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Why Evaluating Life Insurer Financial Strength is Important

By L. Carlos Lara

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In the wake of the 2008 financial crisis following the crash of the stock and real estate markets, Americans witnessed 1,200 of the estimated 7,000 commercial banks in the country stagger financially. As expected the FDIC sprang into action to cover bank depositor's funds, but what many people have never realized is that the FDIC literally ran out of money! The FDIC went \$9 billion in the hole and these reserves were shored up only after receiving a loan from the U.S. Treasury. But that's not all, in the midst of the catastrophe panicked investors of every stripe saw the typical money storehouses for retirement savings collapse with even one of the most financially sound money market funds (the Reserve Primary Fund)¹ "breaking the buck." Prompted by a flight to safety and to salvage remaining principal, millions of Americans poured huge sums of money into the insurance sector. Even the insurance industry's foundational product, the slow and boring dividend paying Whole Life contract, saw a resurgence it had not seen in decades. When at first it seemed like there was no place left in this entire country to put one's money, the life insurance sector—the epitome of conservatism—was left standing, just like it always had for over two centuries.

For all of those who are now on the inside of those fortresses of financial strength, but more importantly for all those who are currently contemplating coming inside, this *LMR* article is written with you in mind.

For the latter group, this article assumes that you are already investigating the *Infinite banking Concept (IBC)*, either because you have read Nelson Nash's book, *Becoming Your Own Banker*, or our book, *How Privatized Banking Really Works*, or perhaps because you are currently speaking to an Authorized IBC Practitioner who has introduced you to the concept. The substance of the present article is intended to fortify your knowledge so that you can make an informed decision. I have drawn heavily from a resource published by the *American Bar Association, (ABA)* which has provided me with new information to share with you. The traditional life insurance textbooks used in universities rounded out the remainder of my research. For those who already own an IBC policy, this article will only serve to broaden your understanding of the financial statements of life insurance companies.

It behooves us to make clear that the Whole Life contract used to practice IBC is only one of many different types of life insurance and annuity contracts within any given life insurance company. What we specifically want to analyze here, is not so much the different financial products, but the insurance carriers themselves. This analysis must first begin with the fact that life insurers are not immune to financial difficulty. To be sure, far fewer life insurance companies than banks and investment banks got into financial difficulty during the Great Depression of the 1930s and the Great Recession of 2008; even so, careful scrutiny of a life insurance companies' financial condition is always warranted.

The Guarantee is the promise embedded in the contract

The life insurance sector is completely different from

the commercial banking system and Wall Street. Fixed within life insurance policies are long-term, intangible financial promises not found in any other form of financial product. In effect, life insurance companies are obligated to fulfill their promises as written in their contracts *now*, or 65 years from now. In fact, no other financial product contains guarantees and options of such potentially long durations as those found in life insurers. Obviously, a lot can happen to the financial strength of the entity that supports these promises over such a long period of time. Consequently, the financial strength and integrity of a life insurance company are more indispensable to its customers than is true of most other firms.

Like commercial banks and the securities industry, the life insurance industry is among the most heavily regulated sectors in operation today. However, unlike the commercial banks and investment banks, which are regulated by the federal government, the individual state governments oversee the insurance industry and they are the ones that provide the rules and requirements on how companies should manage their finances and the products they sell. Although we have 50 states in the union, these insurance regulations, for the most part, are harmoniously similar.

When a life company experiences financial difficulty, state regulators take a very active role in its rehabilitation or in selling off the company to financially stronger competitors to make sure all insurer promises are fulfilled. In addition, “*State Guarantee Associations*, support payment of policyholder benefits of financially impaired insurers. In recent insolvencies, 100 percent of death benefits and 90 percent of policy holder benefits have been covered in full.”² Even in the case of the famous financial impairment of AIG, it is important to recognize that its financial difficulty was neither precipitated by nor related to its mainstream insurance operations. Although sections of its holding company became entangled in selling *credit default swaps*, AIG’s mainstream insurance subsidiaries, including its life subsidiaries, were not directly affected by the impairment of the holding company. In fact, when state insurance regulators—not the federal government—

stepped in to protect the insurance assets of its policyholders, it found them entirely intact.

A Life Insurance Company is a Liability-Driven Business

In a real sense life insurers can be considered to be a *liability-driven* business since they take funds from individuals and businesses today to make conditional payments in the distant future. These in effect represent the promises embedded in the contract. This leads life insurers to invest in a collection of long-term assets that consist mostly of bonds. Additionally, life insurance companies tend to purchase these fixed income securities with fairly long maturities in order to match their long-term liability commitments. This conservative investment strategy of matching the duration of assets to the duration of liabilities is known as ***asset-liability matching***. And, as one would expect, the management of life insurance companies, including their boards, have natural motivations to insure company financial strength and profitability. They understand that strong financial numbers garner decent ratings from their rating agencies, principally, *A.M. Best, Fitch, Moody’s Investor Services, and Standard & Poor’s*. But, they also want to avoid any undue attention and criticism from state insurance regulators. Therefore obtaining and maintaining financial strength is a priority.

What does it mean for a life insurance company to have financial strength?

To secure top rating, life insurance companies must have a strong balance sheet and operate profitably. A strong balance sheet means assets that exceed liabilities by a sufficient margin to enable the insurer to weather adverse operational and economic conditions with minimal disruption to operations and without provoking regulatory concern about the insurance company’s financial condition. This excess would be the company’s “***net worth***.” In insurance speak, this would be customarily called the “***surplus***,” or sometimes simply as “***capital***.” Here we should interject how life companies assemble their financial statements in contrast to other forms of enterprises. State regulators insist that insurers be measured using

*Statutory Accounting principles (SAP), “based on the notion that an insurer is worth only that which it can use to meet its present obligations—and those obligations (policy liabilities)—are themselves generally calculated conservatively.”*³ This approach may be differentiated from the more widely used *Generally Accepted Accounting Principles (GAAP)* that are predicated on the concept of a business being a “going concern.” This is a significant difference in that SAP rules resemble more the familiar and strict “*acid test*”⁴ in finance when analyzing financial statements of companies. Conversely, stock analysts typically use GAAP information for analyzing companies.

Can an insurance company be too secure?

This seems like an odd question to ask, yet even though policyholders want a financially strong company they also want low-cost insurance. In essence, what this really implies is that policyholders want the company to credit high interest rates to their cash values, to project low expenses and mortality charges, and/or to pay higher dividends. As you can see this creates a dilemma for management. The lower the interest rate credited and the higher the loading and mortality charges, the more financially secure the insurer will be because it builds up surplus. But it also makes for more expensive and less competitive policies, which affect their market share. Therefore, striking the right balance between maintaining a strong financial position and providing good value to policyholders is the on-going challenge of life insurance management. I specifically point out this special distinction because it might seem that the natural inclination would be for insurance companies to always aim to become and remain exceptionally strong financially, but the incentives influencing management to do so are debatable. Obviously, the first priority is still financial strength, but as we can see, there is a limit.

Examining the Life Insurance Company Portfolio

As we have already mentioned, the assets held by the insurance companies back the liabilities that arise from in-force policies. Asset growth occurs when cash inflows are greater than cash outflows. That we would agree makes perfect sense, but then

we have an interesting twist in our analysis. The life insurance assets (investments) are required by state regulation to be divided between two accounts that differ in the nature of the liabilities for which the assets are being held and invested. One account is known as the “**general account**” and the other as the “**separate account**.” An insurer’s general account supports guaranteed, interest-crediting contractual obligations, such as those arising from traditional life policies including Whole Life and Universal Life products. However, the asset composition of the separate account is materially different from that of the general account. All insurers’ assets in the separate account support liabilities arising from pass-through products for which all investment risk is borne by the policyholder. These products would include variable annuities and variable life products and are usually purchased to access equity market returns. They are considered to be riskier investments than those found in the general account and state regulators permit these riskier investments because variable life policyholders have control over their asset allocation. However, it needs to be underscored that variable life policyholders must look solely to the value of the separate account were the insurer to fail. Ordinarily, the insurer itself has no obligation to these policies. For this reason buyers wanting to tap the equity markets using variable policies must pay closer attention to insurer financial strength. On the other hand, it is also important to keep in mind that though separate account assets are indeed risky, they generally represent a much smaller portion of the entire portfolio of an insurance company.

Table 2⁵ taken from a recent study conducted by the Federal Reserve of Chicago on the entire insurance industry shows a broad and comprehensive overview of life insurance investments as of 2012.

Note the different category of investments and their percentages. Note also the difference and size in the General Account Assets compared to those in the Separate Account Assets. As one can see, assets in the two accounts fall into five main categories consisting of Bonds, Mortgages and Real Estate, Stocks, Policy Loans, and Cash and Miscellaneous. Notably 74.8 %

TABLE 2

Life insurance industry's aggregate assets, 2012

	General-account (GA) assets			Separate-account (SA) assets	
	Billions of dollars	Percentage of GA investments	Weighted average maturity (years)	Billions of dollars	Percentage of SA investments
Bonds	2,545.4	74.8	10.2	292.3	14.5
Treasury and federal government bonds	177.8	5.2	11.9	—	—
State and municipal bonds	125.8	3.7	14.3	—	—
Foreign government bonds	75.8	2.2	13.4	—	—
Agency mortgage-backed securities	229.6	6.7	10.0	—	—
Nonagency mortgage-backed securities	237.5	7.0	6.8	—	—
Asset-backed securities	170.9	5.0	9.1	—	—
Corporate bonds	1,504.4	44.2	10.1	—	—
Affiliated bonds	23.6	0.7	5.9	—	—
Equities	77.4	2.3	—	1,620.1	80.4
Mortgages	335.3	9.9	—	8.5	0.4
Real estate	21.3	0.6	—	7.6	0.4
Policy loans	127.5	3.7	—	0.5	0.0
Cash and short-term investments	106.4	3.1	—	18.1	0.9
Derivatives	41.6	1.2	—	0.7	0.0
Other investments	149.2	4.4	—	67.5	3.4
Total investments	3,404.1	100.0	—	2,015.3	100.0
Total assets	3,590.0	—	—	2,053.2	—

Notes: All values are for year-end 2012. Agency refers to a U.S. government-sponsored agency, such as the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac). Policy loans are loans originated to policyholders that are financed by cash that has accrued in their policies. The percentages of various bond classes in the general account do not total to the overall percentage of bonds because of rounding. Total assets also comprise reinsurance recoverables, premiums due, and other receivables (not listed).

Source: Authors' calculations based on data from SNL Financial.

SOURCE: Chicago Federal Reserve

of the life insurance industry's aggregate assets are in Bonds with 44.2 % made up of high quality corporate bonds.

The traditional elements of financial ratio analysis of life companies include the following:⁶

1. **Capital and Surplus Adequacy** = Surplus / Liabilities. The higher the ratio, the greater the indication of financial strength.
2. **Leverage** = (Net Premiums written + Deposits) / Surplus. The higher the ratio, the greater the exposure.
3. **Asset quality and diversification** = Non-investment grade bonds / Surplus. Or, Mortgages in default / Surplus. The lower the ratio pertaining to these assets, the better.

4. **Liquidity** = Unaffiliated Investments (assets other than those in the general and separate accounts etc., less the property occupied by the company) / Liabilities. The lower the ratio, the more vulnerable is the insurer to liquidity problems.

5. **Operational performance** = Net gain from operations / Surplus. A high ratio can reflect excessive leverage or low capitalization.

These few ratio analyses can be helpful to those who desire to look deeper into the interrelationships of these values, however, they will not be able to show the indirect elements of a company's market position, brand, distribution, product focus and diversification, or the competence of management. Even with this extra knowledge independent assessment of financial strength remains a complex and daunting task for

everyone but the technically competent. Fortunately, the insurer provides the general public a free report, prepared by the rating agencies, that describes the rating standing of the company. If one seeks to go further and desires to obtain an independent analysis, individual company ratings can be obtained directly from the rating agencies, either by subscription to their services or purchased on a case-by-case basis from their websites.

At this point we may be asking why we should even bother with such analysis if we already own a policy and are perfectly content with what we have. It's possible that after several years with one company a well informed policyholder may determine the company he is contracted with is weakening and feels safer moving his business to a more financially sound company or to a more suitable life insurance product. Such a move, under certain conditions, is certainly possible and is known as a **1035 exchange**.⁷ In such a move, the carryover of the cost basis of the surrendered policy into the new one avoids recognition of any gain or loss. This is just another of the many options afforded policyholders within the life insurance industry and information everyone should know.

Conclusion

Evaluating an insurance company's financial strength is obviously very important, but it is not simple. The purpose of this article was not to arm either the practitioner nor member of the general public with the full scope of tools for such an analysis, but rather to provide helpful background about life insurance companies that would enable individuals to better interpret and appreciate the significance of the financial information. The life insurance industry by its very nature and accounting practices is very conservative, yet it is not immune to financial reversals. Consequently, individuals looking to enter the insurance sector should, as a matter of sensible course, always look carefully at an insurance company's financial strength as given by the rating agencies. They are available upon request. Though rating agencies are not perfect, they are the best predictors of an insurer's financial health and buyers

should place their greatest weight on their opinions.

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The Income Tax Implies that Government Owns You

by Jeffrey Tucker

The income tax is enshrined into law but it is an idea that stands in total contradiction to the driving force behind the American Revolution and the idea of freedom itself. We desperately need a serious national movement to get rid of it – not reform it, not replace it, not flatten it or refocus its sting from this group to that. It just needs to go.

The great essayist Frank Chodorov once described the income tax as the root of all evil. His target was not the tax itself, but the principle behind it. Since its implementation in 1913, he wrote, "The government says to the citizen: 'Your earnings are not exclusively your own; we have a claim on them, and our claim precedes yours; we will allow you to keep some of it, because we recognize your need, not your right; but whatever we grant you for yourself is for us to decide.'"

He really does have a point. That's evil. When

Congress ratified the 16th Amendment on Feb. 3, 1913, there was a sense in which all private income in the U.S. was nationalized. What was not taxed from then on was a favor granted unto us, and continues to be so.

This is implied in the text of the amendment itself: "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration."

No Limits

Where are the limits? There weren't any. There was some discussion about putting a limit on the tax, but it seemed unnecessary. Only 1% of the income earners would end up paying about 1% to the government. Everyone else was initially untouched. Who really cares that the rich have to pay a bit more, right? They can afford it.

This perspective totally misunderstands the true nature of government, which always wants more money and more power and will stop at nothing to get both. The 16th Amendment was more than a modern additive to an antique document. It was a new philosophy of the fiscal life of the entire country.

Today, the ruling elite no longer bothers with things like amendments. But back in the day, it was different. The amendment was made necessary because of previous court decisions that stated what was once considered a bottom-line presumption of the free society: Government cannot tax personal property. What you make is your own. You get to keep the product of your labors. Government can tax sales, perhaps, or raise money through tariffs on goods coming in and out of the country. But your bank account is off-limits.

The amendment changed that idea. In the beginning, it applied to very few people. This was one reason it passed. It was pitched as a replacement tax, not a new money raiser. After all the havoc caused by the divisive tariffs of the 19th century, this sounded like a great deal to many people, particularly Southerners and Westerners fed up with paying such high prices

for manufactured goods while seeing their trading relations with foreign consumers disrupted.

People who supported it – and they were not so much the left but the right-wing populists of the time – imagined that the tax would hit the robber baron class of industrialists in the North. And that it did. Their fortunes began to dwindle, and their confidence in their ability to amass and retain intergenerational fortunes began to wane.

Limit to Accumulation

We all know the stories of how the grandchildren of the Gilded Age tycoons squandered their family heritage in the 1920s and failed to carry on the tradition. Well, it is hardly surprising. The government put a timetable and limit on accumulation. Private families and individuals would no longer be permitted to exist except in subjugation to the taxing state. The kids left their private estates to live in the cities, put off marriage, stopped bothering with all that hearth and home stuff. Time horizons shortened, and the Jazz Age began.

Class warfare was part of the deal from the beginning. The income tax turned the social fabric of the country into a giant lifetime boat, with everyone arguing about who had to be thrown overboard so that others might live.

The demon in the beginning was the rich. That remained true until the 1930s, when FDR changed the deal. Suddenly, the income would be collected, but taxed in a different way. It would be taken from everyone, but a portion would be given back late in life as a permanent income stream. Thus was the payroll tax born. This tax today is far more significant than the income tax.

The class warfare unleashed all those years ago continues today. One side wants to tax the rich. The other side finds it appalling that the percentage of people who pay no income tax has risen from 30% to nearly 50%. Now we see the appalling spectacle of Republicans regarding this as a disgrace that must change. They have joined the political classes that seek advancement by hurting people.

The Payroll Tax

It's extremely strange that the payroll tax is rarely considered in this debate. The poor, the middle class and the rich are all being hammered by payroll taxes that fund failed programs that provide no security and few benefits at all.

It's impossible to take seriously the claims that the income tax doesn't harm wealth creation. When Congress wants to discourage something – smoking, imports, selling stocks or whatever – they know what to do: Tax it. Tax income, and on the margin, you discourage people from earning it.

Tax debates are always about "reform" – which always means a slight shift in who pays what, with an eye to raising ever more money for the government. A far better solution would be to forget the whole thing and return to the original idea of a free society: You get to keep what you earn or inherit. That means nothing short of abolishing the great mistake of 1913.

Forget the flat tax. The only just solution is no tax on incomes ever.

But let's say that one day we actually become safe from the income tax collectors and something like blessed peace arrives. There is still another problem that emerged in 1913. Congress created the Federal Reserve, which eventually developed the power to create all the money that government would ever need, even without taxing.

For the practical running of the affairs of the state, the Fed is far worse than the income tax. It creates the more-insidious tax because it is so sneaky. In a strange way, it has made all the debates about taxation superfluous. Denying the government revenue does nothing to curb its appetites for our liberties and property. The Fed has managed to make it impossible to starve the beast.

Chodorov was correct about the evil of the income tax. Its passage signaled the beginning of a century of despotism. Our property is no longer safe. Our income is not our own. We are legally obligated to turn over whatever our masters say we owe them. You can fudge this point: None of this is compatible with

the old liberal idea of freedom.

You doubt it? Listen to Thomas Jefferson from his inaugural address of 1801. What he said then remains true today: "...what more is necessary to make us a happy and a prosperous people? Still one more thing, fellow citizens a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement and shall not take from the mouth of labor the bread it has earned."

This article was originally published on FEE.org.

Comment by R. Nelson Nash — If you have not read The Income Tax, Root of All Evil by Frank Chodorov then take time out to do so. You need to know!

The Jefferson Nobody Knows

by Tom Woods

Following up on his successful and highly regarded *James Madison and the Making of America* (St. Martin's, 2012), Kevin Gutzman has returned with a fresh look at Jefferson in *Thomas Jefferson, Revolutionary: A Radical's Struggle to Remake America*. It could well have been called *The Jefferson Nobody Knows*.

Jefferson, Gutzman reminds us, had such a fertile mind that he would devote himself to the study of a subject and become the leading figure of his day in that area. Architecture may be the most obvious example — at the time of the bicentennial, the American Institute of Architects declared Jefferson's work on the University of Virginia to be America's outstanding architectural achievement. But he was also learned in numerous other fields, including ethnography and ethnohistory, and in fact he carried out the first archaeological excavation in North America.

Thankfully, Gutzman has not given us another conventional Jefferson biography, complete with soporific discussions of the man's relationships with his family members and other antiquarian trivia. Chances are, Gutzman has said, the average person who's curious about Jefferson is unlikely to read

more than 300 pages about him over the course of a lifetime. So those 300 pages ought to be laser focused on principles, ideas, and areas of work that can be traced throughout Jefferson's career and that made him who he was.

So Gutzman focuses on five significant areas of Jefferson's thought and work that are central to his place in American history: federalism; freedom of conscience; slavery, race, and colonization; the Indians; and the University of Virginia (and his thoughts on education more broadly).

The Jefferson who emerges from these pages is fascinating yes, but more importantly, a *radical*. His positions on federalism, freedom of conscience, and the like consistently put him at odds with established practice going back many centuries throughout the Western world.

Federalism is the aspect of Jefferson's thought that most irritates historians, and prominent scholars have gone out of their way to minimize Jefferson's commitment to it. The Kentucky Resolutions of 1798, a radical statement in support of state nullification against unconstitutional federal laws, is portrayed instead as a defense of civil liberties against the Alien and Sedition Acts. Jefferson's draft resolutions of 1825, which revived the spirit of '98, are often not mentioned at all; Merrill Peterson excluded them from the Library of Virginia edition of the writings of Jefferson.

Other historians have tried to portray the Kentucky Resolutions as nothing more than a struggle for civil liberties, ignoring the federalism aspect altogether.

But Jefferson's point, there as always, was that political decisions should be made at the local level, and certainly at no higher than the state level in cases where the power in question had not been delegated to the federal government. And despite efforts ever since to obscure the point (James Madison himself tried to deny it), Jefferson did favor the power of a state to nullify an unconstitutional federal law.

The usual claim about Jefferson and slavery, meanwhile, is that while he may have talked a good

game about human liberty, he scarcely lifted a finger against slavery, its very antithesis. Gutzman is having none of it. He notes that after Richard Bland was savaged for proposing the abolition of slavery before the Virginia General Assembly, Jefferson came to the conclusion that Virginians were not prepared to put an end to the institution.

Until that time, Jefferson would have to do what he could against it short of an all-out assault that would surely fail. Thus as president, Jefferson kept slavery out of the Northwest Territory, and abolished the slave trade at the first moment (the year 1808) that the Constitution authorized him to. Gutzman's sympathetic discussion of these and other anti-slavery initiatives by Jefferson, not to mention a detailed look at Jefferson's overall outlook on slavery and how best to undermine it, amounts to a persuasive corrective to recent historians who castigate Jefferson for his alleged inaction.

As for the University of Virginia, Americans today tend to miss why Jefferson's work here mattered. One university is just like any other, they think, and since universities are such a commonplace these days, Jefferson's university seems like little more than a quaint footnote to the man's primary work.

Among many other things, Jefferson introduced revolutionary changes to the curriculum, such that education was no longer just a matter of rote memorization (it was Jefferson you can blame for the essay examination, incidentally). Although Jefferson himself loved Latin and ancient Greek — he took books of the ancient authors in the original languages wherever he went, and delighted in reading Plutarch in the original Greek — he thought such pursuits were impractical for anyone other than members of society's elite. Far better for students to learn modern languages. In general, he sought a university whose priorities and commitments were shaped by the Enlightenment.

Then there's freedom of conscience, which is such a commonplace today that we're apt to overlook how revolutionary Jefferson's work in this area really was. Tendentious right-wing propaganda tracts to

the contrary notwithstanding, Jefferson was not conventionally religious, and believed persecution or political disabilities for religious reasons were cruel and intolerable. Hence his drafting of the Virginia Statute for Religious Freedom, which was approved by the legislature in 1786. A great many people who were themselves religious agreed with Jefferson's reasoning, and thereby made Virginia possibly the first-ever secular society. If that isn't radical, what is?

According to Jefferson, state violations of freedom of conscience led to no genuine conversions, and served no good purpose. Placing religious restrictions on officeholders, furthermore, "tends only to corrupt the principles of that very Religion it is meant to encourage, by bribing with a monopoly of worldly honours and emoluments those who will externally profess and conform to it." That is to say, someone elected to office who does not hold the requisite religious views will simply lie, and thereby make himself not a Christian but a hypocrite.

At the same time, since Jefferson's federalism is the part of his thought that so many historians want to run away from (Merrill Peterson called it the "saddest" aspect of Jefferson's legacy), they cannot understand, or they simply conceal, his view that while secularism was the system he preferred for Virginia, it was up to other states to decide what if anything to do with their own state churches. Local self-government is consistently the driving force behind Jefferson's political thought.

For those of you interested in American history, particularly the unvarnished, non-p.c. kind, you'll want to pass by the gaggle of historians who want to present you a tame, sleep-inducing Jefferson, and instead discover the real thing in *Thomas Jefferson, Revolutionary*.

This article first appeared on The Mises Wire on April 24, 2017

Comment by R. Nelson Nash—Our nation started out as "Jeffersonians" but soon became "Hamiltonians." Read Tom DiLorenzo's book, The Curse of Hamilton. Our government schools don't teach students this stuff.

Why We Don't Need Macroeconomic Data in a Free Economy

by Frank Shostak

It is common for commentators and economists in their discussions to continuously refer to something called the "economy" — which sometimes performs well and at other times poorly. This "economy" is presented as a living entity apart from individuals.

For example, various experts report that the "economy" grew by such and such percentage, or the widening in the trade deficit threatens the "economy." What do they mean by the term "economy"? Does such an entity actually exist?

What is "the Economy"?

The term "economy" is part and parcel of a "hampered" economic environment. In an environment free of government interference, the "economy" doesn't exist as such.

It must be realized that at no stage does the so-called "economy" have a life of its own, independent from individuals.

While in a free environment the "economy" is just a metaphor and doesn't exist as such, in a "hampered" environment the government gives birth to a creature called the "economy" via its constant statistical reference to it.

The "Economy" as a Justification for Government Tampering

By lumping the values of final goods and services together, government statisticians concretize the fiction of an "economy" by means of the GDP statistic.

By regarding the "economy" as something that exists in the real world, mainstream economists reach a bizarre conclusion that what is good for individuals might not be good for the "economy," and vice versa. Since the "economy" cannot have a life of its own without individuals, obviously what is good for individuals cannot be bad for the "economy."

Within this framework the “economy” is assigned paramount importance while individuals are barely mentioned. In fact one gets the impression that it is the “economy” that produces goods and services. Once output is produced by the “economy” what is then required is its distribution amongst individuals in the fairest way.

In reality, however, goods and services are not produced in totality and supervised by one supremo. Every individual is pre-occupied with his own production of goods and services.

Also, following mainstream thinking, the “economy” is expected to follow the growth path outlined by government planners. Thus whenever the rate of growth slips below the outlined growth path, the government is expected to give the “economy” a suitable push.

In order to validate the success or failure of government interference, various statistical indicators have been devised by which the government and central bank officials react by means of fiscal and monetary policies.

For instance, a strong reading of an indicator such as the gross domestic product (GDP) is interpreted as success while a weak number is viewed as failure. Periodically though, government officials also warn people that the “economy” has become overheated (i.e., it is “growing” too fast). At other times, officials warn that the “economy” has weakened.

Whenever the “economy” is growing too fast government officials declare that it is the role of the government and the central bank to intervene so as to prevent inflation. Alternatively, when the “economy” appears to be weak the same officials declare that it is the duty of the government and the central bank to maintain a high level of employment.

Do We Need Statistics on the Macro Economy?

In a free environment it doesn't make much sense to measure and publish various macroeconomic indicators. This type of information is of little use to entrepreneurs.

The only indicator to which any successful entrepreneur

must pay attention to is whether he makes a profit. The higher the profit, the more a particular business activity is in tune with the consumers' wishes.

Paying attention to consumers' wishes means that entrepreneurs have to organize the most suitable production structure for that purpose. The information on various macroeconomic indicators will be of little assistance in this endeavor.

What an entrepreneur requires is not general macro-information, but rather specific information about consumer demand for a product or a range of products. Government aggregated macro-indicators will not be of much help to entrepreneurs.

The entrepreneur himself will have to establish his own network of information concerning a particular venture. Only an entrepreneur will know what type of information he requires in order to succeed in the venture. In this regard no one can replace the entrepreneur.

Thus if a businessman's assessment of consumers' demand is correct then he will make a profit. An incorrect assessment will result in a loss.

The profit and loss framework penalizes, so to speak, those businesses that have misjudged consumer priorities and rewards those who have exercised a correct appraisal.

The profit and loss framework makes sure that resources are withdrawn from those entrepreneurs who do not pay attention to consumer priorities to those who do.

The “Hampered” Environment and Macroeconomic Data

While in a free environment an entrepreneur will have little use for macro data such as gross domestic product, the state of the country's balance of payments or the consumer price index, this is not so in a hampered environment.

A businessman cannot afford to ignore changes in various macro-economic indicators given that government and central bank officials react to changes in these indicators.

For instance, if the central bank is expected to tighten its monetary stance in response to a strengthening in the gross domestic product, a businessman must take this into account in order to succeed in his business.

In a hampered environment, businessmen must try to interpret various economic indicators in terms of how authorities will respond to them and how this response is going to affect their business environment in the months ahead.

As one could see, businessmen, rather than totally devoting themselves to accommodating consumers' requirements, are likely to allocate some of their resources to assess the responses of government and central bank authorities to various economic indicators. Obviously, this undermines the process of real wealth generation.

Note that the government, in order to construct various economic indicators, is busy collecting the data from businesses that are allocating resources to supply the government with the information.

The construction of various economic indicators generates employment opportunities for economists and experts in other fields such as mathematics and statistics. These experts are employed not only to compile various economic data, they are also employed to interpret the data and provide guidance to businesses. These activities most likely would not be required in a free environment.

In a free environment, what possible use can an entrepreneur make of information about the growth rate in gross domestic product (GDP)? How can the information that GDP rose by 4 percent help an entrepreneur make a profit?

Or what possible use can be made out of data showing that the national balance of payments has moved into a deficit? As we have seen, this type of information becomes very important in a hampered environment.

To succeed in a hampered environment entrepreneurs tend to respond to the prevailing conditions, which are influenced by the central bank and government policies. As a rule when things are going badly it is businesses that are blamed for the bad results.

For instance, the 2008 financial crisis was blamed on lenders in the real estate markets and on various financial engineering schemes. Central bank policies were never seriously criticized.

Strong lending activities at the time and various financial engineering schemes should be seen as businesses' attempts to make a success in an environment generated by the loose monetary policies of the central bank. Businesses did not generate these conditions, they were simply responding to the conditions generated by the loose monetary policy.

Comment by R. Nelson Nash — Frank Shostak adds more evidence to my contention that the term "Macroeconomics" is absurd. The term is nothing more than an attempt by statist to gain validity to their "top-down thinking."

Colonel House and Woodrow Wilson: Paving the Way for War

by T. Hunt Tooley

[Editor's Note: This is part 4 of a multi-part series.]

In reconstructing the American decision to enter the Great War, the relationship between Colonel Edward Mandell House and his "alter ego," Woodrow Wilson, is crucial. Robert Higgs has called the Colonel "one of the most important Americans of the twentieth century." House played the central role in choosing and grooming Woodrow Wilson to become a presidential candidate, a role he relished. We could regard him as a significant historical actor even if this achievement had been his only one. But the rest of the story is that House became an "intimate" friend of Woodrow Wilson, Wilson's "alter ego," as the two liked to say. Wilson's chief of staff, Joseph Tumulty, testified to this close relationship, as did dozens of others. Ultimately, House would become a special roving emissary of Woodrow Wilson in Europe from 1914 onward. In this capacity, and through a large private network of highly influential friends, House's influence on American intervention in World War I can hardly be exaggerated. So who was this very important American?

House was a Texan. His father had immigrated to Texas in the early years of the state and had made a fortune as a blockade-runner during the American Civil War. Edward Mandell House was born in 1858 in Houston and attended elite secondary schools in England and the northeastern United States. Eventually, he ended up at Cornell University. When his father died in 1880, House returned to Texas and took over management of the family fortune of \$500,000, something like eleven million dollars today. Not chicken feed, to be sure, but not a fortune that put him in the league of the individuals with whom he would soon be rubbing shoulders. Doing business in banking and railroads, House crossed paths with the J.P. Morgan more than once, and many other leading individuals of the day.

Before long, he left business to work in politics, but his aim was to work behind the scenes, to influence politics rather than leading as a figurehead. It may have been, as some biographers have suggested, that House considered his constitution as lacking the physical stamina for electioneering. But he certainly had a predilection for being the man behind the curtain in any case.

In Texas, House decided to back a gubernatorial candidate in 1890. For all House's railroad and oil connections, he chose the "trust-busting" populist Democrat "Big Jim" Hogg, and he was successful. Incidentally, it was a grateful Governor Hogg who appointed him an honorary state "Colonel," designation which House adopted proudly. But the Colonel had only just begun. Masterminding the elections of four Texas governors, House decided to go East just after the turn of the century to seek out a national candidate to groom for President.

House had long since collected a very large circle of wealthy individuals, including many in the rarefied world of J. P. Morgan — by all accounts he combined a kind of introverted public view and amazing social skills, including a very sharp sense of humor. Indeed, in his later years, a short memoir dwelt lovingly and in detail on the many elaborate practical jokes of his youth and indeed through his college years, almost all of them played in such a way as to demean and control. It is worth noting that many of them were

essentially double manipulations which ended by tricking his own partners in crime. "Cruel sport if you like," wrote House in memoir years later, "but one fascinating to a half grown boy." In any case, he saved his most manipulative pranks for "some boastful, arrogant, conceited boy." Actual psychologists have pondered these passages House wrote. For the armchair psychologist, it is fascinating as well, considering House's manipulations recorded in his diaries for later historians.

By the time he entered politics, he had begun to embrace Progressivism, a doctrine of efficiency and wise leadership which was informed by the Positivist doctrine of French sociologist Auguste Comte. Progressivism became a widespread political movement in American life (as in the world as a whole), and in America it emanated from and came to characterize the wealthy and wise men of "efficiency" and "capital," chiefly from the Northeast. Indeed, in 1912 the Colonel would write a didactic novel ("not much of a novel," commented House himself to a friend). The book was *Philip Dru, Administrator*, whose protagonist would reshape the government of the United States, freeing it for reform by freeing it from the corrupt and ignorant element of an elected legislative branch, a constitutional element Comte himself saw as roadblock to "Positive" administration.

Living in New York, House found Woodrow Wilson, a Progressive one-term governor of New Jersey who had been an academic. Wilson served as President of Princeton, but entered New Jersey state politics, having left Princeton under heavy criticism for his high-handed reform of the curriculum and direction of the institution, condemned by many as a self-righteous, authoritarian leader who hated compromise. In late 1911, after a first "delightful visit" with Wilson, House wrote to a confidant, "He is not the biggest man I ever met, but he is one of the pleasantest and I would rather play with him than any prospective candidate I have seen."

House and Wilson were opposites in many ways. The quietly jovial, supercilious House and the formal, earnest but "pleasant" Wilson. The non-religious Texan admirer of heroic frontier men of violence

and the Presbyterian minister's son whose life was circumscribed by a long line of church ladies. House, who reveled in recounting the practical jokes of his youth designed to belittle and control those around him, and Wilson, whose humor was of the quietest, most conventional kind. House, whose diary and letters universally groan with gourmet meals in the best restaurants with wine flowing, and the abstemious Wilson, who ate and drank little, preferring indeed to do that little within a quiet family circle.

Yet the two men had much in common. As many historians have pointed out, both were outsiders in terms of national politics, both late-comers to the Progressive political movement, both middle-aged Southerners, and both admirers of "vigor" and efficiency in individuals and government. Both men admired Great Britain with passion. Both men hoped to make a mark in life larger than the very respectable marks that each had already made. Both House and Wilson embodied those Comtean, Positivist elements of Progressivism that relied on the certainties of social science as a means of ruling. The great project of this odd couple and their Progressive associates was the efficient organization of the world in conjunction with the needs of the many, the few, the state, and the modern mind as a whole. Both House and Wilson consistently put their faith in wise men who would LEAD, as opposed to mere representatives of the people, such as congressmen and senators and the outmoded institutions these represented.

Whether we look at the fervid correspondence between House and Wilson, or the equally high-minded soul-directing correspondence between House and world financial visionary Willard Straight, or between wealthy dilettante roving statesman Charles R. Crane and Wilson, the same certainties and fervent enthusiasm for "the great work" emerge.

To make a long story short, the two became "intimates," as they were both fond of saying. After House helped get the one-term Governor elected President in 1912, a Washington insider asked the new President about House's apparent authority to make political commitments about the future. Wilson replied: "Mr. House is my second personality. He is

my independent self. His thoughts and mine are one."

And from behind the scenes House ramrodded the new administration's legislation implementing the Federal Reserve and much else. His communications with the Governor, as he continued to address his presidential friend, were always flattering, always indirect, always purposeful, and full of sage advice. His role in managing William Jennings Bryan was especially important: gaining Bryan's endorsement the election, persuading Wilson to appoint him Secretary of State, keeping the unpredictable but powerful populist off balance and isolated from the President's inner circle.

But soon House found a still larger stage and with Wilson's agreement, roamed Europe with the full authority of the President's intimate and special emissary, meeting with kings, prime ministers, intellectuals, and others, "planting," as he said, "the seeds of peace." As Walter Millis pointed out in his 1935 analysis of House's "diplomatic" efforts, the Colonel was a supreme political operative in the United States, but knew European international politics a little, and the craft of diplomacy not at all. Millis suggested that for all the "seeds" the Colonel planted with European leaders, none of them had the least chance of germinating.

Once the war broke out in August 1914, House concentrated on putting Woodrow Wilson in a position to mediate the terrible war raging in Europe, a feat that would have made Wilson in some ways the chief benefactor of the world. Theodore Roosevelt had brokered the end to a much less extensive war (the Russo-Japanese conflict of 1904-5) and won the Nobel Peace Prize. Both House and Wilson considered Wilson the far greater man.

Of course any mediation by Wilson would come from a country that was supplying one side of the conflict exclusively with money, arms, ammunition, food, and other necessities of war. Even so, the Germans seemed tempted to take up Wilson's mediation offers at several points. Indeed, from Wilson's point of view, he made progress in mediation in the coming months and after more U-Boat sinkings of armed civilian vessels in designated zones. In the spring of 1916,

he was able to pressure the Germans to drop their unlimited submarine warfare program.

In spite of increasing talk of "preparedness" and anti-German sentiment in the United States, Americans were on the whole far from ready to see their country intervene directly in the war. There was in any case, an election campaign to wage in 1916. But the stage was being set for American intervention in "the great crusade for democracy" being carried out by Britain, France, and the Russian "Tsar and Autocrat of All the Russias."

Yet long before 1916, three months before the *Lusitania* sinking, House had met in London with the British Foreign Secretary, Lord Grey, and made an amazing commitment. The Colonel had vague instructions from Wilson to persuade the British to lift the Blockade. Instead, as historian Justus Doenecke has commented, "Secretly defying the President, House uncritically supported Britain's war effort. More significantly, he committed his nation, under certain conditions, to enter the conflict on the Allied side."

This article first appeared on mises.org on March 29, 2017

Comment by R. Nelson Nash — Surely the 20th Century is the bloodiest century of all time. To really understand how all this carnage came to be, one needs to study the lives of Wilson and House to see the part these two played in it and how it affects our lives today. It is not a good picture.

To Central Planners, We're All Ants Outside an Airplane Window

by Will Tippens

The world looks seductively simple from 35,000 feet.

As soon as the back wheels of a jet lift off the ground, the people beneath begin to vanish, replacing facial expressions and personalities with faint monochrome specks. As the jet climbs higher, people melt into their surroundings altogether, leaving only microscopic

cars aimlessly drifting along tiny cement tributaries. Entire neighborhoods become folded into the landscape below as the world increasingly resembles a patchwork model.

Looking down from the clouds, the world below is still there, but it cannot be seen. The people below only exist as a grand collective, a statistic. When you're up so high, everything seems so simple.

This is the view of the world through the eyes of the central planner.

For generations, the central planner has dominated political life the world over. From price and immigration controls to mercantilism and dropping bombs, those wielding political power always have a plan to foist upon the world. Behind the pomp and rhetoric, all of these plans hold one thing in common: the belief that society can be better steered by the decrees of rulers rather than organically by individuals themselves.

In other words, the will of the few—or the one—should be substituted for the will of the many.

The rise of the central planner was most apparent in American politics in early 20th century progressives. As Thomas Leonard writes in his recent book "Illiberal Reformers,"

The United States had abandoned laissez-faire... out of recognition that "the world consists of two classes—the educated and the ignorant—and it is essential for progress that the former should be allowed to dominate the latter."

Laissez-faire's mistake was to confuse a person's desires with what is intrinsically desirable, an error that experts overcame by giving people not what they want but what they should want.

Accordingly, reformers seized the reins of government and began "correcting" the public's errors with a torrent of prohibitions and mandates. Drug and alcohol prohibition, minimum wage laws, eugenicist sterilization programs, economic controls, censorship of "indecent literature," and anti-prostitution laws carried the spirit of a new Progressive Era. All of these policies sought to hammer society into the shape its

architects found most palatable.

In the following decades, the progressive creed of “better living through dictate” became the primary ethos in the whole of modern politics and economics. Today, the spirit of central planning has become so deeply embedded in the common consciousness that for many it is unthinkable to conceive of solutions to even the simplest issues outside of a political means.

A Question of Who, not What

Economics teaches us that the most important question, prior to what should be done, is who should do it. As Ludwig von Mises explained in *Planned Chaos*, “[t]he issue is always the same: the government or the market. There is no third solution.”

Because all planning falls into one of these two categories, to advocate one is necessarily to subvert the other. It is, therefore, critical to understand the difference between the two.

The essence of all central planning is unavoidably making 'collective' choices that forcefully override peaceful individual choices. The problem with this substitution of local and individual for foreign and collective choices—looking past the moral implications—is the fundamental limitation of central planners' knowledge and abilities.

A. Hayek called this the “fatal conceit” and wrote,

The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design.

To the naive mind that can conceive of order only as the product of deliberate arrangement, it may seem absurd that in complex conditions order, and adaptation to the unknown, can be achieved more effectively by decentralizing decisions and that a division of authority will actually extend the possibility of overall order. Yet that decentralization actually leads to more information being taken into account.”

Like society, the “market” is shorthand for the totality of the billions of interactions between freely acting individuals. It is people pursuing their own purpose,

acting on the basis of local, specialized knowledge and preferences.

Market processes constantly occur spontaneously all around us; each individual participates whenever they interact with strangers, give their opinion on art, exchange goods, copy a style that they like, modify learned social behavior, or share experiences with friends. There is nothing mystical about it. It is simply humans cooperating voluntarily—in other words, what happens in the absence of top-down authority.

The sum of this massive, hidden process is the emergence of social phenomena that nobody, in particular, had any intention of bringing about. No individual or group of individuals sitting in a meeting room approved the structure of society on a blackboard. Its inherent interconnectivity was not initiated by a Commerce Board; it arose naturally from people acting on their own, entirely without central direction, with their own property, and within human associations of their own creation in their own interest.

Finite Beings with Imperfect Knowledge

Herein lies the the vital difference between the two systems of human organization: one is dynamic and decentralized, the other rigid and top-down; the former accepts the limits on human design, the latter grows from the belief that humans can and should be ruled by a privileged class. One fosters choice, dignity, innovation, and individualism; the other fosters dependence, subservience, inflexibility, and a continuous struggle to control or be controlled.

Unsurprisingly, the consequences of human error and maliciousness are far less severe in a market than under centrally directed planning. Not only does monopolizing the production of order spawn glaring inefficiency and corruption, but unwitting bystanders are often dragged into far worse circumstances than anything that could be conceived by individual actors. Nothing exemplifies this more than the destruction wrought by war, the zenith of all central planning.

Certainly, letting individuals self-organize based on their situations and preferences does not promise

utopia. Nor does it promise Pareto-efficiency, Platonic virtue, wise choices, or even happiness. There's no ultimate solution to any human problem, but only a continuous process of discovery, adaptation, and creative destruction. Mistakes and failure are inevitable under any system as humans are finite beings with imperfect knowledge of their external world and a flawed capacity to plan for the future—and the effects are compounded under top-down plans.

Until men become omnipotent, central planners will continue to not only fail in whatever their pursuits may be but actively create and exacerbate problems that simply never would have existed without their meddling. Not only do we see that advocates of central planning hold a wrongheaded and unrealistic trust in the state's capacity to plan society, but they completely fail to appreciate the nuanced phenomenon of emergent order.

The natural result of this mindset divides society into rulers and the ruled—with the rulers happy to perpetuate the superstition that their special status is necessary for fostering the advancement of society. This subversion of liberalism for state paternalism has wrought horrific results for humanity.

Like being stuck in the clouds looking down on the pixelated world below, central planners look down on civilization as if it were a mosaic, subverting individuals to their own interpretation of "the big picture."

Those who think it's a good idea to subject people to the top-down dictates of central planners need to crash back down to reality.

Will Tippens is an attorney living in Nashville.

This article first appeared on FEE.org on April 04, 2017

Comment by R. Nelson Nash — In this article Will Tippens demonstrates the absurdity of the idea of "Macro Economics."

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 23

WON BY ONE

An individual is as superb as a nation when he has the qualities that make for a superb nation.

-WALT WHITMAN

Our earth is but a tiny fraction of the solar system, that is, the sun and all the heavenly bodies that revolve around it. The sun is our star, the sole source of all the light and energy that make earthly life possible. One star, a remarkable **one**! Our galaxy, however, is composed of some 30 billion **ones**, stars that account for the light we occasionally observe in the Milky Way.

Descend now to the earthly level and our own nation. Each individual is but one among more than 200 million. The state of the union—how superb our nation-is determined by the individuals who compose the population. It always has been, is now, and always will be a matter of individuality. If no stars in the citizenry, then nothing splendid is to be expected. But note this: If there be but one who is sufficiently brilliant—a truly remarkable **one**—count on it, ours will be superb nation. Why? *It is light that brings forth the eye!* Thus, how bright the light of a star is the question before us.

During the past 45 years I have become acquainted with thousands of freedom devotees, not only in the U.S.A. but in 22 foreign nations. However, I am unaware of anyone whose quality is superb enough to bring about a superb nation. I know many praiseworthy ones but not the hoped for remarkable **one**.

My limited vision, however, is not to be taken as proof that there is no **one** amongst us. Who sees all the stars! Reflect on the remarkable **one** of nearly 2,000 years ago. Only a few among the millions on this earth were aware of His existence. Even today, many in the world remain unaware.

To highlight my point, I turn again to an observation by Edmund Burke:

How often has public calamity been arrested on the very brink of ruin, by the seasonable energy of a *single man*? Have we no such man amongst us? I am as sure as I am of my being, that *one* vigorous mind without office, without situation, without public functions of any kind, (at a time when the want of such a thing is felt, as I am sure it is) I say, *one* such man, confiding in the aid of God, and full of just reliance in his own fortitude, vigor, enterprise, and perseverance, would first draw to him some few like himself, and then that multitudes, hardly thought to be in existence, would appear and troop about him.

Using Burke's observations as guidelines, let's examine today's situation.

What is a public calamity? For geographical pictures have a look at Russia and Red China. Put into words, a public calamity has a double-barreled definition:

Government ownership and control of the *means* of production: **The Planned Economy**.

Government ownership and control of the *results* of production: **The Welfare State**.

Whether or not this is labeled calamity depends on one's perception. Most Russians and Chinese, born into an authoritarian society, regard their situation not as calamity but as the what-ought-to-be; they do not see beyond their own experiences. And most Americans, born without the gift of seeing through the sham of political babble, are in the same unfortunate fix.

Is the U.S.A. on the brink of ruin? The few who see the glory of the free market, private ownership, limited government way of life—individual liberty—believe we are heading rapidly toward “the very brink of ruin.”

The socialistic trend has been gaining momentum each year for the past six or seven decades.

Is there a “seasonable man” amongst us? I am certain, as Burke, that there are numerous persons with this potential, and among us right now. But neither you nor I know who the “seasonable man” is; indeed, that individual himself is unaware. If he so regarded himself, he wouldn't be one. So what is your and my responsibility? It is nothing less than trying to surpass each other—competing for excellence—not necessarily that we'll be the one but that we may be among the few drawn to the “seasonable man.”

Is it possible that the “seasonable man” might be an individual who is without office, without situation, without public functions of any kind? Yes, if his mind be adequately vigorous; if righteousness be his first aim in life (confiding in the aid of God), and if he be “full of just reliance in his own fortitude, vigor, enterprise, and perseverance.”

All history attests to this truth. Jesus of Nazareth was without office or public functions of any kind, yet he shaped the history of the western world. And in one degree or another the same might be said of mortals such as Socrates, Maimonides, Francis of Assisi, Thomas Aquinas, Shakespeare, Spinoza, Issac Newton, Emerson, and Thoreau. In recent times, I need only mention a Ludwig von Mises or an Ezra Taft Benson. And there are many others whose work may have been so much behind the scenes that we know not of them.

Will multitudes, hardly thought to be in existence, appear and troop about him? The millions who today unconsciously follow and troop about present-day socialists will just as unconsciously troop about the **one**. Further, he will be unconscious that he is the **one**, unaware that the exalted ideas and ideals which he exemplifies constitute the driving force.

Finally, what method shall we use in trying to surpass each other in exemplifying freedom ideas and ideals? It is the very opposite of the wrong tactic so often employed: Reaching for others! The right? Striving to achieve that excellence which will cause a few to reach for us! Briefly, it is the improvement of self

and not the reforming of others—the power to attract rather than repulse.

Having expressed my views as to what's right and wrong, here are my concluding thoughts as to your role and mine. Merely remember that there is no level to falling or rising stars, to descending or ascending. What then? Strive everlastingly for excellence not only in understanding but for clarity in exposition—clearly as possible without losing the train of thought. Avoid obscurity, labor for simplicity!

Do this and some truly perceptive historian of the future will write of the turnabout now in the offing:

“They **Won by One!**”

Nelson's Favorite Quotes

Effort is important, but knowing where to make an effort makes all the difference! — Unknown

In general, the art of government consists of taking as much money as possible from one class of citizens to give to another. — Voltaire

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

Parliament of Whores by P.J. O'Rourke (History)

Games People Play by Dr. Eric Berne (Personal Development)

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