2957 Old Rocky Ridge Road
Birmingham, Alabama 35243
BankNotes archives:
infinitebanking.org/banknotes
Nelson Nash, Founder
nelson31@charter.net
David Stearns, Editor
david@infinitebanking.org

Why the NNI?

Carlos Lara and Robert P. Murphy

At the February 2013 IBC Think Tank, the Infinite Banking Institute was launched. It was not a brand new entity, but instead it marked a more formalized structure through which Nelson Nash's Infinite Banking Concept (IBC) could be communicated to the general public and the financial services industry. David Stearns marked the transformation with a revamped website at www.InfiniteBanking.org. Under the umbrella of the newly created Infinite Banking Institute, the IBC Practitioner Program was also launched in February 2013. Two years later, at the February 2015 Think Tank, the institute was formally renamed the Nelson Nash Institute, or NNI.

In this short article, we will explain the motivation for these decisions, as we were actively involved in regular discussions with Nelson Nash and David Stearns when they made them. It is important for the general public and financial professionals to understand why the NNI exists, and to understand the relationship of the NNI to the IBC Practitioner Program.

A Beacon of Clarity for the Public

The primary purpose of the Nelson Nash Institute is to provide a source of information on the Infinite Banking Concept, as Nelson Nash himself conceived and developed the approach.

As with any revolutionary idea, Nash encountered resistance and confusion when he first tried to explain IBC to others in a 10-hour seminar (split over two days). This was to be expected. After all, he was turning everything they had been taught about banking and finance upside down! Nash eventually wrote Becoming Your Own Banker to codify his perspective in a slim volume intended for the general public.

As with any new paradigm, there were "early adopters" who recognized Nash's genius and wanted to do their part to help spread the message. Sometimes they would tweak the terminology and/or invent different rhetorical techniques to get people to put their busy life to the side and listen.

We understand why this happened. You've got soccer moms driving kids to practice and office workers who've been taught since childhood that the responsible way to "save for retirement" is to put as much into a 401(k) as the politicians will graciously allow. In this environment, working against these headwinds, it's understandable that some financial professionals resorted to provocative thought experiments and marketing techniques in order to be heard over the din of our busy world.

Without criticizing anyone's intentions, we must remark that this situation eventually made it quite difficult to communicate the original essence of Nash's vision. With various imitators running their own operations—some of whom were quite faithful to Nash's own views, but others who only paid lip service—the average person could no longer easily find out what "IBC" was all about. There were all sorts of books and videos, and heaven forbid someone tried to do an Internet search—it was like playing Russian roulette.

In this context, what was originally called the Infinite Banking Institute (IBI) was formed, formally launched at the IBC Think Tank in February 2013. Its purpose was to provide an authoritative source of education on what IBC really was, in the vision of its creator. Neither Nash nor those of us involved with this decision ever wanted to "put a fence" around IBC, or to tell others they were barred from adapting it for their own applications and clientele. To the contrary, what we set out to do was reaffirm IBC's credibility in order to promote its growth.

However, we did want to ensure that the public had a trustworthy source of solid education that was faithful to Nash's original conception. The public was free to peruse other sources of information—the more the merrier. But we wanted to pitch in and create a website, a YouTube channel, and a Workshop for the public that provided a consistent message that we could vet for accuracy and fidelity to Nash's vision. These were to be trusted outgrowths of the original, and revolutionary, message contained in Becoming Your Own Banker.

As mentioned above, two years after the launch of the Infinite Banking Institute, we decided that it was wise to rechristen it the Nelson Nash Institute (NNI). (We appreciate the suggestions made by some IBC Practitioners that encouraged us to take this route.) This name-change did not indicate a change of mission or content, but instead was intended to solidify Nash's legacy. Because there were so many variants of the IBC term, we thought it would resonate more with the public to name the Institute in honor of the patriarch. We (Carlos and Bob) want to stress that the name change has nothing to do with personal vanity; Nelson really does want whatever is most likely to help future generations discover the virtues of IBC. Indeed the original name of the institute was a reflection of Nelson's modesty and desire to point the spotlight on an idea rather than a man, but in retrospect we all agree that the Nelson Nash Institute is the right label.

The IBC Practitioner Program

Finally, we come to the IBC Practitioner Program. This is a stand-alone entity created under the umbrella of the Nelson Nash Institute. The NNI seeks to educate the public, yes, but it also seeks to educate financial professionals. After all, IBC involves the use of dividend-paying whole life insurance policies. Therefore, in order to correctly apply IBC to their own circumstances, members of the public will need to consult with qualified financial professionals who really understand how IBC works.

To put it succinctly, a financial professional who wants to incorporate IBC into his or her practice cannot simply read Becoming Your Own Banker, or even attend Nash's seminar, and consider that adequate training. Nash's books and seminar are designed for the general public. There are many nuances that a financial professional must know, in order to help a client tailor a particular policy to achieve desired objectives.

Nelson Nash, David Stearns, and we (Lara and Murphy) worked together to create the IBC Practitioner Program. It involved intense study of insurance textbooks and visits to home offices, as well as consultations with actuaries and other experts. The IBC Practitioner Program includes an initial interview before acceptance into the program, an in-depth training curriculum involving written and video instruction, a proctored exam, and (for those who are new to the industry) a mentorship period. After these hurdles have been passed, the candidate graduates from the Program and is now an authorized IBC Practitioner. The public can locate these professionals on the Practitioner Finder at: www.InfiniteBanking.org/Finder.

Conclusion

To be sure, there is much more we could say about the circumstances leading up to the formation of the NNI and the IBC Practitioner Program, and the decisions we have all made along the way. But we know the reader's time is valuable, so we shall stop here. For those new to IBC, we encourage you to visit www.InfiniteBanking.org to sample some of the material, or the YouTube channel for those who prefer that medium.

It's always a good time to take control of the banking function in your life, but there is particular urgency in our current environment. The Federal Reserve has begun raising interest rates, and we fear that many people who trusted "the experts" are going to experience significant financial pain in the coming years. We can't prevent such fallout, but individual households and business owners can take stops to minimize the damage in their own lives. We urge you to investigate the revolutionary Infinite Banking Concept that Nelson Nash has presented to the world.

Why Capitalists Are Repeatedly "Fooled" By Business Cycles

DECEMBER 21, 2015 — Frank Shostak

According to the Austrian business cycle theory (ABCT) the artificial lowering of interest rates by the central bank leads to a misallocation of resources because businesses undertake various capital projects that — prior to the lowering of interest rates — weren't considered as viable. This misallocation of resources is commonly described as an economic boom.

As a rule, businessmen discover their error once the central bank — which was instrumental in the artificial lowering of interest rates — reverses its stance, which in turn brings to a halt capital expansion and an ensuing economic bust.

From the ABCT one can infer that the artificial lowering of interest rates sets a trap for businessmen by luring them into unsustainable business activities that are only exposed once the central bank tightens its interest rate stance.

Critics of the ABCT maintain that there is no reason why businessmen should fall prey again and again to an artificial lowering of interest rates.

Businessmen are likely to learn from experience, the critics argue, and not fall into the trap produced by an artificial lowering of interest rates.

Correct expectations will undo or neutralize the whole process of the boom-bust cycle that is set in motion by the artificial lowering of interest rates.

Hence, it is held, the ABCT is not a serious contender in the explanation of modern business cycle phenomena. According to a prominent critic of the ABCT, Gordon Tullock,

> One would think that business people might be misled in the first couple of runs of the Rothbard cycle and not anticipate that the low interest rate will later be raised. That they would continue to be unable to figure this out, however, seems unlikely. Normally, Rothbard and other Austrians argue that entrepreneurs are well informed and make correct judgments. At the very least, one would assume that a well-informed businessperson interested in important matters concerned with the business would read Mises and Rothbard and, hence, anticipate the government action.

Even Mises himself had conceded that it is possible that some time in the future businessmen will stop responding to loose monetary policy thereby preventing the setting in motion of the boom-bust cycle. In his reply to Lachmann (*Economica*, August 1943) Mises wrote,

> It may be that businessmen will in the future react to credit expansion in another manner than they did in the past. It may be that they will avoid using for an expansion of their operations the easy money available, because they will keep in mind the inevitable end of the boom. Some signs forebode such a change. But it is too early to make a positive statement.

Do Expectations Matter?

According to the critics then, if businessmen were to anticipate that the artificial lowering of interest rates is likely to be followed sometime in the future by a tighter interest rate stance, their conduct in response to this anticipation will neutralize the occurrence of the boom-bust cycle phenomenon. But is it true that businessmen are likely to act on correct expectations as critics are suggesting?

Furthermore, the key to business cycles is not just businessmen's conduct but also the conduct of consumers in response to the artificial lowering of interest rates — after all, businessmen adjust their activities in accordance with expected consumer demand. So on this ground one could generalize and suggest that correct expectations by people in an economy should prevent the boom-bust cycle phenomenon. But would it?

For instance, if an individual John, as a result of a loose central bank stance, could lower his interest rate payment on his mortgage why would he refuse to do that even if he knows that a lower interest rate leads to boom-bust cycles?

As an individual the only concern John has is his own well being. By paying less interest on his existent debt John's means have now expanded. He can now afford various ends that previously he couldn't undertake.

As a result of the central bank's easy stance the demand for John's goods and services and other mortgage holders has risen. (Again it must be realized that all this couldn't have taken place without the support from the central bank, which accommodates the lower interest rate stance.)

Now, the job of a businessman is to cater to consumers' future requirements. So whenever he observes a lowering in interest rates he knows that this most likely will provide a boost to the demand for various goods and services in the months ahead.

Hence if he wants to make a profit he would have to make the necessary arrangements to meet the future demand.

For instance, if a builder refuses to act on the likely increase in the demand for houses because he believes that this is on account of the loose monetary policy of the central bank and cannot be sustainable, then he will be out of business very quickly.

To be in the building business means that he must be in tune with the demand for housing. Likewise any other businessman in a given field will have to respond to the likely changes in demand in the area of his involvement if he wants to stay in business.

A businessman has only two options — either to be in a particular business or not to be there at all. Once he has decided to be in a given business this means that the businessman is likely to cater for changes in the demand for goods and services in this particular business irrespective of the underlying causes behind changes in demand.

Failing to do so will put him out of business very quickly. Now, regardless of expectations once the central bank tightens its stance most businessmen will "get caught." A tighter stance will undermine demand for goods and services and this will put pressure on various business activities that sprang up while the interest rate stance was loose. An economic bust emerges.

We can conclude that correct expectations cannot prevent boom-bust cycles once the central bank has eased its interest rate stance. The only way to stop the menace of boom-bust cycles is for the central bank to stop the tampering with financial markets. As a rule however, central banks respond to the bust by again loosening their stance and thereby starting the new boom-bust cycle phase.

Comment by R. Nelson Nash – This article demonstrates the need for individuals to secede from the system by learning to become their own banker as taught by the NELSON NASH INSTITUTE. There are thousands who have done so and they could care less what the interest rate manipulations by the FED is doing.

In a Post-Boom World, Auto Prices Will Fall

JANUARY 19, 2016 — Patrick Barron

It seems that each new bubble brings forth claims that, although the bubble may be the result of artificially created demand, prices of this or that product will not fall and may even continue to rise. How many so-called real estate and financial planning "experts" claimed that the surest path to financial security was in buying the largest house possible with the least amount of one's own money?

The Boom: McMansions and Luxury Cars

Since home prices never go down — we were told — the gain from using OPM (other people's money) resulted in huge multiples of gain for the little invested of one's own money. Thus, in the first decade of the new century, Americans were buying so-called McMansions: huge homes with every imaginable feature. When the bubble burst, the leverage effect worked in reverse. Mortgage balances far exceeded the lower market price, creating the so-called "underwater mortgage." Lower prices had wiped out not only the little equity contributed by the buyer, but created a negative equity balance. Buyers abandoned their heavy mortgages and sought smaller, lower priced homes. It turned out that home prices did not grow to the sky, as the pundits had predicted.

The same is true of automobiles, and especially those bought with auto loans. Easy credit has enticed car buyers into ever more luxurious and amenity-laden vehicles. It is impossible today to buy a new car that is not loaded with luxury entertainment, navigation, and safety features that were unknown only a few years ago.

Many of these features would never have been sold in such quantities without the benefit of easy credit. As a frequent car rental customer, I have been exposed to these features and have found them difficult to use at best and completely unnecessary and distracting at the worst. On a recent business trip my modest sized four door Buick sedan's speedometer was projected onto the windscreen and the lane proximity warnings beeped at me constantly. I never did figure out how to turn off these annoying devices, which, I admit, may be desired by a marginal few drivers. But we Austrians know that all economic choice is based on a hierarchy of preferences. The cost of each preference is measured in the alternative preferences one sacrifices. Make some preferences cheaper and they move up our personal scale. Easy auto credit meant that buyers did not have to sacrifice as many alternative uses for their money.

Last week, Tommy Behnke in *Mises Daily* predicted that auto prices will fall as the bubble bursts from the artificially created demand generated from excessive credit creation. Behnke pointed out that car production has increased a whopping 100 percent since 2009, but that apologists for government's monetary stimulus programs see this fact as proof of the success of their Keynesian, aggregate demand hypothesis.

Behnke, on the other hand, took the Austrian perspective that the government has simply substituted a bubble in subprime auto loans for the bubble in subprime home loans. As defaults rise and automobile loan credit tightens, the result will be the same. Namely, a flood of used cars, and falling prices. The same happened with homes following the burst of the last bubble: a flood of "used" houses, and falling prices.

Surprisingly, the article attracted a number of reader comments predicting that used car prices would not fall, allegedly due to increases in complexity of cars or increases in the difficulty of repairing them. Another suggestion was that large dealers will dominate the used car market and simply raise prices at will.

While it's certainly true that government interference — such as Cash for Clunkers — can raise the prices of cars, it is not true that private dealers (or any other private party) can simply raise the price. More complex and difficult-to-fix cars will not keep prices from falling in an environment in which the inventory of used cars is increasing.

Used Car Dealer or Used Car Collector?

There is one thing that we can know a priori: that an increase in the supply of some good or a drop in its demand will cause its price to be lower than that which it otherwise would be. There is no other way to clear the market.

Mises explained that, eventually, even a monopolist would prefer any price to zero price. Maintaining a price above the market clearing price produces zero revenue. In a flooded used-car market, car dealers must reduce their prices in order to avoid bankruptcy. Otherwise, the used car dealer ceases to be a dealer and becomes a collector. The laws of supply and demand have not been rescinded, even in a world with very expensive-to-build and complex cars. ***As the automobile bubble bursts, quality used cars will flood the market, creating a buying opportunity for those with cash.*** (bold italics by RNN).

As with houses, it doesn't matter how big or luxurious or complex you make new cars. When the credit bubble bursts, auto prices will not "always go up."

Comment by R. Nelson Nash – People that have learned to become their own banker are going to find some good deals in the near future!

ASSUME

By R. Nelson Nash

I'm in the process of writing a new book entitled — *It's All About How You Think* — I probably should include a subtitle – *And Sometimes How You Don't Think!* It is just part of our human nature and it can produce results that are both humorous and others that are tragic.

In most cases it seems to me that this failure to think probably involves the word ASSUME. Some people have made this observation: "When you dissect the word it can reveal that assuming some things in life will make an ASS -- U --- ME!"

Understanding this would probably include things like interpersonal relationships which can result in embarrassment to several parties. For instance -- like the man who told the lady her stockings were wrinkled – *and she wasn't wearing stockings*! His assumption was wrong and it produced some very interesting results, I'm certain. If you haven't made a *faux pas* of some kind like this then you have accomplished a miracle – or you just haven't lived long enough.

On the other end of the spectrum of assuming certain things can easily produce tragedies such as immediate death. As an example, this gives me the opportunity to tell you more about my experience as an Army Aviator with the Alabama National Guard.

In the birth month, a military pilot must get an annual physical examination, pass a proficiency check ride in the aircraft in which he is rated and is currently flying, and pass an instrument flight examination (if he is instrument rated). These last two check rides are conducted by qualified and certified check pilots.

Typically, a National Guard pilot attends two weeks of active duty each year at some military facility. He also attends a "week end drill" every month. For this Saturday and Sunday he is credited with four days of active duty pay. Additionally he is allowed to make 24 Flight Training Periods (FTPs) per year at his own schedule – or when he is called to perform a mission that has come up in his organization. For this he is credited with one day's active duty pay. The FTP required 6 hours duration to qualify as such.

All of this explanation is to set the stage for my story. With the foregoing understanding you may notice that a pilot can check into the flight facility at 4:00 PM on a Friday afternoon for a FTP which ends at 10:00 PM. If the regular drill weekend begins the next day and continues on Sunday then this results in five days of pay. This is good time management. (If this is not clearly understood, then go back and read these last three paragraphs).

Now, for the story: It occurred over 30 years ago in March, my birth month. A NG drill weekend was coming due. I had arranged for an Instrument Check Pilot – who was a member of our unit -- to come to Birmingham NG facility on Friday to conduct my Instrument Check Ride during a FTP for the both of us.

This man worked at Ft. Rucker, AL and was an *Instrument Flight Instructor* there. He had finished a full day of work. It is a three hour drive from Ft. Rucker to Birmingham. Our FTP starts at 4:00 PM. This means that Frank (his real name – by the way, he and I share the same birthday except that he is several years younger than I) has been up and working for eleven hours by this time.

We met and made our flight plans for the check ride. Paperwork! This took at least 45 minutes to an hour before we even got in the airplane -- a Beechcraft Baron. The military designation is a T-42. It is a four-place twin engine with 230 hp each. It is a real joy to fly! During the making of the flight plan Frank asked me, "How long has it been since you have made a VOR approach?" (VOR stands for Visual Omni Range. **This approach is a non-precision approach *– one in which you descend no lower than 700 feet above the surface of the airport.*** By the way, the airport elevation at Decatur is 592 feet above sea level. If you haven't broken out of the clouds by that time then you will have to go to your alternate airport that has a higher cloud ceiling. Remember this fact. It will be necessary for you to understand the rest of my story.)

I replied, "It has been a number of years." Frank said, "Let's fly to Decatur, AL --- do a VOR approach – then go over to Huntsville and do an ILS approach there and come on back to Birmingham. (An ILS is a Precision Approach that allows you to descend as low as 200 feet above ground. If you have not broken out of the clouds at that level then you must go to your alternate destination). So that was our plan.

During a check ride the Check Pilot also has to perform the function of Co-pilot. He has to perform all the other pilot functions that I direct him to do. I have to wear a hood that limits my vision to the instrument panel (unless I tilt my head backward. At that point I can look forward through the windscreen). This means that he will be reading all the directions on the Approach Plate for the airport at which we will make at the particular airport. (The Approach Plate is a diagram and contains all the pertinent directions to conduct the approach).

At least two hours had passed by the time we were under way in the flight and darkness is approaching. We are travelling North to Decatur, yet the Approach Plate procedure requires that we do so headed South. It was dark when we arrived at the Decatur VOR station which is located on the airport. We had to reverse course to make the VOR Approach. Acting as the co-pilot, Frank was responsible for reading all the Approach Plate information to me to accomplish this maneuver. I announced to Frank, " We have arrived at the VOR. Give me our outbound heading and altitude limitations for the 'procedure turn' to reverse course for the 'final approach leg.' which we will be intercepting at a 45 degree angle." Frank complies with my request.

I said to Frank, "We have completed the procedure turn and are now on our final approach leg. Give me the minimum descent altitude for this approach." Frank responds, "**700 feet.**" I have completed the pre-landing check and we are descending to the airport at an air speed of 100 miles per hour.

When we got to 700 feet above sea level – and with my hand on both throttles I said, "We are at 700 feet and I am starting the go-around procedure." Frank yelled, "PULL UP !! TREES !!!!" Immediately I shoved the throttles to maximum power and yanked back on the control column. I raised my head at the same time so that I could see over the instrument board. I saw nothing but darkness. A split second later I saw the runway lights of the airport. What that means is that *we were below the level of the trees – and probably less than 50 feet above the ground!!*

We climbed to cruising altitude and flew for at least ten minutes without either of us saying anything – just realizing that we came within two or three seconds of certain death! I wonder what a blood pressure check on either of us would have looked like if taken at that time!! Finally, Frank keyed the microphone and said, "I've just been thinking about how this would be reported in an accident investigation if we had crashed two or three seconds before that abrupt pull-up? *Two old, high flight time pilots just flew a perfectly good airplane into the ground?* Please understand – at that time I had over 5,000 hours flying time and over 1,000 of them were in instrument flight conditions. Frank had more than three times that number of hours – *and was an instrument flight instructor at Ft. Rucker.*

So, how does one explain this near-catastrophe? I believe it to be simple. *Both of us were guilty of ASSUMING*. Although I had been flying for many years in North Alabama and knew that the field elevation of the Decatur airport was 592 feet and I knew that the VOR approach is a non-precision one (with a minimum descent altitude of 700 feet above the airport surface – then Frank should have given me a minimum descent altitude of 1,300 feet. He simply gave me the wrong number listed on the Approach Plate. But, in my mind, I'm *assuming* "Frank is an instrument flight instructor, so just do what he tell you to do."

Remember that Frank had done a full day's work, and then driven three hours to Birmingham before our FTP period started. So, fatigue is probably a factor in this event also. I had put in a full day's work, too. But, *he was assuming "this is an older pilot with lots of experience so I can just relax and enjoy the flight on a beautiful night.*"

As I cited back in the first paragraph of this article – assuming certain things can produce both good and bad results. Most of them would fall in the good category. Life would be miserable if we had to *think* about every little thing we do in life. But remember, just one bad assumption can cancel out a hundred good ones!

There are lots of good lessons that can be learned from this story.

VISION

by Leonard E. Read

Note - Frequent readers of BANKNOTES are aware of my relationship with Leonard E. Read and my admiration for his works during his lifetime. In the following issues I will be sharing his book, VISION, one chapter per month. It was written in 1978. What a privilege it was for me to know this great man! -- R. Nelson Nash

Chapter 8

WHY FREEDOM WORKS ITS WONDERS

> You read of but one wise man, and all that he knew was – that he knew nothing.
>
> --- William Congreve

Here is my explanation of why men, when free to try and to act creatively as they please, produce miracles by the millions. Is mine the right and final answer? No such claim is warranted by me on this subject or by anyone on any subject. Nevertheless, I am bound to seek for and to share with others that which seems to be right.

The wise man referred to by the English dramatist, Congreve (1670 – 1729) was Socrates. It wasn't that this great Greek knew nothing. Everyone above the moronic level knows a wee bit of something. The wisdom of Socrates might be thus paraphrased:

The more I know the more I know there is to know.
The more I see the more I know there is to be seen.

Not many of us see ourselves in this light. Only rarely do we encounter anyone who is keenly aware that the more he knows, the more he knows he doesn't know. Yet, is this Socratic wisdom lies the explanation as to why freedom works its wonders.

Interestingly, freedom serves us well despite our unawareness. Why, then, dwell on the matter? The danger is that those who haven't the slightest idea of how little they know will become our masters. Indeed, we have, for some time, been on that deplorable road. The know-it-alls have been gaining and exercising political power. So, it's high time that power be withdrawn. How? Socratic wisdom is the key.

How explain that the more I know the more I know there is to know or the more I see the more there is to be seen? The answer relates to the distinction between Infinite Consciousness – the limitless unknown – and finite consciousness – our infinitesimal bits of know-how.

To assist in making the point here a issue, visualize a blackboard having no boundaries – none whatsoever – the unknown. Next, with white chalk draw a circle the size of a silver dollar to symbolize consciousness achieved, say, ten years ago. Now, draw a circle five feet in diameter to symbolize today's consciousness – an admirable growth. But take note of this fact; the circumference, the exposure to darkness – the unknown – is nearly 100 times that of a decade ago. *The more a growth in consciousness is experienced, the nearer one comes to a realization that he knows nothing. Socrates was wise, indeed!*

Unfortunately, those who experience no growth in awareness, perception, consciousness won't understand my illustration either. Unless one is daily becoming more and more aware of how little he knows or sees, he is not growing! Rather, he is dying on the vine, as the saying goes – stalemated! Thank heaven there are individuals who experience growth and who can see why freedom works its wonders – admittedly, and elusive truth.

We need only keep these points in mind:

1. A realization that every individual, regardless of pompous claims to the contrary, knows next to nothing.
2. Among the more than 200 million persons who

inhabit the U.S.A., no two are remotely alike. Each possesses , at best, a wee bit of expertise unlike that of any other individual.

3. The only wisdom that graces us with an abundance of goods and services stems exclusively from these millions of infinitesimal know-hows freely flowing and configurating. Every one of these blessings is an aggregation of tiny think-of-that's – no exceptions!

To me, it is self-evident that we should leave all creative activities – education of whatever – to the free and unfettered market where the wisdom is. What can be more absurd than leaving our welfare to those who have no awareness that they know not, that is, to such low-grade ignorance.

No one knows how to make such a simple thing as an ordinary wooden lead pencil. So, what about complex things as a 747 jet airplane? That transportation marvel has about 4,500,000 parts, and not a man on earth knows how to make any one of these parts. When aloft I one of the miracles of the market, I often reflect on a remarkable blessing; the Socratic wisdom.

As I have written before, "What gives socialism appearance of working is the freedom socialism has not yet destroyed." Or phrase it this way: What gives those who are unaware of their know-nothingness the appearance of being responsible for our prosperity is the wisdom of the market they have not yet eliminated.

Appearances! How false and misleading most of them are, particularly in the politico-economic realm. Here are several thoughts on appearances by a few graced with Socratic wisdom, including Socrates himself:

Judge not according to the appearance. – *John 7:24*

Always scorn appearance, and you always may.
– *Emerson*

We should look to the mind, and not to the outward appearance. – *Aesop*

We are deceived by the appearance of right. –*Horace*

There is no trusting in appearance. – *Sheridan*

Don't rely too much on labels for often they are fables. – *Spurgeon*

You look wise. Pray correct that error. – *Lamb*

The final good and the supreme duty of the wise man is to resist appearance. – *Cicero*

Beware, so long as you live, of judging men by their outward appearance. – *La Fontaine*

The shortest and surest way to live with honor in the world, is to be in reality what we would appear to be. – *Socrates*

As to how we should proceed not only to preserve but to increase the wonders wrought by freedom, the answer is as easy to state as it is difficult to accomplish.

Pay no heed to appearances! Look clearly through the political fog.

In appraising a person, whether he be in or out of office, examine his avowed principles. Should the individual claim a devotion, then determine if his practices are consistent therewith – no "buts," no "leaks"! If his practices belie his preaching, place no faith in him. But if he consistently practices the freedom he espouses, he will be a worthy partner in explaining where the wisdom is and why its miraculous accomplishments.

For encouragement, reflect on the growing number who are coming to light as partners in this intellectual enterprise. We discover more and more of them from the near and ancient past. And I am personally acquainted with several thousand who have achieved this goal in recent years. But even more encouraging are the countless thousands seeking and discovering this truth, not a fraction of one per cent of whom ever heard of you or me or we of them. The point is that any friend of freedom is a friend of yours and mine. None of us stands alone.

To claim that the wisdom in the free and unfettered market is a trillion times greater than possessed by any single person would be gross understatement. Of one point we can be certain; there are enough individuals sufficiently wise to see through all the sham and to capture and exemplify this truth.

THE TRUTH SHALL MAKE YOU FREE!

Is the Auto Loan Bubble Ready to Pop?

JANUARY 11, 2016 — Tommy Behnke

On Tuesday, it was announced that over seventeen million new vehicles were sold in 2015, the highest it's ever been in United States history.

While the media claims that this record has been reached because of drastic improvements to the US economy, they are once again failing to account for the central factor: credit expansion.

When interest rates are kept artificially low, individuals are misled into spending more than they otherwise would. In hindsight, they discover that their judgment errors wreaked havoc on their financial well-being.

This is a lesson that the country should have learned from the Subprime Crisis of 2008. Excessive credit creation led too many individuals to buy homes, build homes, and invest in the housing industry. This surge in artificial demand temporarily spiked prices, resulting in over four million foreclosed homes and the killing of over nine million US jobs.

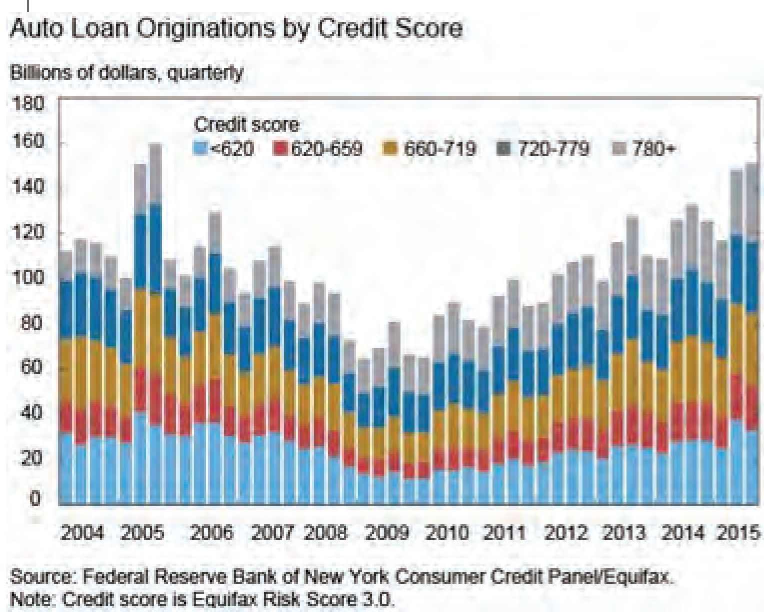
Instead of learning from the mistakes that sent shock waves throughout most of the planet, the Federal Reserve has continued with its expansionist policies. Since 2009, the money supply has increased by four trillion, while the federal funds rate has remained at or near zero percent. Consequently, the housing bubble has been replaced with several other bubbles, including one in the automotive industry.

Automotive companies have taken advantage of the cheap borrowing costs, increasing vehicle production by over 100 percent since 2009:

YEAR	NET VEHICLE PRODUCTION	YEAR OVER YEAR CHANGE	CHANGE SINCE 2009
2009	5,709,431	-34.3%	
2010	7,743,093	+35.6%	+35.6%
2011	8,661,535	+11.9%	+51.7%
2012	10,335,765	+19.3%	+81.0%
2013	11,066,432	+7.1%	+93.8%
2014	11,660,699	+5.4%	+104.2%

Source: OICA

In order to generate more vehicle purchases, these companies have incentivized consumers with hot, hard-to-resist offers, similar to the infamous "liar loans" and "no-money down" loans of the 2008 recession. Dealerships have increased spending on sales incentives by 14 percent since last year alone, and the banners in their shops now proudly proclaim their acceptance of any and all loan applications — "No Credit. Bad Credit. All Credit. 100 Percent Approval." As a result, auto loans have increased by nearly $80 billion since 2009, many of which have been given to individuals with far-from-stellar credit scores. Today, almost 20 percent of all auto loans are given to individuals with credit scores below 620:



Source: New York Fed

Not only are more auto loans being originated, but they are also increasing in duration. The average loan term is now sixty-seven months (that's 5.58 years) for new cars and sixty-two (that's 5.16 years) months for used cars. Both are record numbers.

Average transaction prices for new and used cars are also at their record highs. Used car prices have increased by nearly 25 percent since

2009, while new car prices have increased by over 15 percent. Part of this has to do with the increasing demand for cars generated by the upsurge in auto loans. The main reason, however, is that consumers — taking advantage of the accessibility of cheap credit — are purchasing more expensive body styles. This follows the housing bubble trend, when the median size of a newly built single-family home rose to 2,272 square feet at the start of 2007.

We all know the end result of the Great Recession — prices soared, millions of houses were foreclosed, and unemployment surged. Demand for homes then plummeted, and home prices ultimately dropped by 20 percent each month.

The auto bubble has yet to burst, but its negative effects are already starting to gradually appear. For one, delinquencies on car loans have increased by nearly 120 percent, from just over 1 percent in 2010 to 2.62 percent in 2014. Since cars rapidly depreciate in value, this number is projected to spike. By the time these six, seven, and eight year no-money down loans are due to be paid in full, many of these vehicles won't be worth paying off anymore — maintenance and loan costs will start exceeding the value of the cars.

According to the Center for Responsible Lending, one in every six title-loan borrowers is already facing repossession fees. If defaults sharply increase in the coming years as projected, the market will become flooded with used cars, and their prices will, with near certainty, fall to a significant degree.

At a time when labor force participation is at its lowest level since 1977 — at a time when real wages are rising less than they have since at least the 1980s — it is imperative that the Federal Reserve stop misleading individuals into making irrational investments. The economy is simply too frail to continue weathering these endless business cycles. Economists, politicians, and the general populace need to start learning from their economic history so they can begin recognizing that favoring debt over thrift isn't beneficial to the country's financial well-being. Failure to do so will simply lead to more bubbles, more mal-investment, and more economic headaches in the years to come.

Comment by R. Nelson Nash – The very thought of the FED "stopping their misleading individuals into making irrational investments" is totally irrational. The unspoken mission of the FED is to control your life! Hence, the need to secede from their system.

Welcome the newest IBC Practitioners https://www.infinitebanking.org/finder/

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

- Stuart Gaines - Birmingham, AL
- Jon Vavra-Fong - Castle Rock, CO
- Steve Minnich - Newport, WA
- Dale Moffitt - Calgary, AB, Canada
- Stephen Devlin - Vancouver, BC, Canada
- Franz Griswold - Dansville, NY
- Howard Silvermintz - Atlanta, GA
- Justin Bauer - Cannon Falls, MN
- Michael Sparks - Clarksville, TN
- Eric O'Connor - Beaver, PA
- Linda Blue - Sunst Hills, MO
- Terry Hellenbrand - Waunakee, WI
- Brad Zabadal - Bartlett, IL

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.

Nelson's Favorite Quotes

The four most expensive words in the English Language are, "This time it's different." – Sir John Templeton.

"Nowadays people know the price of everything and the value of nothing." — Oscar Wilde

Nelson's Newly Added Book Recommendations https://infinitebanking.org/books/

Anatomy of the State by Murray Rothbard

Wealth, Poverty and Politics by Thomas Sowell

Man's Search for Meaning by Victor Frankl

NELSON NASH INSTITUTE

The IBC Work Shop is our premier Live Event for the public. It is a rare opportunity to listen to R. Nelson Nash, the creator of the Infinite Banking Concept, and best-selling author of the classic *Becoming Your Own Banker* live! Nelson will be joined on stage by Robert P. Murphy, Ph.D economist, and L. Carlos Lara.

The IBC Work Shop

Birmingham Jefferson Convention Complex (BJCC)

2100 Richard Arrington Jr. Blvd. North

East Meeting Rooms "A-C"

Birmingham, AL 35203

$50 per person, guests only $10 more with registered attendee.

Starts at 9:30 am on Saturday, February 13th and ends at 2:30 pm.

click here to Register Now

R. Nelson Nash is the discoverer and developer of The Infinite Banking Concept. Nash has spent over 58 years in the study of Economics (The Austrian School). He established a 35 year career as an Advisor-Agent with The Equitable Life Assurance Society and with The Guardian. Recognized for his high achievements, Nash was inducted as a Hall of Fame Member by The Equitable. He is a Chartered Life Underwriter, and Life Member of the Million Dollar Round Table. Author of the best-seller *Becoming Your Own Banker*, and *Building Your Warehouse of Wealth*

Robert P. Murphy is Research Assistant Professor with the Free Market Institute at Texas Tech. He has a PhD in economics from New York University. Murphy is the author of hundreds of articles and several books, including *The Politically Incorrect Guide to Capitalism*, the *Study Guide to Ludwig von Mises' Human Action*, and (with co-author Carlos Lara) *How Privatized Banking Really Works*. He is a co-creator of the Infinite Banking Concept (IBC) Practitioner's Program, an online training course for financial professionals.

Carlos Lara is CEO of United Services and Trust Corporation, a consulting firm specializing in business advisory services. Lara's experience at raising capital for privately held corporations and business rehabilitation background makes him a regular speaker at credit management conferences.He is a passionate advocate of the Austrian School of Economics. In 2010 he co-authored *How Privatized Banking Really Works - Integrating Austrian Economics with the Infinite Banking Concept* with economist Robert P. Murphy. He is a co-creator of the Authorized IBC Practitioner's Program for financial professionals and publishes the Lara-Murphy Report (LMR), a special on-line economic research and reporting newsletter.

Contact David Stearns at 205.276.2977 or david@infinitebanking.org