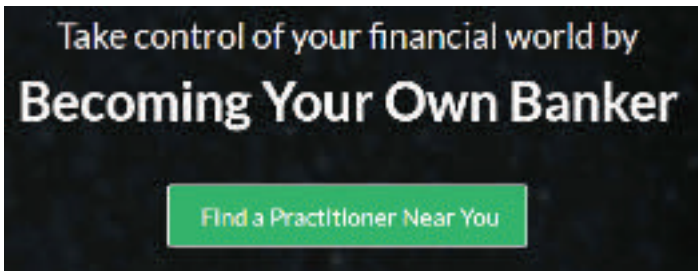
the death claims and make the whole system work over a long period of time.

Then the whole matter is turned over to lawyers who make legal and binding contracts that are offered to potential buyers through a sales force. The glue that holds this whole process together is the administrative and executive personnel. The finished product is a unilateral contract, that is, the company promises to do certain things if you meet the standards of acceptability and make premium payments. Read the contract and it will tell you very plainly that you are the owner of the contract -- not the company. The Owner is the most important character in the scene.

To make the plan work the Owner must pay premiums into the contract and the Company (your hired help) must put the money to work in order to produce the benefits that are promised. Those with the responsibility of investment will do so in a number of ways in financial instruments that are fairly conservative, e.g. bonds, mortgages, etc. Look at the investment portfolio of a number of life insurance companies and you will see what I mean. One place that is speculative that some companies do invest in is in real estate developments. Some large developments of urban office buildings have been entirely financed by a single insurance company. The Golden Triangle in Pittsburgh would be an example. This can often include shopping centers.

But, upon reading the contract you will find it plainly stated that the Owner outranks every potential borrower in access to the money that must be lent! And what he can borrow is 100% of his equity in the policy (the amount that the company can lend at any one time). If this is true – which it is – then this amounts to absolute control over the investment function of the company. In essence, money can be lent to the other places only if the Owner of the policy does not exercise his option to use the money (and pay interest) instead.

We will resume this look at how life insurance works in lesson 12.



The following financial professionals joined or renewed their membership to our *Authorized Infinite Banking Concepts Practitioners* team this month:

- Dwight Mitchell - Johnson City, Tennessee
- Justin Bauer - Cannon Falls, Minnesota
- Michael Hession - Cranston, Rhode Island
- Brian Fleming - Milwaukee, Wisconsin
- Charlie Nowlin - Birmingham, Alabama
- Steve Haroldson Minnich - Coeur D'Alene, Idaho
- Wilson Skinner III - Williamsburg, Virginia
- Julie Ann Hepburn - Chicago, Illinois
- Michiel Laubscher - Newtown, Pennsylvania
- Steven Holtz - Los Angeles, California
- Valerie LaRoque - Seattle, Washington
- Kevin Dottenwhy - Wausau, Wisconsin
- Ronald Zielinski - Austin, Texas
- Thomas Neeser - South Bend, Indiana
- Scott Gannon - Dartmouth, Nova Scotia
- Scott Cordier - Pickering, Ontario
- Monty Flack - Mesa, Arizona
- David Forbes - Shakopee, Minnesota
- Raymond Ward - Fairfield, Iowa

You can view the entire practitioner listing on our website using the Practitioner Finder.

IBC Practitioner's have completed the *IBC Practitioner's Program* and have passed the program exam to ensure that they possess a solid foundation in the theory and implementation of IBC, as well as an understanding of Austrian economics and its unique insights into our monetary and banking institutions. The *IBC Practitioner* has a broad base of knowledge to ensure a minimal level of competency in all of the areas a financial professional needs, in order to adequately discuss IBC with his or her clients.