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An IBC Tax Strategy *Part I*

By L. Carlos Lara

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It's been said that people would rather die than think. But I am going to see if I can incentivize you do just that by showing you a way to fund a large Infinite Banking Concept (IBC)-type life insurance policy, while using cashflows that are dedicated to paying your taxes. I should say upfront that this discussion will make sense immediately to business owners, but I hope that salaried individuals see relevance to their households as well. Now in order to provide this intriguing maneuver a fair disclosure, I will need to do it in two parts. In this first part, I will lay the groundwork, and then in next month's article I will provide some numerical illustrations to show exactly what I mean.

Let me be perfectly clear that my discussion *does not reduce your tax liability*. This is not about "finding a tax loophole." Rather, I am pointing out one option that people with large cashflows—such as business owners who annually make a large expenditure to the IRS—have, if they've been convinced that obtaining a well-funded IBC-type policy is a good idea.

As my remarks indicate, this idea isn't really about "paying taxes" per se; it would work for any recurring expenditure that is of a comparable size, year after year. I personally use this strategy for my own taxes, and that's why I'm choosing this particular approach to relay the idea.

As I said above, my discussion will resonate most with business owners.¹ There is an important reason for this. Business owners have a unique distinction

that employees on a fixed income do not have. This main difference is the ability to create "windfalls" through either profits or from the sale of business assets. This can include the selling of the entire business itself as a final exit strategy at some time in the distant future. So if you are a business owner and operate an LLC or a corporation this idea is tailor made for you.

Before we go further, let me also stress that this is not to be construed as formal tax or investment advice. The ideas presented here are only thinking exercises. In fact, we recommend that you discuss these ideas with your own personal tax, investment or legal advisor. Who knows, you could be teaching them something they have never heard or thought of before and they might be very grateful to you for having shared it with them.

Finally, this article assumes you are either an owner of a well funded dividend paying Whole Life insurance contract from a mutual or mutual holding company that has been properly designed according to Nelson Nash's *Infinite Banking Concept (IBC)*, or at the very least that you have studied the concept and are in discussions with someone from the Practitioner Finder—people who have passed our training course. (They can be found at: www.infinitebanking.org/finder.) This is an absolute requirement. The reason for this is because it is not possible to fully grasp the financial implications discussed here until one has become an owner of such an insurance contract and has been practicing IBC in their own life. So clearly the ideas discussed here are not for the novice.

If you are reading this and do not yet own one of these contracts don't let that disappoint you. You will still benefit from the various points being made

in this article. I encourage you to read on and learn. You may well become motivated enough to actually get one of these important insurance policies to practice this strategy for yourself. Either way I will be sure to list several resources in the references section of this article that will help you continue your educational journey.

INSIDE THE IBC SPECIALLY DESIGNED POLICY CONTRACT

As every practicing owner of an IBC insurance policy knows, these are designed to facilitate use of the "living benefits" available to any policy owner, which allows the policy to be a financing instrument. However the death benefit is the core element of a life insurance policy, and understanding its value as an asset will be essential to my analysis. The financing function is made possible because the owner can take out policy loans with the surrender value of the policy serving as collateral; this is a legal right that is provided to all policy owners and is spelled out in the language of the insurance contract.²

If you should obtain such a loan this is what actually happens in layman's terms. The life insurance company is advancing you a loan, at a contractually specified rate of interest. Your policy continues to "grow" on its own strength, however, and in a sense that internal growth partially compensates for the interest on your policy loan. In addition to the guaranteed growth, a payment of an annual dividend is also made into the policy. Although the dividends are not guaranteed you should know that mutual companies have historically paid dividends virtually every year for as long as these companies have been in existence, except on a few isolated occasions. This historical evidence for many of these companies spans a period of over a hundred years, even right through the period of the Great Depression of the 1930s.

So long as the earnings do not exceed the cost basis in these policies the total of these two quantities (the guaranteed growth and dividends paid) are accumulated inside the policy tax-

free. Consequently, their tax *equivalent* amounts (depending on the tax racket of the policy owner) help reflect their true earnings inside the policy. For example, an earned interest rate of 3% inside the policy (without adding the annual dividend) and with no federal or state income tax attributed to it, is equivalent to approximately 1.25% to 2% additional interest earned depending on the policy owner's tax bracket. When you add the tax equivalent dividend to this amount you get an even higher return. A tax equivalent calculator obtained from the Internet can help you analyze this.³

But I don't want you to merely look at the growth in the "cash value" of the policy, treating it as if it were a money-market account. No, remember that this is a *life insurance* policy. When these dividends are automatically reinvested they purchase additional, paid up death benefit coverage. In a sense this is generating equity in the policy as a result of this increase. This is an immensely important component that is immediately noticeable when reviewing a year-end annual report on these policies. A simple comparison of the increased death benefit against the cash values and the policy loans outstanding each year reflect this equity increase. In other words, the result is an ever-increasing asset (the death benefit) that resembles a prime piece of property with a value that never declines. This higher death benefit is critically important at the death of the policy owner, especially in the case where there are numerous loans outstanding.

Interestingly, the increased death benefit each year caused by the reinvestment of the dividends in order to purchase more insurance actually forces the payment of an even larger dividend payment into the policy the following year. This happens on account of the policy's set trajectory to have the cash values ultimately equal the death benefit by the policy owner's 121st year. The beauty of all of this is that all of these moving money parts occur in clockwork precision like gears that shift by themselves. It is literally that mechanical. Yet these self-loading and self-firing actions within the policy produce impressive results.

Meanwhile the lent money to the policy owner is usable for any expenditure on a taxfree basis since it is borrowed money and not income. What the policy owner has given up in exchange for the use of this tax free money (until he repays the loan) is a collateral assignment in the cash values of the policy up to the amount of the indebtedness. When the policy owner repays the loan and the interest charge on it, the collateral held by the company is released and additional borrowing capacity for the policy owner is increased by exactly the same amount.

In a sense, you can think of your policy as chugging along, doing its own thing, while the life insurance company makes you a loan "on the side," with money it takes out of the general pool, not directly "out of your policy." Now to reiterate, they charge you an interest rate on this loan, just as they insist on earning a return on other investments they might make. But it's helpful to know exactly what the mechanics are of policy loans, and how they differ from (say) taking money out of your checking account or selling off a portion of your 401(k) in order to make a large purchase.

THE IDEAL WAREHOUSE FOR OUR WEALTH

One thing we should not overlook is that when you make your first premium payment to the mutual company you immediately become a partial owner of the company, a very important fact. (In contrast, a stock insurance company has stockholders, who may not be the same people as its policyholders.) At that exact point the company becomes totally responsible to pay your beneficiary the death benefit in your insurance contract if you should drop dead later that same day. But it also does something else. The insurance company now becomes responsible, and it guarantees this responsibility by the financial strength of the company, to distribute a portion of its profits to you in the form of dividends. This happens so long as you remain an owner of the company by continuing to make your premium payments.

The premium payments you make are always made payable to the insurance company in care of your

name and policy number assigned to your contract. Those premiums as well as the millions of dollars in premiums made by other policy owners are invested by the company. It's noteworthy that these investments are mostly in loans to highly reputable institutions like the government and highly rated corporations. These investments earn an interest income that translates into company profits. The investment fund that is earning this interest income is often referred to as the *general pool* or investment portfolio of the company.

All monies sent to the insurance company by policyholders goes into this general pool. Even when you deposit additional money into your PUA Rider,⁴ a feature of all specially designed IBC policies, you make your check payable to the company in care of your name and policy number associated with your contract. It's exactly the same procedure that is used when making the premium payments, the only difference is that you direct the company as to the placement and posting of this money. In like manner, the same thing happens when you pay back a loan and its interest. This is why so many IBC practitioners feel as though the use of IBC with a dividend paying Whole-Life policy from a mutual company is like owning one's own private cash flow system.

But what should really be coming into focus as you think through this is the idea of a *ledger* with your name on it as well as the policy contract number. Keep in mind that the actual money associated with your ledger is not there but safely housed in the investment portfolio (the general pool) of the company and is working for your benefit as an owner of the company. All this money must keep working if the company is to make a profit.

When you take out a policy loan it is taken out of that general pool of the company earmarked for loan investments. In other words, at your request the company is now making an investment in your loan as opposed to someone else's. As you can see this keeps the money working and is doing so for the benefit of all the owners of the company including you. But the company is actually granting the policy

owner a loan from this general pool. Simultaneously, an assignment in the cash values of the policy owner's particular policy has been taken as collateral by the insurance company.

This action by the company is not only representative of good accounting that keeps the books straight, but at the same time it also allows for the enormous cash flow flexibility afforded the policy owner by having borrowed from his own system. This financing flexibility inherent in these specially designed policies, which we are about to identify, is what makes possible the strategy we are discussing.

THE BIG THREE COMPONENTS THAT MAKE ALL THE DIFFERENCE

The best way to see this important difference is to think comparatively as you study each of these three components carefully. Think about money borrowed from other sources and money paid to other sources that are different from the insurance contract system we are describing. Also think about what you may have to give up in exchange every time you take these actions with those outside sources. Think about commercial banks, finance companies, credit cards and even qualified plans. Think about shopping at your local Costco, the grocery store, the shopping mall and similar places where you don't borrow money at all—you just pay cash.

Now let's first look at these three components in the form of statements and then I will comment on each one where hopefully the impact of what I am revealing will become clear.

Number One—Access and Control Over Your Money: If you have cash value in your policy you have a contractual right to policy loans.

Number Two—Flexibility of Repayment Terms: You can pay back the policy loans on your own terms or even not at all if you wish.

Number Three—Uninterrupted Compounding Of Your Money: Whatever amount you borrow that same amount continues to earn money in the form of interest, dividends, and equity in your policy as

long as you live and as long as your policy remains in force.

THE IMPORTANT ANALYSIS

With regards to the Number One Statement, this is a most powerful benefit. I have been a business consultant to corporations for forty years and have observed a noticeable business management pattern when it comes to borrowing money. If you only knew how many individuals, especially business owners, often have to borrow money from a bank or a credit card just to be able to pay their taxes, it might be easier for you to recognize how powerful this benefit really is. Banks and credit cards are not the best sources for borrowing money, yet needing to pay taxes on time is always a priority. In fact it is a downright necessity and yes, people will go into debt to pay them. This is because the consequences of not paying taxes can be quite severe.

But with a well-funded policy so long as you have unencumbered cash value in the policy the insurance company, by the language in its contract, is willing and ready to grant you a policy loan.⁵ Furthermore, there are no credit checks, no extensive forms to fill out, no questions about what you are going to use the money for, or how you plan to pay it back when requesting a policy loan. You just simply ask for the money and it's mailed to you or deposited directly into your account in about 3 to 5 business days, sometimes sooner.

As to why a policy owner has the absolute authority to repay the loan strictly on his own terms, as stated in point Number Two, the answer may surprise you, but it actually makes logical sense. Recall that when insurance companies invest policy owner premiums in very safe fixed income assets such as U.S. Treasuries or investment grade corporate bonds they are actually lending money to these institutions. These investments, as we said earlier, are loans.

But policy loans to a policy owner are a better (literally *risk free*) investment than bonds as far as the insurance company is concerned. They actually have more control over a policy loan than they do over bonds since they actually control and guarantee

the cash value, which is the collateral. Since policy loans never exceed their cash values and unpaid principal amounts may be deducted from cash surrender or policy death proceeds, the safety of principal associated with policy loans is absolute, from the life insurance company's perspective.

For this reason the company is not at all worried about the repayment of the loan, even if the policy owner decided not to pay it back at all during his lifetime. If the policy owner cannot generate by his own merits the incentive to repay the loan in order to reopen his credit line for future borrowing, then at the policy owner's death, the company will simply subtract the loan from the death benefit.

This is why we stress that the increasing equity in the policy caused by the reinvestment of the dividends to purchase more death benefit secures the policy owner, as well as the beneficiary, from going in the hole or simply breaking even by having numerous outstanding loans. This is why the reinvestment of the dividends is a standard feature of a Whole-Life policy designed according to Nelson Nash's IBC especially during the borrowing years of a policy. Finally there is point Number Three. You will be more than delighted to learn that when you take out a policy loan the actual amount of the loan never "comes out" of your cash value and so it never stops earning money. You have only given an assignment on that amount of money. Yes, you received the loan money from the company, but the amount received never came out of its tax-free earning capacity inside your policy. This loan money you received to pay your taxes is still earning portfolio interest, annual dividends, and purchasing additional death benefit with them, which continues to increase the equity in your policy. If you really think this through this is quite a remarkable accounting feature. To be sure, this isn't "free money," because you must pay the life insurance company contractual interest on the policy loan. But to repeat, the actual mechanics of the policy loan make it an operation "on the side," while your policy itself continues to chug along. (We are here neglecting the complication of "direct recognition" and "non-direct recognition," which

more advanced readers will want to research to fully understand the impact of policy loans upon performance.)

By combining all of these important aspects of the insurance contract with a business owner's ability to create windfalls for purposes of repaying outstanding loans and you have the makings for an ideal system for creative cash flow strategies and management.

GETTING YOUR POLICY UP AND RUNNING

Suppose you've been following our podcast and reading the materials put out by the Nelson Nash Institute. You're convinced that having a well-funded IBC-type policy is an excellent component of any business or household financial plan. However, you hesitate to act because you think it would take too long to build up a policy that could really affect your situation.

Well, what I do in my own affairs might shed light on a strategy you could use to accelerate the process. Specifically, you can take cashflows that are already earmarked for paying your business taxes, and "detour" them through a correctly designed IBC policy. This would allow you to build up the infrastructure of a policy that has a much larger capacity than you may have thought possible.

In Part II, I will use numerical illustrations to show exactly what I mean. Let me be clear: There is nothing magical going on here. We're not creating money out of nothing. But the special features of policy loan terms will allow you to put time on your side; you will be able to fund your policy with future windfalls in a way more convenient to the vagaries of your cashflow.

Also in Part II I will describe how business owners, using IBC and their corporate entities, can pre-plan their profits using bonuses and sale of assets in such a way that even better results can be achieved. Be sure to look for all of this in the February 2017 issue of the *LMR*.

References

(For all those interested in learning more about IBC and the types of insurance contracts we are describing we recommend

you listen to the many podcasts we have recorded regarding this subject, especially Episode 17, 18 & 19 at <https://lara-murphy.com/podcast/> and while there visit the resources section of the website for additional information.)

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Fish Are the Last to Notice the Water

by Paul Rosenberg

I ran into this phrase in a physics lecture, of all places, and knew it would be the title of my next article. And this is generally a true statement. Those who are immersed in something... who have always been immersed in it... are the last to see what it really is.

By now it should be obvious to the people of the West that they're being held in a primitive bondage. And fortunately, more eyes are opening to this than ever before.

But still, most people are so used to this particular "water" and have so long acclimated themselves to it, that they haven't recognized it. There's nothing inherently wrong with most of these people; they just haven't stepped back far enough to see the obvious.

So, let's do that.

The Long View

A single model of human life has dominated the West for thousands of years. We've covered this carefully in the subscription letter[1], but I can summarize by saying that this rulership model began to form in about 5400 BC, dominated Mesopotamia by about 4000 BC, took hold in Egypt by 3000 BC, and spread over the rest of the world from there.

So, it has dominated for some 5,000 or 6,000 years, depending on which dates you prefer.

This model is so common that it's hard to make out at first. Here are its parts:

1. A small minority of men hold a monopoly on making rules everyone else will live by.
2. This minority enforces these rules on everyone else.
3. The minority extracts regular payments from everyone else. This is said to be necessary for protection and justice.
4. The minority fails to provide justice on a daily basis and very often sends the children of the majority to fight in battles to the death.
5. A minority-aligned intellectual class assures the majority that this is the best that can be had and that it has been sanctified by some higher power (gods, ancestors, tradition, reason, experience, progress, or whatever).
6. No one is permitted to escape this model. Those who try are punished as traitors and heretics.

This is the primary model of human organization and has been for some 5,000 years. And aside from arguing over details (or fury over the audacity to say it), there is no real challenge to this statement.

Moreover, this model has been an abject failure – a demonstrable failure:

- Wars have continued throughout its entire reign.
- Justice has never been achieved and generally came closest in places away from power

centers.

- Human happiness has not noticeably increased.
- Even when science has broken out, it has been recaptured and forced to serve the model. (The internet, for example.)

On top of that, this model has to be maintained by force. As noted above, straying from it is harshly punished. If this system was truly superior, force wouldn't be required. After all, we don't have to force people to buy houses or cars.

So, by any number of measurable standards, this model fails, and very, very badly. The best defense one might make for it is that something else could be worse. But since we're not permitted to test that assertion, the word bondage is perfectly fitting.

At a bare minimum, we can say this:

Any system with no major upgrade in 5,000 years must be considered hopelessly obsolete, moribund, and degenerate.

This is where we stand today. And it is crucial that we help our fellows see it.

How Do We Do Make Them See?

First off, we cannot *make* people see. And truthfully, they generally see it quite well on their own. What they lack is inner strength to *acknowledge* what they see.

It is not *intellectual* strength that most people lack; it is *emotional* strength. And so, you'll have to be slow and gentle if you want success. Rigorous intellectual arguments are not enough, and in many cases, they're counterproductive.

In the end, the way to help your friends and neighbors is downright biblical: Plant seeds, wait for them to germinate, water them. Show kindness, love them, shine light on their path.

It doesn't matter if this sounds hokey to you or if you'd rather engage in brilliant arguments. *This is what works.*

So, decide what you really want: for your friends and neighbors to see, or for you to "win."

The fish need faith to imagine a dry shore, and they're not going to get it from intellectual badgering.

Reprinted from the *Free-Man's Perspective* <https://www.freemansperspective.com/>

Why Bastiat Is As Relevant As Ever on His 216th Birthday

Mark J. Perry

Today marks the 216th anniversary of the birth of the great French classical-liberal economist Frédéric Bastiat (born June 29, 1801) whom economist Joseph Schumpeter called the "most brilliant economic journalist who ever lived." Celebrating Bastiat's birthday has become an annual tradition at CD, and below I present some of my favorite quotes from the great liberty-loving, influential French economist.

1. One of Bastiat's most famous and important writings was "The Candlemakers' Petition," which is such a clear and convincing satirical attack on trade protectionism that it often appears in textbooks on economics and international trade. Here's an excerpt from that famous 1845 essay (emphasis added):

We [French candlemakers] are suffering from the intolerable competition of a foreign rival, placed, it would seem, in a condition so far superior to ours for the production of light that he absolutely inundates our national market with it at a price fabulously reduced. The moment he shows himself, our trade leaves us — all consumers apply to him; and a branch of native industry, having countless ramifications, is all at once rendered completely stagnant. This rival, who is none other than the sun, wages war mercilessly against us.

We ask you to pass a law requiring the closing of all windows, skylights, dormer-windows, outside and inside shutters, curtains, blinds; in a word, of all openings, holes, chinks, clefts, and fissures, by or through which the light of the sun

has been in use to enter houses, to the prejudice of the meritorious manufactures with which we flatter ourselves that we have accommodated our country — a country that, in gratitude, ought not to abandon us now to a strife so unequal.

2. In 1845, as a solution to counteract job losses in some French domestic industries (like textiles) due to free trade, Bastiat proposed to the King of France that he “forbid all loyal subjects to use their right hands.” Bastiat predicted that:

...as soon as all right hands are either cut off or tied down, things will change. Twenty times, thirty times as many embroiderers, pressers and ironers, seamstresses, dressmakers and shirt-makers, will not suffice to meet the national demand. Yes, we may picture a touching scene of prosperity in the dressmaking business. Such bustling about! Such activity! Such animation! Each dress will busy a hundred fingers instead of ten. No young woman will any longer be idle. Not only will more young women be employed, but each of them will earn more, for all of them together will be unable to satisfy the demand.

3. Here's Bastiat's famous quote on legal plunder (now frequently referred to as “crony capitalism”):

Legal plunder can be committed in an infinite number of ways. Thus we have an infinite number of plans for organizing it: tariffs, protection, benefits, subsidies, encouragements, progressive taxation, public schools, guaranteed jobs, guaranteed profits, minimum wages, a right to relief, a right to the tools of labor, free credit, and so on, and so on. All these plans as a whole—with their common aim of legal plunder—constitute socialism.

But how is this legal plunder to be identified? Quite simply. See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does not belong. See if the law benefits one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime.

Note: As I pointed out last year on CD around this time, the minimum wage law is a form of legal plunder because it takes money from some persons (business owners) what belongs to them, and gives it to other persons (unskilled workers) to whom it does not belong. The minimum wage law clearly benefits some citizens (entry-level workers) at the expense of employers by doing what the workers cannot do without committing a crime of theft. So let's put aside all of the economic arguments about what economic theory and empirical evidence show regarding the possible employment effects of government-mandated minimum wages, and consider something even more basic and fundamental: the minimum wage is legalized, government-sanctioned plunder/theft from business owners, and therefore on that basis should be considered morally objectionable, unethical and unacceptable.

4. Four days before his death in 1850, Frederic Bastiat sent this message to a friend:

Treat all economic questions from the viewpoint of the consumer, for the interests of the consumer are the interests of the human race.

5. When a new railroad line was proposed from France to Spain, the French town of Bordeaux lobbied for a break in the tracks so that “all goods and passengers are forced to stop at that city,” which would, therefore, be “profitable for boatmen, porters, owners of hotels, etc.” Using *reductio ad absurdum*, Bastiat proposed that if a break in the tracks provided economic benefits and jobs for one town and served the general public interest, then it would be good for breaks in the tracks at dozens and dozens of other French towns, to the absurd point that there would be a railroad composed of a whole series of breaks in the tracks, so that it would actually become a “negative railway.”

6. In his famous essay “What Is Seen and What Is Not Seen,” Bastiat was one of the first economists to make the very important distinction between the immediate, concentrated and visible effects of legislation, trade protection or regulation and the

delayed, dispersed and invisible effects:

In the economic sphere an act, a habit, an institution, a law produces not only one effect, but a series of effects. Of these effects, the first alone is immediate; it appears simultaneously with its cause; it is seen. The other effects emerge only subsequently; they are not seen; we are fortunate if we foresee them.

There is only one difference between a bad economist and a good one: the bad economist confines himself to the visible effect; the good economist takes into account both the effect that can be seen and those effects that must be foreseen.

Yet this difference is tremendous; for it almost always happens that when the immediate consequence is favorable, the later consequences are disastrous, and vice versa. Whence it follows that the bad economist pursues a small present good that will be followed by a great evil to come, while the good economist pursues a great good to come, at the risk of a small present evil.

To illustrate the principle of "what is seen and what is not seen," Bastiat told a story that became known as the "The Parable of the Broken Window," which was modernized in the 1940s by Henry Hazlitt in his book "Economics in One Lesson." Here's a quick summary:

A baker has saved \$50 to buy a new suit, but then a young hoodlum throws a brick through the shop owner's window and the baker now has to spend \$50 to replace the window and forego the purchase of the new suit. If one ignored the invisible effects of the broken window, one could then argue that the hoodlum was, in fact, a public benefactor by stimulating business for the window company that now receives \$50 to replace the window. But instead of the baker having \$50 for a new suit and a window, he now only has the window and no suit. And the invisible unseen party in the parable is the tailor, who would have benefited \$50 from selling the baker a new suit, but now loses that business. Observers will see the visible new window but will never see

the invisible new suit, because it will now never be made.

Here's how Bastiat explains the unseen, invisible effects of the shopkeeper spending six francs to replace the broken window:

It is not seen that as our shopkeeper has spent six francs upon one thing, he cannot spend them upon another. It is not seen that if he had not had a window to replace, he would, perhaps, have replaced his old shoes, or added another book to his library. In short, he would have employed his six francs in some way, which this accident has prevented.

7. "The State [government] is the great fiction, through which everybody endeavors to live at the expense of everybody else."

~The State in *Journal des Débats* (1848).

8. "When plunder becomes a way of life for a group of men in a society, over the course of time they create for themselves a legal system that authorizes it and a moral code that glorifies it."

~Economic Sophisms, 2nd series (1848)

9. "Everyone wants to live at the expense of the State. They forget that the State lives at the expense of everyone."

~Source unknown

10. "Trade protection accumulates upon a single point the good which it effects [for domestic producers], while the evil inflicted is infused throughout the mass [of consumers]. The one strikes the eye at a first glance [benefits to producers], while the other becomes perceptible only to close investigation [losses to consumers]."

~Source unknown

Bottom Line: Bastiat was truly an economic giant and deserves credit for his many significant and important intellectual contributions to economic thinking that are as relevant today as they were in France in the mid-1800s when Bastiat was writing, including: a) Bastiat was one of the first economists

to warn us of the dangers of legal plunder, crony capitalism and trade protectionism, b) he helped us understand the importance of looking at both the unseen and delayed effects of legislation and regulation in addition to the immediate and visible effects, c) he was one of the most eloquent and articulate defenders of individual freedom and liberty who ever lived, d) he was probably the strongest advocate for the consumer in human history, and e) his use of wit, parody, and satire to convey economic wisdom and insights was unparalleled!

Happy 216th Birthday Frederic Bastiat!

Republished from AEIdeas

Mark J. Perry is a scholar at the American Enterprise Institute and a professor of economics and finance at the University of Michigan's Flint campus.

This article appeared on FEE.org June 29.

Comment by R. Nelson Nash — Anything written by Bastiat is a treasure that everyone should experience. What a fantastic thinker and communicator! His message in his little book THE LAW is essential for all to understand.

Did Obamacare Really Save Lives?

by Robert P. Murphy

One of the popular objections to the GOP proposals to reform health insurance markets is that the Affordable Care Act (aka "Obamacare") saved thousands of lives per year, and hence that tinkering with Obamacare will literally kill lots of people. For example, Hillary Clinton tweeted out:



Hillary Clinton
@HillaryClinton

Following

Forget death panels. If Republicans pass this bill, they're the death party.

Now to be sure, even if the claim were true, it still wouldn't follow that coercive redistribution of wealth was morally justified. However, as happens

so often in political controversies, libertarians *don't* have to choose between property rights and preventing widespread suffering. Believe it or not, the data suggest that if anything, ObamaCare actually caused more Americans to die. one of what I write in this piece should be construed as an endorsement of the GOP bills. But the claim that they would "kill lots of people" is not valid.

Oren Cass's Amazing Takedown

The researcher who alerted me to these awkward facts was the Manhattan Institute's Oren Cass. Cass makes three important points in his recent study:

#1. The various estimates of the alleged lives saved under ObamaCare were *not* based on actual mortality data. Rather, these pro-ObamaCare studies relied on previous episodes (such as the implementation of "RomneyCare" in Massachusetts) where the expansion of insurance coverage went hand-in-hand with improved health outcomes. Then, taking this correlation as a "fact," the pro-ObamaCare researchers multiplied by the expansion of insurance under ObamaCare and came up with an estimate of how many Americans' lives were saved.

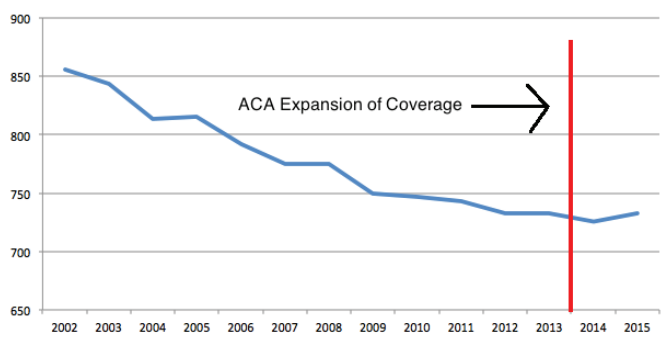
Yet as Cass points out, this procedure is flawed. What the literature actually shows is that expansion of *private* health insurance coverage contributes to improved health outcomes. But under ObamaCare, the amount of private coverage went *down* relative to what we would have expected in the absence of the legislation. What really drove the increase in insurance coverage under ObamaCare was the expansion of Medicaid. And here, it is much less obvious that this is a boon for health outcomes, as the now infamous Oregon experiment shows.

Looking at the Aggregate Data

#2. Now that we've undercut the foundations of the pro-ObamaCare figures, we can turn to the *actual mortality data* from the U.S. After all, as Cass says,

if ObamaCare really has been avoiding tens of thousands of deaths per year, we should see that in the data.

And yet, we see the opposite. Although the ACA passed in 2010, the full expansion of insurance coverage didn't kick in until 2014. So the relevant metric is to see what happened to (age-adjusted) mortality rates before and after 2014. Lo and behold:



U.S. Age-Adjusted Mortality Rates per 100,000 (Annual, 2002–2015)

Source: CDC WONDER Database

As the figure shows, if we control for the aging of the population, the mortality rate tends to fall over time. However, for whatever reason, after falling in 2014, the mortality jumped back up in 2015, erasing all the gains since 2013.

To see that this isn't some artifact of this data set, we can cross-reference this information with life expectancy. Some readers may have been aware that researchers were alarmed in late 2016 when the latest figures showed U.S. life expectancy falling "for the first time in decades."

Looking at the State-Level Data

#3. But now we come to the third and most devastating component of the Cass study. He is intellectually honest and concedes that the uptick in mortality in 2015 could be a fluke, or it could be a genuine problem due to something *other than* ObamaCare. For example, there is a festering opioid epidemic in many parts of the US, so perhaps it was just bad luck (for Obama's legacy) that this public

health crisis happened to hit right when his signature legislature fully kicked in.

Yet Cass points out that we still have a pretty good control group to assess the specific impact of the Affordable Care Act's boost to coverage. Specifically, only 31 states (plus DC) expanded Medicaid under the ACA, while the other 19 states rejected the offer. So if it's true that the ACA really did "save lives" *relative to what otherwise would have happened*, but that the absolute mortality rate in the US went up because of some external problem (like the opioid crisis), then we should still expect see mortality rates jumping *more* in the "red" states that rejected Medicaid expansion.

And yet, as Cass points out in his study, we see the exact opposite. Namely, the states that took advantage of ObamaCare's Medicaid expansion saw a worse impact on their mortality rates than the states that rejected the expansion.

Conclusion

Although I personally do not yet have a theory on the specific mechanism that may be responsible, I *am* confident in saying that the actual data do not support the breathless claims that rolling back ObamaCare will literally kill many thousands of Americans. Fans of the Austrian school should not be shocked, though, to discover that having the federal government get more heavily involved in the health sector has apparently made things worse.

Comment by R. Nelson Nash — The Nelson Nash Institute is truly blessed by having Bob Murphy as one its Directors.

The Second American Independence Day that Almost Was

by Thomas DiLorenzo

“Whether we remain in one confederacy, or form into Atlantic and Mississippi confederacies, I believe not very important to the happiness of either part. Those of the western confederacy will be as much our children & descendants as those of the eastern, and I feel myself as much identified with that country, in future time, as with this; and did I now foresee a separation at some future day, yet I should feel the duty & the desire to promote the western interests as zealously as the eastern, doing all the good for both portions of our future family which should fall within my power.”

—Letter from President Thomas Jefferson to Dr. Joseph Priestly, Jan. 29, 1804

Lost in all the parades, barbecues, and worshipping of all things military on the Fourth of July is the fact that Americans on that day are supposed to be celebrating their secession from the British Empire. The “free and independent states,” as they are called in the Declaration of Independence, individually voted to secede from the British Empire and form a confederation of states. Each state, the Declaration says, is independent in the sense that Spain, France, and England were independent: “[A]s free and independent states, they have full power to levy war, conclude peace, contract alliances, establish commerce, and do all other things which independent states may of right do.”

There was no such thing as a unitary “United States of America.” The phrase is always in the *plural* in all of the founding documents (i.e. the United States are . . .), signifying that the free and independent (and sovereign) states were united in forming a confederacy. When King George III signed a peace treaty to end the Revolutionary War (Treaty of Paris), he signed it with each individual state, not

something called “the United States government.”

That confederacy of states would eventually delegate certain limited powers, for their own benefit, to the federal government, as their agent, in the U.S. Constitution (see Article 1, Section 8). The union of the states was voluntary, as spelled out in Article 7 of the Constitution, which explains that the Constitution was to be ratified not by a national referendum but by votes in individual state ratifying conventions. Virginia, New York, and Rhode Island explicitly reserved the right to “resume” the delegated powers in the future should the government be “perverted to their injury or oppression” so that “every power not granted thereby remains with them [the states] and at their will . . .” (http://avalon.law.yale.edu/18th_century/ratva.asp). Since no one state has more rights than any other under the Constitution, when these three states entered the union it was assumed by everyone that *all* of the states – and future states — had the exact same right of secession.

This is why, with the election of Thomas Jefferson as president in 1800, the New England Federalists felt totally within their constitutional rights to begin planning to secede from the union. A voluntary union is one in which the members of the union are free to join or not join. The New England secessionist movement culminated in the Hartford Secession Convention of 1814, as discussed in great detail in the book, *To the Hartford Convention: The Federalists and the Origins of Party Politics in Massachusetts, 1789-1815*, by historian James M. Banner, Jr.

These New Englanders were extremely indignant and alarmed over being governed by Virginians (and Southerners in general), who they considered to be morally and mentally inferior. They believed that Virginians like Jefferson, Madison and Monroe would use the powers of the state to plunder New England. (That, after all, is what *they* would do if the shoe were on the other foot). As Banner states, there was a widespread “conviction that the people of New England, and none more so than those from

Massachusetts, were somehow set apart from the rest of the nation” (p. 84). “By 1790, few doubted that they were morally superior, ethnically more distinctive, socially more integrated, and economically and politically more advanced than the inhabitants of any other part of the union.” Banner quotes one prominent New Englander as proclaiming that “The God of nature, in his infinite goodness, has made the people of New England to excel every other people that ever existed in the world.” Federalist politician William Stoughton declared that “God sifted a whole Nation that he might send choice grain over into this wilderness” (p. 91). Hence the New England “Yankee” was born in Massachusetts, the first state to legalize slavery in America, and along with it “The Yankee Problem in America,” as Clyde Wilson calls it.

The Federalist Party – the party of Hamilton – was the political vehicle for this institutionalized hyper-egomania and extreme hubris. “One demonstrated his Federalism,” writes Banner, “and signified membership in a select circle by referring to the superior virtues of the people of Massachusetts” (p. 87). The myth of New England superiority “exerted a powerful restraint against accommodation with the rest of the nation.” In other words, if they couldn’t secede, they believed that they must coerce the rest of the nation (if not the entire world) – violently if necessary — to become New Englandized.

The New England Federalists thought that they could eventually “regenerate” the American population and remake the entire country in their own “superior” image. “Rule, New England! New England rules and saves!” was the chant that was recited at Federalist Party gatherings (Banner, p. 87). This in fact is what the “Civil War” and “Reconstruction” was all about – remaking America in the image of the New England Yankees.

But in the meantime, secession and the creation of a separate New England government was their top objective. The Jefferson and Madison administrations (1801-1817) added enormous fuel to

their secessionist fire with Jefferson’s national trade embargo (imposed as an alternative to another war with England), the Louisiana Purchase, and the War of 1812, all of which were violently opposed by New Englanders. They were right to complain that the embargo would be unfairly harmful to their region’s shipping industry; they were extreme nativists who despised the idea of the Louisiana Purchase allowing more “inferiors” such as “the wild Irish and sour Germans” into the country (p. 91); and they essentially seceded during the War of 1812 by not participating in it.

The nation should “divide at the Appalachians,” said Federalist Caleb Strong, a two-term Massachusetts governor. Massachusetts state senator Thomas Dawes introduced a “New England Plan” for a new government with “no Negro voters, nor naturalized voters . . .” (p. 114). The most outspoken New England secessionist was U.S. Senator Timothy Pickering, who had been George Washington’s adjutant general and quartermaster general during the Revolutionary War, and his secretary of state and secretary of war afterwards. He called the Louisiana Purchase Jefferson’s “plan of destruction” and wrote to U.S. Senator George Cabot that “the principles of our Revolution point to the remedy – a separation” (Henry Adams, *Documents Relating to New-England Federalism, 1800-1815*, p. 338). “The people of the East [i.e., New England] cannot reconcile their habits, views, and interests with those of the South and West,” Pickering declared.

In 1804 the New England Federalists began plotting their strategy to secede. Pickering wrote to Congressman Theodore Lyman that Massachusetts would “take the lead” and secede first, after which “Connecticut would instantly join,” followed by “New Hampshire, Rhode Island, Vermont, New York, New Jersey, and Pennsylvania” (Henry Adams, p. 338). Massachusetts would do what South Carolina did a half century later, in other words, and lead a secession movement.

Congressman Josiah Quincy (and later Harvard

president) was so incensed by the Louisiana Purchase that he wrote that it meant that “the bonds of this Union are virtually dissolved; that the States which compose it are free from their moral obligation; and that, as it will be the right of all, so will it be the duty of some, to prepare definitely for a separation, amicably if they can, violently if they must” (Daniel Wait Howe, *Political History of Secession*, p. 13).

On August 24, 1813 the British captured Washington and set fire to the Library of Congress and the White House. Governor Strong of Massachusetts called a special session of the state legislature to declare that the federal government had failed to protect New England, and that the time had come to separate (Edward Powell, *Nullification and Secession in the United States*, p. 219). The rank and file of the Federalist Party, and many New England newspapers, were calling for secession. No one argued at the time that the federal government had a “right” to invade, bomb, plunder, and incinerate the cities and towns of any state that seceded, waging total war on civilians in the process, killing them by the thousands. That was *Lincoln's* reinterpretation of the Constitution a half century later.

The secession convention was held in Hartford in December of 1814 and was attended by Federalist politicians from Massachusetts, Connecticut, Rhode Island, New Hampshire, and Vermont. These professional politicians were less radical than the rank and file Federalists, leading Federalist politician and author John Lowell, Jr. to warn that the convention “would not go far enough” (Banner, p. 355). He was right. These professional politicians feared that their careers might not be as grandiose in a new confederacy and that “separation would have severed their last chance for preferment at the national level” (Banner, p 353). They sold out their constituents, in other words, out of greed and self-interest. What else should anyone ever expect from *any* politicians?

The Hartford Convention published a report that

called for eliminating the Three-Fifths Clause of the Constitution, which added congressional representation to mostly Southern states; a two-thirds vote of both houses of Congress to admit a new state; a sixty-day limit on trade embargoes; a two-thirds vote requirement for war; term limits for the president; and federal funding of state militias.

Timothy Pickering was bitterly disappointed, complaining that the convention had been “captured” by political careerists, while Governor Strong predicted that the “western states” would eventually secede and “prefer a government of their own.” And so they did, forty-five years later. Such is the story of America's second Independence Day that almost was.

Comment by R. Nelson Nash — Tom provides us with an insight in the founding fathers of “these united states” — their attitudes and actions — that we all need to know. Things that would never be taught in our educational institutions. But the archives are there for all to see. It takes a Tom DiLorenzo to search them out — and the courage to report them!

When Governments Tried to Ban Coffee

by Art Carden

Calestous Juma's excellent and entertaining *Innovation and Its Enemies* is an interesting tour through the histories of coffee, printing, margarine, farm machinery, transgenic crops, and other innovations that people have fought at various times. It reminded me that we shouldn't take liberty and the rule of law for granted.

The Great Coffee Debate

Middle Eastern and European societies resisted coffee and worked to shut down coffeehouses.

In the chapter on coffee, Juma discusses how Middle Eastern and European societies resisted the beverage and, in particular, worked to shut down coffeehouses. Islamic jurists debated whether the kick from coffee

is the same as intoxication and therefore something to be prohibited.

Appealing to “the principle of original permissibility — *al-ibaha, al-asliya* — under which products were considered acceptable until expressly outlawed,” the fifteenth-century jurist Muhamad al-Dhabani issued several fatwas in support of keeping coffee legal.

This wasn't the last word on coffee, which was banned and permitted and banned and permitted and banned and permitted in various places over time. Some rulers were skeptical of coffee because it was brewed and consumed in public coffeehouses — places where people could indulge in vices like gambling and tobacco use or perhaps exchange unorthodox ideas that were a threat to their power. It seems absurd in retrospect, but political control of all things coffee is no laughing matter.

The bans extended to Europe, where coffee threatened beverages like tea, wine, and beer. Predictably, and all in the name of public safety (of course!), European governments with the counsel of experts like brewers, vintners, and the British East India Tea Company regulated coffee importation and consumption. The list of affected interest groups is long, as is the list of meddling governments. Charles II of England would issue *A Proclamation for the Suppression of Coffee Houses* in 1675. Sweden prohibited coffee imports on five separate occasions between 1756 and 1817. In the late seventeenth century, France required that all coffee be imported through Marseilles so that it could be more easily monopolized and taxed.

This brings a few things into high relief. First, there have been few things as constant as government interference with liberty, and coffee shows how governments are keen to interfere when power and treasure are at stake. Second, we can't take the rule of law for granted.

A nation of laws and not of men is not one in which specific products are regulated in specific ways but one in which abstract and universally applicable principles govern exchange.

Finally, we are rich today because we live in a society that values innovation — a society in which opposition to innovation, while strenuous at times, was nonetheless overcome. The example of coffee — *coffee*, of all things, an innocuous daily pleasure — makes me wonder: which innovations are we fretting about today that will cause our children to look back in puzzled wonder?

Reprinted from *Forbes*.

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Comment by R. Nelson Nash — Governments trying to ban coffee? Life without coffee? That is beyond my comprehension! I don't even know to respond to such a thought!

Do You Know What a Nation Is?

Jeffrey A. Tucker

On July 4, we celebrate something called the nation, but what is a nation? What is the source of our affections and loyalties?

We all assume that we know the answer to the question. But when you drill down, you find out that there is no clear agreement. In fact, disagreement on this vital issue is a huge source of division and political strife in the world today.

Divergent views on what constitutes nationhood is one aspect of why Trump's claims make sense to his followers but not to the editorial pages, why Elizabeth Warren's tirades strike some as sensible and others as silly, why some people regard the rise of the alt-right (or the antifa) as a saving grace and others see it as a sign of the end times.

Ask yourself: what do you believe a nation to be? Do you have a clear understanding of your own belief? Regardless of your politics, but especially if you consider yourself to be a libertarian, you need to get

this settled.

In 1882, the great French historian Ernst Renan penned a passionate and brilliant essay on the question. Ludwig von Mises himself rallied around this essay as the best expression of classically liberal doctrine. If another essay has done as good a job in dealing with the issue, I'm unaware of it. He wrote it while the age of monarchy was coming to a close, as the rise of democracy was occurring everywhere. Ideologies like socialism, imperialism, and "scientific" racism were vying to replace old-world understandings of political community.

Even if you reject his final thesis – that the perception of nationhood is an affair of the heart and nothing else – you can still be challenged by his analysis.

Renan delineates five conventional theories of nationhood from history and practice.

Dynasty. This view believes that ruling-class lineage forms the foundation of nationhood. It's about a history of initial conquest by one family or tribe over one people, its struggle to gain and maintain power and legitimacy, its marriages, wars, treaties, and alliances, along with a heroic legend. This is a solid description of European experience in feudal times, but it is not necessary for nationhood.

The dynastic sense of what nationhood is has largely evaporated in the 20th century, and yet nationhood is still with us. Renan saw that the dynastic view of the nation is not a permanent feature of the concept but only incidental to a time and place, and wholly replaceable. "A nation can exist without a dynastic principle," writes Renan, "and even those nations which have been formed by dynasties can be separated from them without therefore ceasing to exist."

Religion. The belief that a nation needs to practice a single faith has been the basis of wars and killings since the beginning of recorded history. It seemed like nationhood couldn't exist without it, which is why the Schism of the 11th century and the Reformation of the 16th century led to such conflict.

Then emerged a beautiful idea: let people believe what they want to believe, so long as they are not hurting anyone. The idea was tried and it worked, and thus was born the idea of religious liberty that finally severed the idea of national belongingness from religious identity. Even as late as the 19th century, American political interests claimed that the US could not be a nation while accepting Catholic, Jewish, and Buddhist immigration. Today we see these claims for what they are, politically illicit longings for conquest over the right of conscience.

In addition, what might appear at first to be a single religion actually has radically different expressions. Pennsylvania Amish and Texas Baptists share the same religious designation but have vastly different praxis, and the same is true of Irish vs. Vietnamese vs. Guatemalan versions of Catholicism. This is also true of every other religious faith, including Judaism, Islam, and Hinduism. Overlooking this amounts to denying a persistent reality of all faiths in all times and places.

Race. In the second half of the 19th century, there arose the new science of race, which purported to explain the evolution of all human societies through a deterministic reduction to biological characteristics. It was concluded that only race is firm and fixed and the basis of belongingness. Renan grants that in the most primitive societies, race is a large factor. But then comes other more developed aspects of the human experience: language, religion, art, music, and commercial engagement that break down racial divisions and created a new basis for community. Focussing on race alone is a revanchist longing in any civilized society.

There is also a scientific problem too complex for simple resolution: no political community on earth can claim to be defined solely by racial identity because there is no pure race. This is why politics can never be reduced to ethnographic identity as a first principle. Racial ideology also trends toward the politics of violence: "No one has the right to go through the world fingering people's skulls, and taking them by the throat saying: 'You are of our blood; you belong to us!'"

Language. As with the other claims of what constitutes nationality, the claim of language unity has a superficial plausibility. Polyglot communities living under a unity state face constant struggles over schooling, official business, and other issues of speech. They have the feeling of being two or several nations, thus tempting people to believe that language itself is the basis of nationhood. But this actually makes little sense: the US, New Zealand, and the UK are not a single nation because they hold the same language in common. Latin America and Spain, Portugal and Brazil, share the same language but not the same nation.

There is also the issue that not even a single language is actually unified: infinite varieties of expression and dialect can cause ongoing confusion. How much, really, does the language of an urban native of New Jersey have to do with expressions used in rural Mississippi? "Language invites people to unite," writes Renan, "but it does not force them to do so." There is nothing mystically unifying about speaking the same language; language facilitates communication but does not forge a nation.

Geography. Natural boundaries are another case of nation-making in the past which, as with all these other principles, actually has little to do with permanent features of what really makes a nation. Rivers and mountains can be convenient ways to draw borders but they do not permanently shape political communities. Geography can be easily overcome. It is malleable, as American history shows. The existence of geographically non-contiguous nations further refutes the notion.

Americans speak of "sea to shining sea," but how does that make sense of Alaska and Hawaii? Also in the US, enclaves of past national loyalty are a feature of city life: little Brazil, Chinatown, little Havana, and so on. Even further, to try to force unity based on geography alone is very dangerous. "I know of no doctrine which is more arbitrary or more fatal," writes Renan, "for it allows one to justify any or every violence."

So What Is a Nation?

All the above have some plausible claim to explaining national attachment, but none hold up under close scrutiny.

Can we identify any single factor to account for people's sense of attachment to a political community?

In Renan's view, nationhood is a spiritual principle, a reflection of the affections we feel toward some kind of political community – its ideals, its past, its achievements, and its future. Where your heart is, there is your nation. This is why so many of us can feel genuine feelings of joy and even belongingness during July 4th celebrations. We are celebrating something in common: a feeling we have that we share with others, regardless of religion, race, language (this is, after all, a country where "Despacito" is the number one pop hit), geography, and even ideology.

It is all about affections of the heart, which appear without compulsion and exist prior to and far beyond any loyalties to a particular dynasty, regime, or anything else. And what is that source of inner pride Americans feel? It's about the way in which the American political experiment appears rooted in the freedom to have and to hold those affections, and ennobles them in American aspirations and institutions. As with any national experience, ours is a deeply flawed history but the love that we have in our hearts for the freedom that is the theme of this nation persists despite it all.

Renan has the last word: "Man is a slave neither of his race nor his language, nor of his religion, nor of the course of rivers nor of the direction taken by mountain chains. A large aggregate of men, healthy in mind and warm of heart, creates the kind of moral conscience which we call a nation."

The freedom of this moral conscience is what we celebrate when we feel pride in the American nation.

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Distinguished Honorary Member of Mises Brazil, research fellow at the Acton Institute, policy adviser of the Heartland Institute, founder of the CryptoCurrency Conference, member of the editorial board of the Molinari Review, an advisor to the blockchain application builder Factom, and author of five books. He has written 150 introductions to books and many thousands of articles appearing in the scholarly and popular press.

Comment by R. Nelson Nash — Thanks, Jeffrey, for this great article. I never knew about Renan. He is absolutely right and his insight needs more usage in our everyday life. I live in Alabama where citizens are infected with a disease called "football." Hence, there are Sports Radio shows where University of Alabama fans call in and refer to themselves as "the Alabama Nation." That is a perfect classification!

The US Is Not "One Nation" — And it Never Was

by Ryan McMaken

Patrick Buchanan is an informative and interesting writer. On foreign policy, especially, he's long been one of the most reasonable voices among high-level American pundits.

When it comes to cultural matters, however, Buchanan has long held to a peculiar and empirically questionable version of American history in which the United States was once a mono-culture in which everyone was once happily united by "a common religion," a "common language," and a "common culture."

Now, he's at it again with his most recent column in which he correctly points out that the United States is culturally fractured, and speculates as to whether or not Thomas Jefferson's call to "dissolve political bands" in the Declaration of Independence might be sound advice today.

Buchanan is correct in noting that the US is culturally divided today.

But, he appears to have a selective view of history

when he contends there was a time when this was not so. If there ever was such a period, it's unclear as to when exactly it was.

Buchanan can't be referring to the mid-19th century when Northern states and Southern states were becoming increasingly hostile toward each other. Many of these differences flared up over slavery, but larger cultural differences were there too, exemplified by a divide between agrarian and industrialized culture, and the hierarchical South versus the more populist North. The result was a civil war that killed more than 2 percent of the population. It was a literal bloodbath.

Was that version of the United States culturally united?

Nor can Buchanan possibly be referring to the US of the so-called Gilded Age. After all, during this period, the US was flooded with immigrants from a wide variety of backgrounds.

Historian Jon Grinspan notes:

American life transformed more radically during the 19th century than it ever had before. Between the 1830s and 1900, America's population quintupled ... at least 18 million immigrants arrived from Europe, more people than had lived in all of America in 1830.

This hardly led to a period of religious or linguistic unity.

Certainly Catholics of the 19th century in the United States — who were commonly denounced as being non-Christians by the majority Protestants — would be at a loss if asked to describe the way the United States was united by a common religion.

This alleged unity would be news to the Catholics whose schools were being closed by government edict — as happened in Oregon where the state government deliberately outlawed private schools in the hope of eradicating the Catholic education system. This unity was certainly absent for the Catholics who were victims in the Know-Nothing riots in Philadelphia in 1844.

The Mormons may have fared even worse, and fled to the wilds of Utah. Even there they couldn't avoid the iron fist of the federal government. When disagreements flared over polygamy and territorial representation, James Buchanan sent 2,500 troops to Utah in 1857 as part of a shooting war with Mormons to force them into better compliance with federal law.

Nor were the foreign languages of immigrants immediately stamped out as many imagine in their nostalgia. Well into the 20th century, German continued to be a widely-spoken language, with Americans of German descent demanding their own German-language schools and government documents printed in German. Many Germans actively sought to avoid cultural integration with others by demanding more taxpayer-funded German-language-only schools.

According to historian Willi Paul Adams:

[S]ome states mandated English as the exclusive language of instruction in the public schools, while Pennsylvania and Ohio in 1839 were first in allowing German as an official alternative, even requiring it on parental demand. Some public and many private parochial schools taught exclusively in German throughout many decades, mostly in rural areas.

Nor was the German lobby confined to these two states. The original Colorado constitution, for example, mandates that all new laws be distributed in German, Spanish, and English, so as to cater to speakers the three most common languages in the area.

According to the census bureau, there were more than two-million German-speaking foreign-born United States residents in 1920, which means more than 2 percent of the population was speaking German. If the same proportions held up today, there'd be more than six million foreign-born German speakers in the US. Moreover, Germans weren't even the largest foreign language group at the time. There were even more foreign-born speakers of "Slavic languages" including Russian,

Czech, and Polish. Taken all together — out of a population of 100 million — there were more than ten million foreign-born Americans with a "mother tongue" other than English in 1920. It is likely that many of these people also knew and spoke English — some of the time. But the reality hardly paints a picture of linguistic and cultural unity as imagined by Buchanan.

And then, of course, there is the Spanish-speaking population. As noted above, the State of Colorado was tri-lingual from the day it became a state. And then there is New Mexico where Spanish speakers prior to statehood comprised at least half the state's population. Not surprisingly, the New Mexico constitution has always stipulated that the Spanish language enjoys special status, and that no citizen of the state may be denied any state services or rights based on being only able to speak Spanish.

Much of this linguistic diversity was a legacy of the Mexican War in which the US annexed vast territories that included many Spanish speakers. Generally forgotten today is the fact that the Mexican border was once located a mere 100 miles south of Denver along the Arkansas River. The special status granted Spanish in the 19th century in these regions was not a result of an influx of new immigrants. It was the result of a linguistic reality imposed on the population of the American Southwest by an American war of conquest.

We might also mention ongoing ethnic tensions caused by the war, such as those caused by the notorious Land Act of 1851 which robbed the Californios of their property. And then there were decades of anti-Mexican policies in southern Texas that disenfranchised the Spanish-speaking minority there. In some cases, this led to outright violent rebellion as with Juan Cortina and his guerrilla fighters.

So, is the cultural disunity in the United States something novel and unprecedented as Buchanan imagines? It's unlikely.

Any theory about unity in American history that just breezes over the American Civil War is questionable

at best, and English is likely more widespread today than at any point in the last 150 years thanks to the dominance of American popular culture.

Nevertheless, Buchanan has a point.

There are very real divides in the US today, especially between the religious and the anti-religious, between the urban residents and suburbanites, and between leftists and conservatives. Recent data even suggests that communities are now segregating themselves along ideological lines.

So what is the answer?

As is so often the case, the answer simply lies in decentralization. As Buchanan seems to suggest, now may be the time to "dissolve the political bands which have connected" Californians with Texans and Vermonters with Indianans.

After all, as Buchanan notes, if unity were put up to a vote, would the confederation we call 'the United States' even survive?

Could the Constitution, as currently interpreted, win the approval of two-thirds of our citizens and three-fourth of our states, if it were not already the supreme law of the land? How would a national referendum on the Constitution turn out, when many Americans are already seeking a new constitutional convention?

The answers to these questions are not obviously "yes."

Buchanan also correctly points out that the US does not qualify as "a nation" — at least not according to the romantic definition he uses. Buchanan quotes the Frenchman Ernest Renan who identifies at least two criteria for status as a nation: "One is the possession in common of a rich legacy of memories; the other is present consent, the desire to live together, the desire to continue to invest in the heritage that we have jointly received."

Buchanan suggests this description no longer applies to the US. He's half right. It doesn't apply to the US today. But unless we studiously ignore and gloss over the enduring religious, linguistic, cultural, and

ideological differences that have always existed, we must admit it never really applied to the United States at all.

Reprinted from Mises.org

Comment by R. Nelson Nash — Ryan McMaken is another man who has the courage to bring us "face-to-face" with truth. Thanks, Ryan!

Welcome IBC Practitioners

<https://www.infinitebanking.org/finder/>

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

- James Neathery - Alvarado, Texas
- Thomas Young - Beaver, Pennsylvania
- Jayson Lowe - Edmonton, Alberta
- Jason Breit - Melville, New York
- Scott Plamondon - Mission Viejo, California
- Tony Coccarelli - Richardson, Texas
- Thomas O'Connell - Parsippany, New Jersey
- William Hassler - Sarasota, Florida
- Patrick Donohoe - Salt Lake City, Utah
- Erland Reuter - North Las Vegas, Nevada
- Frank Riedel IV - Raleigh, North Carolina
- Melany Newsham - Edmonton, Alberta
- Teresa Kuhn - Austin, Texas
- Scott Guldin - North Huntingdon, Pennsylvania
- Brandon Jenkins - Jacksonville, Florida

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.

NNI's Live Seminars & Events
<http://infinitebanking.org/seminars/>

R. Nelson Nash Seminar Birmingham, AL

Friday, August 25, 2017 from 8:30 AM to 3:00 PM (CDT)

Nowlin and Associates

For additional information please contact

Stacy Brasher at 205-440-4101

or stacy@nowlinwm.com.

Morristown, NJ - IBC Seminar November 4, 2017

Hear Nelson Nash, Dr Robert Murphy and Carlos Lara live in this 6-hour seminar.

For Registration information contact:

Tom O'Connell, 973-394-0623

tjoconnell@internationalfinancial.com

or Lyneah J. Madrid, 505-819-8477

lyneah@alanbleckercpa.com

or Alan Blecker, 914-413-1793, 201-962-7173

Alan@alanbleckercpa.com

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

Fed Up: An Insider's Take on Why the Federal Reserve is Bad for America

by Danielle DiMartino Booth

Nelson's Favorite Quotes

My people are destroyed for a lack of knowledge.

Hosea 4:6, 21st Century King James Version (KJ21)

Steady plodding brings prosperity; hasty speculation brings poverty. Proverbs 21:5, Living Bible (TLB)