



NELSON
NASH
INSTITUTE

BANKNOTES

MONTHLY NEWSLETTER - APRIL 2016

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

Humans Are Hard-Wired to Value Some People over Others

March 9, 2016 Andrew Syrios

One of the most persistent — and fallacious — argument against the libertarian or *laissez-faire* position is that libertarianism is an “atomistic” and “selfish” philosophy that denies the obvious truth that human beings are a “social species” who long for a strong sense of community.

Perhaps David Masciotra’s semi-coherent rant best illustrates this line of thinking as libertarianism is a political program that “eliminates empathy” and “denies the collective.” That it is in “Opposition to any conception of the public interest and common good, and the consistent rejection of any opportunity to organize communities in the interest of solidarity” and is nothing but a “... rejection of all rules and regulations, and the belief that everyone should have the ability to do whatever they want.” To sum up, “It is infantile naïveté.”

Voluntary Relationships Are Extremely Valuable

Most good straw men are as self-evidently true as they are irrelevant. While it may be true that some libertarians want so much to be left alone that they would prefer to be left alone by not just the government but, well, everyone. The vast majority of people — including libertarians — understand quite well that human beings are a social and communitarian species. Libertarians simply believe human beings can self-organize and that it should be left to the individual which communities he or she will join and on what terms.

While a deontological argument could pretty much

end there, critics will once again point to the scientific fact that human beings are a social animal and that a “selfish” value system at odds with our nature is a utopian (or maybe dystopian) fantasy.

While libertarians focus on the primacy of the individual, that focus does not in any way necessitate atomism. The plethora of libertarian gatherings and meet-ups should prove that by itself. Nor does it infer selfishness (although Ayn Rand — who explicitly denounced libertarianism, but is often associated with libertarianism — might argue this point). Selfishness and altruism are not mutually exclusive. As the psychologist Robert Wright describes, “Love ... makes us want to further the happiness of others; it makes us give up a little so that others (the loved ones) may have a lot. More than that: love actually makes this sacrifice feel good.” The famous self-help guru Dale Carnegie made the same observation,

Every act you have ever performed since the day you were born was performed because you wanted something. How about the time you gave a large contribution to the Red Cross? Yes, that is no exception to the rule. You gave the Red Cross the donation because you wanted to lend a helping hand; you wanted to do a beautiful, unselfish, divine act.

People can be selfless, sure, but they do so in a selfish way.

Not All Human Relationships Are the Same

This goes beyond a simple misunderstanding of libertarian theory, though. These critics, usually from the Left, have confused the science on human empathy and altruism. In fact, libertarianism is probably the only philosophical framework that can rectify human nature with the modern world

in a peaceful way. The mistake stems from attempts to universalize humanity's natural social instincts. This can be illustrated by an interview Steven Pinker discusses between Zach De La Rocha and Noam Chomsky,

[De La Rocha]: Another unquestionable idea is that people are naturally competitive, and that therefore, capitalism is the only proper way to organize society. Do you agree?

Chomsky: Look around you. In a family for example, if the parents are hungry do they steal food from the children? They would if they were competitive. In most social groupings that are even semi-sane people support each other and are sympathetic and helpful and care about other people and so on. Those are normal human emotions. It takes plenty of training to drive those feelings out of people's heads, and they show up all over the place.

Chomsky's mistake is so self-evidently ridiculous it almost beggars belief. He is effectively drawing an equivalence between someone's own children and some guy that person has never met on the other side of the planet. Does it really take "plenty of training" for someone to care more about their own children than strangers? As Steven Pinker notes,

Unless people treat other members of society the way they treat their own children, the answer is a non-sequitur: people could care deeply about the children but feel differently about the millions of other people who make up society. The very framing of the question and answer assumes that humans are competitive or sympathetic across the board, rather than having different emotions toward people with whom they have different genetic relationships.

Indeed, Adam Smith noticed this very thing back in the eighteenth century when he wrote,

Let us suppose that the great empire of China, with all its myriads of inhabitants, was suddenly swallowed up by an earthquake, and let us consider how a man of humanity in Europe, who had no sort of connection with that part of the world, would be affected upon receiving intelligence of this dreadful calamity. He

would, I imagine, first of all, express very strongly his sorrow for the misfortune of that unhappy people, he would make many melancholy reflections upon the precariousness of human life, and the vanity of all labours of man, which could thus be annihilated in a moment. He would too, perhaps, if he was a man of speculation, enter into many reasonings concerning the effects which this disaster might produce upon the commerce of Europe, and the trade and business of the world in general. And when all this fine philosophy was over, when all the humane sentiments had been once fairly expressed, he would pursue his business, take his repose or his diversion, with the same ease and tranquility, as if no such accident had happened. The most frivolous disaster which could befall him would occasion a more real disturbance. If he was to lose his little finger to-morrow, he would not sleep to-night; but, provided he never saw them, he will snore with the most profound security over the ruin of a hundred millions of his brethren, and the destruction of that immense multitude seems plainly an object less interesting to him, than this paltry misfortune of his own.

While we were all shocked and saddened by the tsunami in Indonesia in 2004, the earthquake in Haiti 2010, the tsunami and subsequent nuclear meltdown in Japan in 2011 as well as every other such tragedy, how many people do you know that actually lost any sleep over it?

Scientists explain this selective empathy through either kin selection for family (they share our genes) or reciprocal altruism, which develops friendships; both of which are lacking to strangers and even most acquaintances. So while tragedy abroad comes off to most as an unfortunate curiosity, we have all seen, and likely know, of people taking extreme risks or making huge sacrifices to help people they know, love and care about. Siblings will donate kidneys or part of their liver to each other; parents will take absurd risks to save their children and the like. Yes, strangers can do these things too sometimes. Occasionally there will even be an anonymous kidney donation from a living donor, but it's quite rare. Indeed, the usual activism expressed at the suffering of strangers is to

press the retweet button or to join some group that furthers one's own self-identity.

The Limits of Human Relationships

This would further explain why the pop stars and movie stars are elevated so high in technological societies. It's not like the average pop star is thousands of times more talented than those that "didn't make it." Indeed, the exact same song that makes it to the top of the charts would usually be lost in obscurity if released by a "no name" artist. And we know this without any doubt because the same few people who write pop songs do so for many different pop stars. What happens is that individuals can only keep track of so many different people at once and thereby pick only a select few artists to care about. People associate music or movies they like with that celebrity and despite not knowing the person personally, that celebrity basically becomes a one-way "friend" of sorts.

Much of this may seem quite obvious, but it underlies the fact the human beings are neither purely competitive nor purely cooperative. Even within competitive institutions, there is a substantial amount of cooperation. Other than commission-based industries, virtually all companies rely first and foremost on internal cooperation to fulfill a competitive aim. Businesses even have to cooperate with each other, for example, when it comes to outsourced vendors and suppliers. The term "Co-optition" has even been coined to describe this phenomenon.

As noted above, the mistake the Left makes when criticizing libertarianism is to mistake humanity's cooperative instincts as universal. There's something called Dunbar's number that notes that human beings can only comfortably maintain approximately 150 stable relationships. There has been some bickering amongst various psychologists about whether the number is actually 100 or 250 or thereabout, but there is basic unanimity that the general thesis is true.

Malcolm Gladwell described in his book *The Tipping Point* that the company W.L. Gore and Associates discovered by trial and error that social problems

started occurring in any building that housed more than 150 people and thus reorganized to avoid such problems. Many other companies have started doing the same. Indeed, most groups, from social clubs to military units and the like tend to cluster around this number or even smaller. Even studies on social media have found that Dunbar's number holds true. Yes, you may have more than 150 Facebook friends, but how many of those are really, truly friends?

A study in *Nature* looked at how people played the prisoner's dilemma (a game that rewards cooperation, but only if all parties cooperate). As Christopher Allen describes, they created,

100 independent simulations with group sizes ranging from 2 to 512, and then [executed] each simulation 1,000 to 2,000 times. Each generation of the "players" was allowed to evolve different strategies of cooperation vs defection, the classic successful strategy being Tit for Tat. They would then evaluate the percentage of players who had cooperative strategies.

If punishment of defections was ruled out, they discovered that over the 1,000+ generations of the simulation that the rate of cooperation quickly crashes, such that at the group size of 8 a little over 50% cooperation evolved, and for groups that are larger than 16 none cooperate.

In essence, the evidence shows the humans either evolved or were created as a tribal species. And this fact is found in the typical group sizes of hunter-gatherer societies that still exist today. As Maria Konnikova notes, "The average group size among modern hunter-gatherer societies (where there was accurate census data) was 148.4 individuals."

Indeed, the evidence even indicates that this general phenomenon is true across all primates. As Robin Dunbar, Louise Barrett, and John Lycett note,

...a series of studies...showed that relative neocortex volume correlates with various measures of social complexity across primates ... [and] Humans fit this primate relationship between group size and neocortex size surprisingly well.

For most monkeys and apes, their “Dunbar’s number” for group size falls between five and 50.

So while human beings are not naturally atomistic, group cohesion, and cooperation are not univeralizable as many on the Left believe (or at least, want to believe). Of course we should treat everyone we come across — be it family, friend, or stranger with decency and respect. But, if naturally-cohesive human groups are small, as the scientific evidence clearly shows, then what sort of societal arrangement would best suit our species in the complex, modern world our minds are clearly not designed for? One governed by a massive state apparatus, or one of more localized, federated communities?

Comment by R. Nelson Nash – I still don't understand why people give credibility to the writings of people like David Masciotra. It should be obvious that the ideas of such folks' are nothing more than a desire to control other people.

Stalinism Through a Child's Eyes

March 22, 2016 J. Wiltz

In a 2012 interview with The Horn Book, Inc., Russian author Eugene Yelchin seemed to take quiet pride in his Newbery Award-winning book *Breaking Stalin's Nose* and its special designation as “the first children’s book about Stalin.”

This pride was well-deserved. *Like Watership Down* and *Maus* before it, *Breaking Stalin's Nose* tells a story that is not always pleasant, but which advanced young readers will enjoy and ask important questions about nevertheless. It is an incredible teaching tool for a world that has largely footnoted, rewritten, or forgotten about the murderous reign of Joseph Stalin.

Myth vs. Reality in Breaking Stalin's Nose

The protagonist of Yelchin’s tale is ten-year-old Sasha Zaichik, an idealistic boy living in the Soviet Union during the Stalin-era. Raised by his father, a state security officer whom he adores, young Sasha is a true Communist believer whose “greatest dream,”

according to the fan letter he writes to Stalin in the book’s opening pages, is “to join the Young Soviet Pioneers — the most important step in becoming a real Communist like my dad.” Throughout his first person narrative, he and the supporting characters around him continually sing the praises of their State-controlled society.

The Soviet Union is “the most democratic and progressive country in the world.” Sasha lives in a communal apartment with forty-seven other people who are “all equal.” Together, they share a single kitchen and toilet “as one large, happy family.” There is not enough food for everyone, but this is okay because “Communism is just over the horizon; soon there will be plenty of food for everyone.” Sasha is a student in the Soviet school system, “the most democratic in the world.” When he is confronted by a classroom bully, he does not retaliate because “The Pioneers rules are clear on this: no fights.” And presiding nobly over this most virtuous of social orders is the godlike Comrade Stalin, “our great Leader and Teacher.”

Even without the benefit of hindsight, Yelchin’s readers can see that these platitudes are transparently false. Sasha and his neighbors may be theoretically equal, but his father is an employee of the State and thus enjoys a much larger apartment than many of his comrades who are crammed into closets and stairwells with their wives and children. At least one member of Sasha’s “large, happy family” apparently resents this and plots to take over the apartment after (falsely) reporting Sasha’s father for being a spy. When a plaster bust of Stalin is accidentally damaged in Sasha’s school auditorium (the broken nose that gives the book its title), the non-violent students of the world’s most democratic school system are asked to compile enemies lists naming the schoolmates they believe to be responsible. Far from being the most progressive country in the world, the Soviet Union of *Breaking Stalin's Nose* is a secret police state where poisonous rumors are circulated, confessions are coerced, food shortages turn into famines, and children’s pictures are blotted out of classroom photographs.

Will the Real Joseph Stalin Please Stand Up?

The role Stalin himself plays in this tragic system is still a topic of debate more than sixty years after his death. Because his armies were instrumental in defeating Nazi Germany, it has become fashionable in some pockets of the radical Left to view Stalin as a great twentieth-century champion of anti-fascism and anti-imperialism. In both North America and the UK, members of the Stalin Society work to “defend Stalin and his work on the basis of fact and to refute capitalist, revisionist, opportunist, and Trotskyist propaganda directed against him.”

Those who actually knew Stalin were not quite as positive with their reviews. In 1956, just three years after he passed away, Stalin was denounced by Soviet Secretary Nikita Khrushchev in front of the Twentieth Congress of the Communist Party. Stalin's “grave abuse of power,” Khrushchev said, “caused untold harm to our party.” Elaborating on this point, he went on to say that Stalin had betrayed the fundamental spirit of Marxism-Leninism with his grotesque cult of personality and “brutal violence, not only toward everything which opposed him, but also toward that which seemed to his capricious and despotic character, contrary to his concepts.”

Sadly, many young people now attending American universities do not truly know enough about Stalin to consider him a hero or villain. To them, his is simply a name that gets thoughtlessly tacked to Hitler's whenever a list of dictators is compiled.

This view of Stalin is not possible for Sasha Zaichik, of course. To him, Stalin is an omnipresent second father figure. Even after his biological father is arrested by Stalin's goons in the middle of the night, Sasha's first instinct is to run to Red Square, where he wholeheartedly believes he can meet with Stalin and set everything right. Instead, he is quickly chased away by armed guards — a heartbreaking metaphor for the State's indifference to individual citizens and unwillingness to address the problems it has created.

By illustrating these and many other lessons, *Breaking Stalin's Nose* — which could easily be adapted as a film, stage play, or graphic novel — has the power to introduce a new generation of readers to the cruel

realities behind the fantasies of State power. In a children's book and film market overflowing with fictional dystopias, Eugene Yelchin has given us a remarkable look inside the real thing. Well done, comrade.

Comment by R. Nelson Nash – The ever-present feature of political leader's actions is to create a condition of dependency on government in the minds of citizens, which in reality is nothing more than dependency on the political leaders themselves. In other words, “Trust me, I know what's best for you!”

Job Growth Doesn't Mean We're Getting Richer

March 25, 2016 Ryan McMaken

In response to recent claims by the Obama administration and others that “millions of jobs” have recently been created, I examined the data here at mises.org to see if the claims were true. It turns out that job growth since the 2008 recession has actually been quite weak, and hardly something to boast about.

In spite of increases in the standard of living since then, working hours have actually decreased. Indeed, according to Robert Fogel in *The Fourth Great Awakening and the Future of Egalitarianism, from 1880 to 1995* the number of hours spent on work during an average day for a male head of household decreased from 8.5 hours to 4.7 hours. Meanwhile, leisure time increased from 1.8 hours to 5.8 hours.

In a separate study by Thomas Juster and Frank Stafford, it was found that from 1965 to 1981 in the United States, “market work” hours per week fell from 51.6 hours to 44 hours for men. For women, market work rose from 18.9 hours to 23.9 hours. We would expect an increase for women over this period as women began to take on “market work” at higher rates than before. This was for wage work only, though, and if we include “housework” we find that “total work” for women during this time period fell from 60.9 hours to 54.4 hours. Women exchanged some housework for market work over this period, but overall, the work hours decreased. Total work for

men decreased also, from 63.1 hours to 57.8 hours. (Housework increased for men over this period.)

In yet another study by Mary Coleman and John Pencavel, average weekly hours worked fell for white men from 44.1 hours in 1940 to 42.9 hours in 1988. It fell for white women from 40.6 hours to 35.5 hours over the same period.

The typical standard of living increased over these periods, as the square footage of housing units increased, automobiles became more common, and amenities like telephones, washing machines, personal computers, and climate control became more common. The work itself also became less hazardous over this time period.

The Invention of “Retirement”

Even as work hours were falling, productivity was rising enough to allow large numbers of workers to leave the work force early in the form of a new-fangled concept known as “retirement.” As explained by W. Andrew Achenbaum in *The Wilson Quarterly*, working well into one's so-called golden years was common in the 19th century and before. Prosperous farmers who owned land could afford to significantly cut back hours as they aged, but common laborers generally needed to work as long as possible or face penury.

It was only during the late 19th century, as worker productivity rapidly accelerated, that workers could withdraw from the workforce at an increasing rate. Many became obsolete whether they liked it or not, however. Achenbaum writes:

The obsolescence of the older worker is one reason the period around 1890 marks the beginning of the long-term trend toward the withdrawal of the elderly from the work force. In that year, about two-thirds of men aged 65 and older were still in the labor force — roughly the same proportion found today in developing countries such as Brazil and Mexico. By 1920, that number had dropped to 56 percent, and by 1940 it was down to 42 percent. Today it is 27 percent.

In the bad old days of subsistence wages, workers could labor for decades without many opportunities

to accumulate capital, and thus “retirement” was just another word for poverty. As worker productivity and capital accumulation rose, however, private firms could afford to create a new thing called “pension funds” which accelerated the retirement trend.

The advent of government pensions accelerated the trend as well, with large transfers of wealth from current workers to past workers. The fact that these wealth transfers did not reduce the current workers to subsistence levels themselves was also due to the productivity gains of the new industrialized and mechanized workplace. Essentially, workers were now supporting *both* themselves *and* current pensioners, while still experiencing perceptible increases in the standard of living. Such a situation would never have been politically feasible in an earlier age when workers would likely have revolted against a new tax that would have impoverished them for the sake of retired workers. This new world in which workers could support their families, plus some strangers they never met, was a triumph of markets that ironically allowed governments to get away with higher taxes.

So, Is Job Growth Progress?

Once upon a time, we measured economic progress in terms of the ability of households to feed themselves and sleep in a warm bed. We still do this in the developing world where “extreme poverty” is a real problem.

In the industrialized world, however, “extreme poverty” does not exist, and 78 percent of “the poor” have air conditioning, and a majority have cell phones. The lifestyle enjoyed by my mother in the 1940s would today be deemed “overcrowded” and “substandard” by federal agencies. At the time, such conditions were considered to be quite middle class. But, as Ludwig von Mises once remarked, “the luxury of today is the necessity of tomorrow.”

Apparently, if we were to measure necessary work in terms of the need to fund basic food and shelter, the number of work hours needed today would hardly constitute a full-time work schedule.

This is why over decades, we find that the amount of

labor done by human beings has declined over time. Machines now do the work that many people once did, and more economically.

This is why the US now has more industrial production today than in the past, even though fewer people are employed in manufacturing. This is why our grandparents worked more hours than our parents, even though standards of living are higher now than they were in the 1960s.

So, over the long term, we cannot say that more jobs equals more prosperity. In fact, one could just as easily argue that fewer jobs, fewer work hours, and fewer workers illustrates gains in prosperity. Child laborers, for example, are no longer essential to maintaining a family's standard of living. All those jobs are long gone.

So, how should we respond when politicians claim to have "created millions of jobs"? Should we assume this is a measure of economic improvement?

Over the short term, this may yet be a useful metric. We must ask ourselves if the economy changed fundamentally over the past ten years that would lead far fewer people to need employment. More importantly, we must consider if the price of goods and services has decreased significantly. Are more people voluntarily electing to adopt a lower standard of living for the sake of more leisure or to pursue non-market work?

These are all questions that should be considered when we speak of jobs and economic improvements. Really, the only measure that matters is real household wages and wealth, and what can be acquired with it. Anything else is groping for answers with tangential data, and the whole endeavor illustrates the limits of aggregated economic data.

Nevertheless, there's nothing wrong with skeptically picking apart government claims about economic successes, especially when it makes Washington look bad.

Comment by R. Nelson Nash-- You who are regular readers of BANK NOTES have probably noticed that Ryan McMaken is one of my favorite writers.

The Economics of Hunting and Species Conservation

March 3, 2016 Ryan McMaken

Remember Cecil the Lion? It was a lion who was hunted and killed in Zimbabwe last year, and when photos of the dead lion appeared on line, scores of first-world suburban white people cried out in anguish that a cute big cat was killed.

Well, according to the *UK Telegraph*, the backlash over Cecil may have reduced hunting in the region. But, as anyone familiar with how wildlife economics works, that hasn't saved any lions from death. It simply now means those lions must be culled by other means. That is, unless they're hunted down by wildlife management agents in the area, they'll die by some other, more painful, means. The conservancies simply can't handle the high cost of maintaining the larger lion population:

Bubye Valley Conservancy has more than 500 lions, the largest number in Zimbabwe's diminishing wildlife areas. It has warned that its lion population has become unsustainable and that it may even have to cull around 200 as a result of what is being called "the Cecil effect". Now Bubye is appealing for other institutions or wildlife sanctuaries to take some of its lions.

We can't blame anti-hunting efforts for everything, though. A worsening global economy, and a decline in oil prices has kept rich oilmen and other wealthy hunters away from trophy hunting. This means that the economic infrastructure that keeps these species alive has been weakening, with predictable effects.

As discussed here, we've known for many years that trophy hunting is an important factor in sustaining endangered species like African lions. The fact that hunters are willing to pay large amounts to hunt certain species gives the animals economic value. And this economic value gives people incentives to preserve and protect the species from extinction.

At the same time, this process of preservation can be very costly since a large amount of land is necessary

for conservation. Animals must also be managed to a certain population size that is large enough to be profitable, but small enough to avoid the effects of overpopulation.

Overpopulation leads to exhaustion of food supplies and the spread of disease, with some diseases decimating entire populations.

Some diseases, like chronic wasting disease in the US fail to destroy entire populations, but merely fester for years, causing animals to die painfully from the disease.

In many cases, overpopulation and a lack of hunting and predators facilitates this.

Naturally, managers of private hunting preserves, zoos, and livestock populations all are therefore motivated to prevent overpopulation.

Thus, in the case of hunting preserves, animals cannot simply be left to multiply unfettered, since to do so would be to endanger other species with extinction or to spread disease and starvation. Thus, the animals must be culled by other means, usually through hunting by employees of the preserve.

The Telegraph explains the many benefits of these private preserves:

Bubye, along with some game parks in neighbouring countries, has been bucking the trend [toward rapidly declining lion populations], according to a recent study, with healthy lion populations in “small, fenced, intensively managed, funded reserves”. The conservation area was founded 22 years ago by Charles Davy, the rancher father of Chelsy Davy, Prince Harry's former girlfriend. It is now majority-owned by Dubai World, the investment fund of the wealthy emirate's government.

Millions of pounds were spent fencing 2,000 square miles of land previously cleared of wildlife by decades of cattle farming. The fence was then electrified and hundreds of people were hired to protect wildlife imported to the park.

Bubye also supports schools and clinics in several districts and provides meat every month for people

nearby.

As well as its lion population, Bubye also has the third-largest community of black rhinos in Africa.

Government-managers of wildlife attempt to do the same thing, of course, although with perhaps less success. We don't need to go to Africa to see this. When hunters kill an insufficient number of elk in Wyoming, for example, government agents are called in to cull the population instead to prevent disease and starvation.

None of this, however, stops some self-styled animal-rights warriors on Facebook, most of whom have never worked with livestock or wildlife, from decrying the supposed "cruelty" of not simply letting animals "run free" in a manner that will presumably lead to Eden-like happiness for the animals.

The reality is something else entirely.

When a lion, for example, is not killed by a hunter, this simply means it will die by other means, such as starvation, disease, accidental injuries, or injuries sustained in territorial disputes with other lions — all of which are more painful than being shot to death.

A similar demise awaits all animals, in the wild, of course. Death comes largely through being torn to pieces by a predator, or, escaping that, through, disease or starvation.

Indeed, the best any living animal — that's not a personal pet — can hope for is the quick death offered by a slaughterhouse using the pioneering methods developed by Temple Grandin.

Perhaps most ironic is that many of the same people who vehemently want free-roaming animals, and who oppose "management" of animal populations, simultaneously demand draconian government controls and more widespread killing and sterilization of a specific animal species known as *homo sapiens*. Never mind the fact that humans are already self-regulating in this respect.

Note: The views expressed on Mises.org are not necessarily those of the Mises Institute.

The Long History of Government Meddling in the American Marketplace

February 29, 2016 Mike Holly

Although the causes of economic crises recurring throughout US history and often spreading worldwide can't be proven using empirical means, oppressive government regulations favoring special interests in relevant industries have preceded every crisis.

Typically, cronyism involves support of politicians in exchange for regulations denying others the freedom to compete with the moneyed interests (e.g., monopolies). Less competition leads to higher costs and lower quality. It reduces economic growth, jobs, wages, innovation, and productivity. Attempts to control economic growth through government spending and/or manipulating interest rates (e.g., stimulate growth with low rates) generally leads to more severe crises.

None of these things are recent phenomena, but can be found again and again throughout American history.

Mercantilism

After the Revolutionary War, when the agrarian economy was beginning to industrialize, politicians pursued British-style mercantilism, including colonialism, against natives and regulations blocking competition in banking and manufacturing. Financial panics and depressions resulted under a national bank in 1792 and from 1819–21 and state-regulated banks from 1837–43 and 1857–59.

The Civil War was a dispute between Republicans representing manufacturers in the North that blocked free trade with import tariffs against Europe, and Democrats representing agricultural plantations in the South that refused to replace slavery with mechanization using the North's high-cost goods.

Monopolization

The "Gilded Age of Capitalism" shifted the economy from agriculture to industry led by "robber barons" who lobbied mostly Republicans. The government

helped create railroad monopolies with low-interest loans, land grants, and special frontier privileges. The railroads formed a conglomerate that monopolized much of the rest of the economy by favoring large over small customers (e.g., Rockefeller's Standard Oil over farmers), large suppliers (e.g., Carnegie Steel), and big banks (e.g., J.P. Morgan).

Both railroads and banking (with both national and state banks) were implicated in the severe financial panics from 1873–78 and 1893–97, occurring during the Long Depression of 1873–96, and another panic in 1901. Banking regulation led to the panic in 1907.

During the Progressive Era, the US used regulation to form many of today's monopolies. From 1906 to 1910, Republicans led efforts to create state-regulated electricity and natural gas utility monopolies, and the Seven Sisters oil and physician oligopolies. In 1913, Democrats sanctioned the telephone monopoly and founded the Federal Reserve banking monopoly (i.e., which regulates the banks). After World War I, the Fed raised interest rates which led to the depression of 1920–21, which bankrupted many companies and led to manufacturing oligopolies, including in the automotive industry.

Thanks to these new frontiers in a regulated economy, by the 1920s, only 200 corporations controlled over half of all US industry and the richest 1 percent of the population owned 40 percent of the nation's wealth. As in recent times, the Fed responded by providing easy credit at low interest rates, which led to increased consumer and business debt, uneconomic and risky investments, and inflated assets, including stock prices (further increasing wealth disparity). After the Fed tried to raise interest rates, the result was the Great Stock Market Crash of 1929.

Nationalization

During the 1930s, the crash led to the Great Depression, the worst financial crisis in US history, and then spread from the world's largest economy globally, albeit with less severity abroad. Democrats, led by President Roosevelt (FDR) and supported by bankers, agriculture, oil, and labor, tried to redistribute wealth by limiting competition through government

takeovers, including trucking, airline, and housing industries, and restricting the supply of food and oil. This led to continued global depression and World War II, which was financed with debt.

Finally, the post-war boom or "Golden Age of Capitalism" saw a dismantling of wartime regulations and growing opportunities especially in manufacturing (like China today). During global rebuilding, the US became the world's economic leader with about 4 percent annual growth, even with increasing interest rates, decreasing debt, and high taxes. Although wealth disparity was historically low, Democrats increased regulation of necessities, leading to today's high costs.

FDR had taken money from taxpayers to subsidize home loans at low interest rates including guarantees from the Federal Housing Administration (FHA) since 1934, and securitization by the Fannie Mae secondary mortgage monopoly since 1938 (and Democrats added Freddie Mac to form a duopoly in 1970). After the war, the subsidies led to unsustainable demand for more expensive and larger homes, urban sprawl, and a shortage of affordable housing.

FDR had also taken money from taxpayers to subsidize favored farm crops, which discouraged alternative crops. After 1946, Democrats increased subsidies leading to inflated prices for farmland. Since 1973, the US has subsidized food overproduction leading to dumped exports that retard agricultural and economic development in the developing world and uneconomical bio-fuels protected by tariffs against Brazilian ethanol (until 2012). FDR had led support for the nationalization of oil industries (e.g., Mexico), and military spending to defend dictators in oil-rich countries (e.g., Saudi Arabia).

In 1965, Democrats led nationalization of about half of health care purchasing through Medicare and Medicaid. These programs, and later Obamacare, subsidized increased demand while the supply of doctors and hospitals has been restricted. The resulting health care crisis led to skyrocketing costs nearly triple those of other developed countries.

Psuedo-Deregulation

The dreaded stagflation of the 1970s is considered tied for the second worst financial crisis in US history. The Fed responded to inflation by raising interest rates, leading to the Great Recession of the early 1980s, which led to the Savings and Loan Crisis, and spread as the Latin American Debt Crisis. Since then, the Fed has been lowering rates overall.

Meanwhile, politicians claimed to be trying to increase cost efficiency through privatization of public industries, and foster competition through partial deregulation of private industries. Worldwide, politicians allowed the monopolists to write the rules, including preferential bargain sales to cronies, which led to even nastier deregulated monopolies.

Deregulation was limited mainly to common carrier industries, including airlines in 1978, trucking in 1980, telecommunications in 1996, and electricity and natural gas utilities during the 1990s, and also banking in 1999. For example, states allowed utilities to design rigged trading schemes, gain preferential access to transport lines, and sell assets to affiliates for pennies on the dollar. Deregulation declined after manipulations led to the California Energy Crisis of 2000.

Corporatism

After the energy crises and bursting of the internet bubble in 2000, big business Republicans and big government Democrats practiced corporatism. The US House Budget Committee explains: "In too many areas of the economy — especially energy, housing, finance, and health care — free enterprise has given way to government control in partnership with a few large or politically well-connected companies."

In 2003, regulations led to increased ethanol production from corn, but after that led to the 2007–08 Food Crisis, growth was stopped by mandates that the fuel be made from expensive-to-process cellulose.

Meanwhile, George W. Bush promoted home loans securitized through the Fannie and Freddie duopoly and the Fed's big banks, while encouraging the Fed to lower interest rates, leading to a bubble in home

ownership and prices. Soon after the Fed started raising rates, the bubble burst leading to the 2007–09 Subprime Mortgage Crisis, 2007–08 Financial Crisis (considered tied for the second worst financial crisis in US history), 2008–10 Automotive Crisis, and 2008–12 Global Recession.

In 2010, Dodd Frank gave politicians more oversight over the Fed's big banks, increasing influence peddling, and risks of crises. The Fed has been loaning trillions of dollars at low interest rates to the big banks. Lower rates can encourage financial engineering, like mergers, which allow bankers and corporate executives to bleed profits from large corporations, who receive preferential tax treatment, especially abroad. Since 1998, the financial sector has spent over \$6 billion lobbying Congress.

The Bank for International Settlements, or so-called "bank of central bankers," warns another global debt crisis is coming, and the debt-trap is now even worse than before 2007. The US has led many nations to continue to lower interest rates and accumulating private and public debt. Now, a slowing economy could make the debt toxic and lead to a financial crisis that would be hastened as the Fed raises rates. The Bank warns: "It is unrealistic and dangerous to expect that monetary policy can cure all the global economy's ills."

Obamacare could allow bureaucracies to control patient treatments and prices, while lobbied by the industry. Since 1998, medical interests have spent over \$6 billion lobbying Congress.

The Free Market Solution

Today, there is no party that favors true privatization or free markets. Republicans favor monopolization, while claiming support for free markets and blaming the Democrat's high taxes and regulations for crises. Democrats favor nationalization, while blaming non-existent free markets for crises. Meanwhile, many Americans appear to be embracing the regulatory nationalism of crony capitalist Donald Trump or the democratic socialism of Bernie Sanders.

The solution, however, is simply to take as much

power as possible out of the control of corruptible politicians and their special interest supporters.

Comment by R. Nelson Nash -- What a great article by Mike Holly! You would do well to commit this one to memory. You can lay all the actions Mike describes to the feet of Alexander Hamilton. For more insight on my assertion please read THE CURSE OF HAMILTON – by Tom DiLorenzo.

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 10

THE FOLLY OF COMPULSION

Compulsion is contrary to nature
– QUOTED BY ARISTOTLE

If it were obvious to Aristotle that compulsion is contrary to nature, why is it not obvious to more of us? For if it were obvious, then the number of us who act contrary to nature might decline. That's reason enough to reflect on this most serious of all social matters.

In Psychopathology, compulsion is defined as "*an irresistible impulse to perform some irrational act.*" In the pathology of our everyday life there are numerous examples of compulsory programs such as food stamps, social security, price controls, wage and hour fixing, tariffs, the Gateway Arch, on and on.

How many irrational acts are invading our society today? Count – if you can – the persons who are advocating compulsion for this or that type of special privilege and then multiply them by the number of compulsions they sponsor – from one to hundreds – and there's the answer. Compulsions by the millions, a massive affront to nature.

Aristotle was unquestionably correct when he said that compulsion is contrary to nature. And no one, to my knowledge, ever commented on nature more brilliantly than Goethe:

Nature understands no jesting, she is always true, always serious, always severe; she is always right, and the errors and faults are always those of man. The man incapable of appreciating her she despises and only to the apt, the pure, and the true, does she resign herself and reveal her secrets.¹

¹From Johann Peter Eckermann's *Conversations with Goethe*.

Goethe used the term "nature" as virtually synonymous with God (righteousness), as had Spinoza before him. Compulsion, therefore, is contrary to the highest we know – against the will of God!

It is self-evident that irrational acts are spawned by irresistible impulses. If the perpetrators could resist such impulses, no doubt they would do so! The reason they cannot resist is that they lack the insight and foresight to see where their own interests lie. The unknowing ones see as gains ignorant of the fact that this procedure must eventually lead to impoverishment of themselves and everyone else.

All "gains" by the compulsive political process – like and act of looting – result first in losses to the victims – those from whom taken. But matters do not stop there. When governments start the process of redistribution, certain consequences follow. Up go the costs of government beyond what can be collected by direct tax levies; inflation ensues; the dollar buys less and less. Merely witness what's going on right now in this and other countries. For a striking example of inflation and its consequences, there is the example of Germany after World War I. By August 1923, five billion marks wouldn't buy a loaf of bread!

Were these irrational persons attuned to nature and guided by enlightened self-interest, they would realize that those individuals gain most who serve best.

Receiving and giving – reciprocity – are two sides of the same economic and moral coin. Were they gifted with this understanding, they would not be impelled

to perform irrational acts. And how much better off the whole world citizenry would be!

Compulsion, the worst of all social follies stems of course from foolish acts of individuals – actions contrary to nature. Goethe's observations about nature, if understood will enlighten any of us who wish to learn. Here follows my attempt to grasp his insights

Nature understands no jesting – A jest is "a mocking or bantering remark." And a jester is "a professional fool employed by a ruler in the Middle Ages to amuse him with antics, tricks, jokes."

Must we go back to the Middle Ages for examples of jesting? Antics, tricks, jokes are as rife today as then! Observe our own political rulers and the professionals they employ to amuse the masses with double talk and folderol. And the rulers, no less than the masses, are amused, and for the identical reason; they don't know any better! To them it is a way of life.

Today's mass media are jammed with mocking or bantering remarks – jest, in the worst sense.

If one falls in step with these jesters, then there is no attunement with nature, with righteousness, with Creation. Nature – the will of God – tolerates no jesting.

She is always true, always serious, always severe – All truth has its source in nature – Creation. We do not know all that Creation is, but we do know *that* it is.

The best we are capable of, with our finite awareness, is to acknowledge Infinite Wisdom as the whole Truth and nothing but the Truth.

Taking one's self too seriously is fraught with danger. But not to take nature seriously is to deny Creation; it is to deaden that quality which responds to, and draws one toward, Infinite Wisdom.

Always severe? Indeed! As already noted, compulsions – acts contrary to nature – results in inflation and, thus, mass poverty. There is no escape. There are countless examples, more that we'll ever know, of how severe are the penalties of defying nature's immutable laws.

For instance, defy the law of gravity by jumping off a tall building! Kersplash! And if that isn't severe, pray tell, what is!

She (Nature) is always right, and errors and faults are always those of man – It is easily demonstrable that the more one knows the more he knows he does not know. Why? Nature – Infinity – has no boundary, thus, is beyond human comprehension. The more one knows, the greater is his exposure to the unknown or incomprehensible.

But an awareness of infinity is possible. How? By becoming aware that we cannot even comprehend finite space, a point in space beyond which there is no space. Or a point in time beyond which there is no time!

Approach the problem mathematically. Take the integer one. There is no point beyond which another one cannot be added. The same applies to the infinitesimal. Divide the integer one; $\frac{1}{2}$, $\frac{1}{4}$, on and on. There will never be a fraction so small that is not divisible.

Is it any wonder that nature – Infinite Wisdom – is always right and that the faults and errors are always those of finite man!

The man incapable of appreciating her she despises – The word “despises” bothers me. Nature which is always right – Righteousness – does not despise. I suspect that the translator of Eckermann's *Conversations* from German to English used a word that has different implications than Goethe had in mind. Perhaps “disregards” was meant, for that makes sense.

Who, then, are incapable of appreciating nature? The victims of the greatest of all faults and errors; the notion, seemingly on the increase, that there is nothing beyond their finite minds. *The infallible I!* Call it egoism or atheism or what you will. Were a speck of dust to compare itself to a galaxy, the comparison would be absurd.

Nature disregards – passes by – such absurdities!

Only the apt, the pure, and the true, does she resign herself and reveal her secrets – The apt, the pure, and

the true – what a glorious combination of virtues!

The apt; “quick to learn or understand”

The pure; “free from sin or guilt”

The true; “the rightful, faithful”

I shall conclude by quoting Adam Smith, that remarkable individual to whom nature did resign herself and reveal her secrets to an extent seldom recorded:

The statesman who should attempt to direct private people in what manner they ought to employ their capitals would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and *would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.*

Compulsion is contrary to nature, it is hostile to human liberty. My prayer is that the understanding of liberty and faith in free men may so develop that government will be limited to keeping the peace and invoking a common justice. Then, and not before, will the unimaginable wisdom of the free and unfettered market prevail to bless each and every one of us.

Then and not before will nature, on a grand scale, resign herself and reveal her secrets.

Nelson's Favorite Quotes

“Man, biologically considered,....is the most formidable of all the beasts of prey, and indeed the only one that preys systematically on his own species.” – William James

Matthew 7:20 “Therefore by their fruits you will know them.”

Nelson's Live Seminars & Events for April & May 2016

<http://infinitebanking.org/seminars/>

Toronto, Canada - Nelson Nash Live Seminar
April 22&23, 2016

Contact David Ashworth for attendance information:
(416)803-2966, ibcwealthmanagement@gmail.com

Toronto, Canada - Nelson Nash Live Seminar
May 7, 2016

Contact Stephen Devlin for attendance requirements.
stephen@macdevfinancial.com or 604-681-4683

Nelson Nash Live at the **Freedom Advisor Live Experience**, St Louis, MO May 10-12, 2016

Online registration [HERE](#)

Email for more information: e3teamlive@gmail.com

Sacramento, CA - Nelson Nash Live Seminar
May 20-21, 2016

Contact Kaye Lynn for registration information:
ff@kayelynn.com 916-806-1214

Rochester, MI - Nelson Nash Live Seminar
May 31, 2016

Contact Carissa Lammy for registration information:
carissa@advanced-capitalgroup.com, 810-579-5808

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:

- [Brian Fleming - Elm Grove, WI](#)
- [Dwayne Burnell - Bothell, WA](#)
- [Julie Ann Hepburn - Chicago, IL](#)
- [Manal Ivie - Little Rock, AR](#)
- [Jerold Wood - Robertsedale, AL](#)
- [George Roth - Edmonton, AB](#)
- [Chris Bay - Lawrence, KS](#)

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 Newly Added Book Recommendations

<https://infinitebanking.org/books/>

The Devil's Chessboard: Allen Dulles, the CIA, and the Rise of America's Secret Government – by David Talbot

The Power of Zero: How to Get to the 0% Tax Bracket and Transform Your Retirement – by David McKnight