



# BANKNOTES

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## Why Do We Let Parkinson's Law Rule Our lives?

By R. Nelson Nash

C. Northcote Parkinson (1909 – 1993) was an interesting British naval officer who left us some valuable insights into human behavior. His sense of humor makes for good reading. His little essay, *Parkinson's Law*, written in 1955, tells us "Work expands to fill the time available for its completion." Understanding his observation makes it easy to extrapolate a large number of corollaries. One of my favorites is "A luxury, once enjoyed, becomes a necessity."

A thought comes to mind. Early in our marriage my wife and I would sit down from time to time and discuss how we were handling our financial affairs. We would list how we were allocating our scarce income and would always finish the session smiling from ear to ear because, you see, we never wasted any of our income -- we spent it all on necessities! No one had ever explained Parkinson's Law to us! The human mind has the ability to rationalize any behavior!

Understanding the implications of his law is an absolute necessity in our everyday lives. If not, then Parkinson's Law will eat you alive! You will end up with unbelievable debt and never realize how it came to be. It has been observed that "Americans buy things they don't need – with money they don't have – to impress folks they don't know – who could care less." Surely I don't have to cite examples to support this obvious fact in our world today. The current debt load in America is unbelievable.

How did this condition come to be? Failure to recognize this ramification of Parkinson's Law leads to slavery. Sometimes the recognition is necessary sev-

eral times per day. A recent example happened in our home. Our second refrigerator, located in the garage, just past the entry way into our kitchen lost its ability to function properly (it died).

Upon discovery of this, our immediate concern was for the food in the freezer and the other compartment. Would we be able to salvage it? Guess what? We came face to face with another "law" – this one formulated by a fellow named Murphy – "if anything can go wrong, it will!" It was almost four o'clock on Friday! Quitting time for the upcoming weekend!

We had several Styrofoam containers on hand. We just needed dry ice to put into them to keep the frozen items in that condition. I got on the internet to locate a source of it. There were only two such locations. I called the nearest one, which is only eight miles away. "We close at four-thirty" was the answer. The four o'clock traffic on a Friday is mind-boggling. I got there five minutes too late!

On the way back home we were discussing plan "B" – and decided to go to the local grocery and just buy ten pounds of ice for the Styrofoam containers – see if we can find room in the refrigerator/freezer in the kitchen for most of the frozen items – and hope for the best. It worked out! We found space in the freezer compartment in the kitchen refrigerator that contained several items that should have thrown away long ago! Imagine that! (I think this is probably another ramification of Parkinson's Law – one that should be addressed later.)

Following our plan, at 10:00 am on Saturday, we were shopping for a "plain-Jane" refrigerator (there was no need of fancy "in the door water and ice features"). There were four appliance stores within a short distance of each other. The first store offered one that met our needs quite well. But, we needed

to check out the competition located across the street.

We looked at several models that matched the brands we had seen at the first store – and at slightly lower price. Now comes the good part! After about fifteen minutes of shopping at the second store, my wife pulls on my shirtsleeve to get my attention. She looks me straight in the eye and says, “During this morning I’ve been thinking – do we really need a second refrigerator?”

What an amazing thought! We had just been through eighteen hours of anxious activity about replacing a refrigerator/freezer that we really didn’t need! All of this was caused by a decision made many years ago when we had children – and, later there were grandchildren who came with them to visit – sometime for an extended stay. We really did need a second refrigerator in those days. It had become a necessity. But, now that the real need had passed, our mind-set prevailed – it continued to be a necessity until a clear and reasonable thought appeared.

You see, it’s all about how you think – or don’t think! Parkinson’s Law is alive and well. Everyone needs to recognize that monster in order to avoid financial slavery.

## VISION

by Leonard E. Read

### Chapter Two

#### LESSONS FROM AFAR

*Thy blessings upon our freedom associates – near and far, past and present – the perfection of our ideas and ideals, and our strict adherence to them.*

The U.S.A. has been sinking into a socialistic society during the past few decades – with rampant inflation and its consequences. Is it possible for us to learn a lesson from freedom associates in a distant land? I am happy to report that there is a lesson to be learned.

Dr. Benjamin A. Rogge, Professor of Political Economy, Wabash College, and I spent a week in Buenos Aires (June 1977) – the most gratifying seven days

I’ve experienced in my extensive domestic and foreign travels of the past 45 years.

I had first visited Buenos Aires in 1940. Argentina was then one of the world’s most productive nations. Its producers adhered more or less to free market principles and, as a consequence, its people experienced an unusual prosperity. The peso was worth about 33 of our pennies. Keep this in mind: just 37 years ago, a 1940 dollar and 3 pesos were of equal value.

Doubtless, the remarkable prosperity had quite a bit to do with subsequent events. As Horace, the Roman of 2,000 years ago observed: “Times of adversity have the effect of eliciting talents which in prosperous circumstances would have laid dormant.”

In any event, free-market thinking lapsed in the Argentine. Result? A Command Society! As an example, government owned the railroads and the resulting deficits were enormous. But ownership and “operation” of railroads was only one among hundreds of government takeovers. How pay for these inevitable failures? The government merely printed paper money to “make up the difference” -- a fantastic dilution of the medium of exchange and an unprecedented inflation.

Argentina was one of the world’s major producers and exporters of beef. Could the beef producers sell to the highest bidders? Indeed not! Government compelled each to sell to the government at a far-below-market price and then the government sold to the highest bidders in other nations. These are but samplings of the government’s ownership and control, calling to mind our postal system or TVA.

Unto this muddle of governmental intervention stepped Peron and the terrorists! Eventually, the nation was freed of this wild dictator who escaped to Spain taking millions in gold coin. *But the terrorists remained!* What to do? A military government took over with the aim of restoring sufficient order that peaceful elections might again prevail.

My second visit to Buenos Aires was in April 1958 for a series of lectures under the sponsorship of Centro de Estudios sobre la Libertad of which the remarkable

free market thinker, Alberto Benegas Lynch, became President. When I arrived, the military was still in command; General Aramburu, President and Admiral Rojas, Vice-President. I interviewed these men and found them favorably disposed to the freedom philosophy. Shortly after my departure, the military withdrew, feeling all was calm enough to leave the future to a popular election. Frondizi became the new President.

The General and the Admiral gave up their rank and retired to private life. However, the terrorists kidnapped the General, took him to their hideout and later executed this fine man. God bless his soul! The Admiral was more fortunate and escaped the maniacs.

However, Frondizi's government was unable to maintain law and order. Finally, the "Peronistas" came back to power through elections in 1973 – first with Campora and afterward with Peron when the former resigned. For a couple of years things went from bad to worse. Inflation was rising at the rate of 900 percent annually (more than 75 percent per month). Argentina was in a chaotic situation. Terrorism was getting stronger and stronger. The only possible remedy? Another military Government – March 21, 1976 – tough and determined to restore order.

Dr. Rogge and I arrived 19 years after I had last been there. What we observed startled our imaginations. The 1977 dollar is worth about one-fourth of the 1940 dollar. Recall that 3 pesos were equal in value to one dollar then. Today, one receives 370 pesos for a 1977 dollar. Meanwhile, in 1969 Argentina had dropped two zeros, converting old pesos to new at 100 to 1. That makes the present peso worth not 1/3rd but roughly 1/50,000th of the 1940 dollar!

In spite of this inflation something fantastic is going on. Samples:

1. Never have we observed better dressed people.
2. The stores are aglitter with splendid merchandise and excellent service.
3. Rogge and I never tasted better food in this or any other country and at reasonable rates.
4. I bought a pair of the world's best shoes for \$43.00

– for less than the best shoes in the U.S.A.

True, inflation had gone down from 900 percent to 120 per cent. Is this to suggest that all is well in Argentina? Far from it! Many who were wealthy are in poverty. And millions must be suffering from this government-induced inflation. Yet, obviously, there is some kind of miracle at work. If we can find out what it is, we'll have a guideline for our own salvation – a lesson from afar.

The answer has to do with the reason why Dr. Rogge and I were in Buenos Aires. We had not sought this engagement but, rather, the sponsoring organizations invited us: Centro de Estudios sobre la Libertad and Fundacion Bolsa de Comercio. Ever so many in Argentina are searching for help in the restoration and practice of liberty!

Neither of us has ever spent a more intensive week – busy morning, noon and night with lectures, interviews, luncheons, dinners, the latter often lasting until 11:00 P.M.

The five lectures, beginning at 6:30 P.M. in the Stock Exchange, had on each occasion from 700 to 800 in attendance. Never had either of us experienced a more enthusiastic response to the freedom philosophy. A question period followed each lecture and the questions were excellent, all in the spirit of inquiry – no confrontations. By 9:00 P.M. we began refreshments and dinner, the number present ranging from 30 to 100, with intensive discussion.

Each day there was a luncheon sponsored by interested groups and organizations. Eating was incidental; we were there primarily to answer questions for a couple of hours.

On Thursday morning of that week, I was asked to address 200 of the Army's officers. I am confident that in general they are in full agreement with the freedom philosophy.

The next morning, Dr. Rogge was invited to address 30 officers of the Navy. Afterward, more than an hour of splendid, brilliant questions.

I delivered the final lecture of our series on Friday evening. Following the question period, there was a

standing applause of greater duration than I had ever known – not for me abut for the philosophy Dr. Rogge and I had been explaining.

The reason, as I see it, that Argentina's fantastic inflation has not yet destroyed the economy and why productivity in improving, was presented to us some years ago by Thomas Hogshhead:

*The idea of freedom must grow weak in the hearts of men before it can be killed at the hands of tyrants.*

Weak in the hearts of men? Not in Argentina! Never, in all of my experience, have I observed the idea of freedom so strong in the hearts of men as in our recent visit to that country. It is vibrant! Not all the tyrants who ever lived – Peron, Hitler, or the rest – could any more kill this exalted belief than they – in their positions of power – could do away with ignorance. Confronted with an undaunted belief in the freedom way of life, all tyrants become impotent. This belief, and nothing less, will rid humanity of such tyranny – whether of the Argentine or the U.S.A. variety. Up with freedom and away with tyrants!

Success in the form of wealth, fame or whatever – getting ahead of others in any field – is heady stuff. When “What a great man am I!” dominates the mentality, improving talents are not elicited but lie dormant. Argentina's earlier prosperity spawned adversity. This, in turn elicited the remarkable talents I have just reported.

The same sequence of dormancy and awakening is evident in the United States today. Many individuals in various walks of life are determined to “save free enterprise.” This determination is step number one.

It's the second step – unorthodox and thus largely unheeded – that must be taken. *Ours is not a selling but a learning problem!* Never try to reach for others. Instead, strive for that perfection in understanding and exposition which will cause others to reach for your achievement. Freedom ideas and ideals can never be injected into the consciousness of another; rather, these ideas and ideals must be absorbed. Rely exclusively on the law of attraction.

I am unaware of anyone, in this or any other country, who better understands and can more clearly explain the freedom philosophy than Dr. Rogge. I said “better,” not “best.” There are others of comparable talent and their number is growing.

Bear in mind that we did not seek the Argentine engagement; they sought us. Is there proof that this unorthodox tactic is correct and effective? Rogge and others of his stature receive more invitations for lectures and interviews than they can possibly accommodate. Emulate these who are striving for personal excellence; then others – if interested in freedom – will seek your tutorship! The free market, private ownership, limited government way of life bears a far higher price than mere yearning. The price tag reads, **LEARNING!**

Finally, a doff of the hat to our Argentine friends. We in *los Estados Unidos* are grateful for your encouragement and enlightenment – lessons from afar!

*Note - Frequent readers of BANK NOTES 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*

## Don't Trust the Economic Oracles

— Louis Rouanet

The positivist ideas dominant among economists led them to agree that, as stated by the motto of the Econometrics Society, “Science is prediction.” We are surrounded by forecasts about numerous economic indicators. “Experts” reveal the rate of growth with .1 percent precision as if they were reading the oracle or seeing the future in chicken entrails.

In the nineteenth century, people used to believe everything which was written in the newspapers. With time, they became more skeptical and began to question what has been considered as a reliable source of

information. After that came television. Images have real power over the minds, but after a while, people began to mistrust the news and exercise their critical judgment. Oddly however, government statistics and economic predictions are held as truths since they exist and people only too rarely question the figures.

But if we can't trust the government to produce safer rail travel or more affordable health care, why should we trust it to produce better economic predictions? Why would things be different for statistics and predictions?

### **Let's Be Optimistic!**

The case of France is instructive on these matters. Indeed, the French Ministry of Finance's growth rate predictions, published each year, have a very poor record. These predictions are important since they are used to estimate government revenue for the following year. If the numbers are made up, then how can the parliament vote on the budget wisely? The government has steadfastly predicted the French GDP every year since 1999 and has recorded an average error of 1.03 percentage points — a meaningful gap when dealing with GDP.

In the last fifteen years, the French government has been overly optimistic thirteen times. This is not surprising when the predictions are subject to constant manipulation by politicians. Some highly ranked officials in the Ministry of Finance still remember the tragicomic episode when, during the summer of 2010, the then Minister of Finance Francois Baroin, had to meet with President Nicolas Sarkozy at Fort Brégançon, the French Camp David. Baroin submitted the 2011 growth rate forecast which was 1.2 percent. "We cannot announce 1.2%, it's too low, let's say 1.5%" declared the minister to his team just before meeting with Sarkozy. President Sarkozy unsatisfied with the numbers as well, and with the stroke of a pen said: "we will do 2%!" Lucky for them, the growth rate that year was 1.7 percent. But even when it significantly misses the mark, the government always wins by manipulating the numbers. Who will remember the fake predictions in six months?

Private organizations and the European Commission,

which are less susceptible to direct political pressure, perform only slightly better in predicting the French GDP figures. For example, the "Centre de Prévision de l'Expansion" has committed an average error of 0.75 percentage points for the 1999-2014 period.

### **The Problem with Mathematical Models**

Although some private sector forecasters have more of a talent for guesswork than their public sector counterparts, the very assumption that we can compute predictions through "complex mathematical models" is flawed. Why, first of all, is the margin of error never published? Indeed, rather than giving a point estimate, would it not be more coherent to use a range? Second, to make forecasts, you need to make assumptions about how the economy works. If your assumptions are wrong, "sophisticated mathematical models" won't fix that.

As Mark Thornton put it, "The dominance of positivism in economic methodology encourages economists to worry less about the logical consistency of their models and to concentrate more on the development of models that exploit historical data in making predictions." Moreover, Austrian economists remind us that the future is always uncertain. If we could know the future with certainty, there would be no place for human action. Austrians are therefore skeptical about predictions. Ludwig von Mises claimed that economic theory can help us to make only qualitative predictions but cannot be used to produce *quantitative* predictions:

Economics can predict the effects to be expected from resorting to definite measures of economic policies. It can answer the question whether a definite policy is able to attain the ends aimed at and, if the answer is in the negative, what its real effects will be. But, of course, this prediction can be only "qualitative." It cannot be "quantitative" as there are no constant relations between the factors and effects concerned. The practical value of economics is to be seen in this neatly circumscribed power of predicting the outcome of definite measures.

And Hazlitt wrote in his November 22, 1948, column in *Newsweek*:

*The economic future, like the political future, will be determined by future human behavior and decisions. That is why it is uncertain. And in spite of the enormous and constantly growing literature on business cycles, business forecasting will never, any more than opinion polls, become an exact science.*

### **There's Nothing Wrong with Predictions, Though**

Only good economic theory can enable us to analyze the facts and help us make valid predictions. Richard Cantillon made correct predictions about John Law's Mississippi Bubble system based on sound economic theory, and he made a fortune as a result. But good economics does not need complex mathematical models. Often, economists who were critical about the use of math in economic science were nonetheless excellent forecasters. For example, Yves Guyot, the great classical French economist was strongly opposed to the mathematization of economic science and criticized Léon Walras on this ground. However, he was the best in making economic predictions. Even Schumpeter, in *History of Economic Analysis*, was forced to admit that:

as businessman or politician, I should have consulted Guyot — who was a wizard at practical diagnosis — rather than Pareto in order to be enlightened on, say, the prospects of employment or of metal prices in the next six months.

Of course, Schumpeter denigrated the so-called "*lack of scientific inspiration*" of the French Classical school of economics — the close relative of the Austrian school of economics. It is however ironic that the "good economists" Schumpeter is speaking about — i.e., Pareto and Léon Walras — are those economists who developed very elegant mathematical models which are completely unable to give us any practical knowledge about what happens in the real world. Equations won't tell us anything about how individuals act and therefore about how the economy works. If one wants to make good predictions, one has to master the basic laws of human action. Only then does it become possible to interpret correctly numbers and empirical facts.

*Comment by R. Nelson Nash – I never cease to be*

*amazed at the way human beings place their confidence in governments and ideas that involve central planning when it is obvious that their track record is miserable.*

## **Government Spending on "Innovation": The True Cost Is Higher Than You Think**

by Peter G. Klein

University of Sussex Professor Mariana Mazzucato is making headlines with her 2013 book *The Entrepreneurial State*, which argues that government, not the private sector, ultimately drives technological innovation. In a series of detailed case studies from information technology, pharmaceuticals, biotech, and other industries she argues that government labs and public agencies are mainly responsible for the fundamental, high-risk discovery and development that makes these technologies possible, with profit-seeking entrepreneurs jumping in only later, after the difficult work has been done.

This is a very old argument, skillfully brought to life in Mazzucato's writings (and a popular TED talk). Remember President Obama's "you didn't build that" remark to entrepreneurs, during his 2012 presidential campaign? "Somebody invested in roads and bridges. If you've got a business — you didn't build that. Somebody else made that happen. The Internet didn't get invented on its own. Government research created the Internet so that all the companies could make money off the Internet."

The view that private actors are short-sighted, and that only government can afford (or is willing) to make the long-term, high-risk, patient investments in research and development needed for technological progress is in every basic economics textbook. Even economists who are generally favorable toward free markets and limited government will say sure, the market is good at producing shoes or trucks or laptop computers, but the market cannot provide basic research — it is a "public good" that only government can provide. The *New York Times* recently opined:

Fundamental innovations such as nuclear power, the computer and the modern aircraft were all pushed along by an American government eager to defeat the Axis powers or, later, to win the Cold War. The Internet was initially designed to help this country withstand a nuclear exchange, and Silicon Valley had its origins with military contracting, not today's entrepreneurial social media start-ups. The Soviet launch of the Sputnik satellite spurred American interest in science and technology, to the benefit of later economic growth.

There are several problems with this kind of argument. First, it confuses technological innovation (impressive to engineers) and economic innovation (valuable to consumers). Second, it confuses gross and net benefit — of course, when government does X, we get more X, but is that more valuable than the Y we could otherwise have had? (Frédéric Bastiat, call your office.) Third, it confuses treatment and selection effects of government spending — government typically funds scientific projects that would have been undertaken anyway, such that a main benefit of government spending on science and technology is to increase the wages of science and technology workers. Fourth, as writers like Terence Kealey have pointed out, if you look carefully at the details of the sorts of programs lauded by the Times, you find they were grossly inefficient, ineffective, and potentially harmful. (Kealey offers a powerful critique of Mazzucato's specific views here.)

### **Does War Drive Innovation?**

It's useful to illustrate these points by considering the specific argument that war is an important, and even necessary, source of scientific progress, because technologies developed by the state to fight wars often have important civilian uses. Innovation is a side benefit of war, say war's defenders.

Social science textbooks also assume that war spurs innovation and note that the large-scale manufacturing of penicillin, for example, and the development of nylon and aerosol sprays occurred during the First World War. But that's nothing compared to the many benefits of the Second World War, we're told, which

brought us benefits ranging from atomic energy to jet engines and the world's first electronic computing devices, which were developed to break the Nazi "Enigma" codes. Moreover, key innovations in management practice came out of the Second World War, we're reminded, including management techniques used to improve logistics, procurement, and operations research.

The Second World War changed the nature of scientific research as well. After the war, large-scale federally-funded laboratories devoted to practical applications for new research replaced the small academic laboratories that had existed before the war. Naturally, these new laboratories were geared toward producing new technologies that the federal government wanted, and scientists flocked toward these jobs and new well-funded facilities.

It's true that many (though not all) of these technologies were developed — typically not invented, but refined — by government scientists working on military projects. The question nevertheless remains as to whether or not this model of innovation benefits society at large. Is this a "good side" of war?

### **"Crowding Out" and Interest-Group Politics**

The answer is no, for multiple reasons. First, if we look at each of these cases carefully, we find that the government was usually inefficient, chose bad technologies that crowded out other, privately-funded technologies, and led to inertia in research in directions that the private sector would likely never have supported.

But there is a more basic theoretical problem with the claim that military research gives us great new technologies we otherwise wouldn't have.

It is certainly true that governments spend money on building things or doing things that otherwise would not have been built or done. But this is not necessarily a good thing.

Take the Egyptian pyramids, for example. Had there been no pharaoh, commanding a huge budget, with the ability to mobilize vast quantities of resources (including labor), there would be no pyramids. But were

the pyramids unambiguously good for the people of Egypt? They were not, of course, and the pyramids were simply monuments to the power of the pharaoh and the state religion. To this day, governments build monuments to themselves all the time, whether they're huge statues or atomic bombs. Sure, without the federal government, we might not have the Lincoln Memorial. Is that an argument for government?

Pyramids and statues are cases of the state producing a good that likely would not have been produced in any form by the private sector, but even in cases in which the government shapes the development of private goods and technologies, the distorting effects on the final outcome of research and development can be significant.

We can see these distortions in the effects of the work of Vannevar Bush, the initiator of the Manhattan Project. Bush was chairman of the National Defense Research Committee (NDRC), and later director of the Office of Scientific Research and Development (OSRD), in the Second World War.

Bush wanted a peacetime successor to the OSRD and pushed for creation of the National Science Foundation, which was established in 1950. The NSF was controversial (one proposal was vetoed by Truman in 1947) because of the lack of accountability. A key figure was Senator Harley Kilgore of West Virginia, who initially opposed Bush's plan to distribute the money through universities (he preferred the government to own the labs) but later agreed to Bush's model. As Kealey describes it, Kilgore's goal was not to generate new knowledge. Rather, Kilgore wanted to create a reserve of scientifically trained personnel who could be mobilized for strategic purposes. ... The National Science Foundation, therefore, was created in 1950, in the same year (and for the same reasons) as the National Security Council.[1]

A few scholars have recognized the potentially harmful effects of this approach. Best known is the "distortion thesis" of historian Paul Forman, which holds that WWII and Cold War national security concerns distorted the path of the physical sciences.

Applied to technology, there is the "crowding out"

thesis, most closely associated with Seymour Melman, which maintains that, during the Cold War, commercial R&D was crowded out by government-funded R&D. As summarized by the distinguished historian of technology David Hounshell,

Research, development and manufacture for a single customer (the national security state or the military) led firms and whole industries into a kind of fatal attraction, which ultimately undermined their ability to compete in the global economy in which consumers had very different wants than those of the military; "spin offs" from military projects into the civilian economy simply did not compensate for the drawbacks of being dependent on military contracting.

### **Again, the Broken Window Fallacy**

We see once again the relevance of Frédéric Bastiat's Broken Window Fallacy. That is, the research and development institutions created and sustained by government are like the pane of glass in the broken window. We see it being repaired but cannot see what might have been produced with those same resources had the glass not been broken.

Similarly, we see what is produced by government scientists producing R&D for the state, but we don't see things we would have had the market been able to function in the absence of a giant militaristic government.

There is no doubt that military spending *had* a substantial effect on technological innovation. But was it a good one? Military spending distorts the efforts of scientists and engineers, and redirects them to particular projects, ones that do not necessarily generate benefits for consumers.

Military-funded R&D, like any government-funded projects, does not have to pass any kind of market test, so there is no way to know if it is actually beneficial to consumers. We cannot rely on the judgments of government scientists and scholars to say what are the "best" technologies. Remember Betamax? The experts told us that Betamax technology was superior to VHS tapes, from an engineering point of view. Yet,



in the end, VHS proved to be economically superior in that consumers ultimately chose VHS over Beta. Betamax failed the market test in spite of its arguably superior technology.

Today, when we look at private companies like Google, Apple, and Facebook and marvel at their innovations, we should remember that these companies are constantly subject to market tests, and that the goods and services they innovate must be accepted by consumers to be profitable. When they succeed, we know that they are creating value for society because consumers have chosen their products and services over others.

Success, for government-funded researchers and engineers, on the other hand, means winning grants and contracts, and getting more money from the taxpayer, who has little say in what gets done.

The reality is far more complicated than the myths repeated by those who claim that many of the technologies and innovations we now value were produced single-handedly by government. Yet, the historical reality does not diminish the ease with which Obama and other fans of government spending can point to innovations like the internet and the interstate highways and say "you didn't build that." We can only speculate on what *might* have been produced had the market been allowed to function. Likewise, we can still see the pyramids today and marvel at the innovation that went into their construction, but unfortunately, the wealth and labor stolen from ordinary Egyptians to build them has now been long forgotten.

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1. Economic Laws of Scientific Research, p. 154.

*Comment by R. Nelson Nash – Thanks, Peter, for providing some antidotes to the insanity that prevails from the "elitist" thinkers that seem to surround us. According to the those folks we should have more wars!*

## The Washington Intellectual Gravy Train

by James Bovard

[This article is an excerpt from May/June 2015 issue

of *The Austrian*.]

Intellectuals have long been glorified as champions of truth and defenders of society's highest values. But in Washington, they serve as Leviathan's Praetorian Guard. Intellectuals are thriving in DC thanks in large part to the ruinous policy advice they proffer.

The District of Columbia has 120 times more political scientists per capita than the rest of the nation. But rather than producing "good governance," the 3,200 political scientists and legions of other would-be Brain Trusters provide endless excuses to further extend the federal sway. Intellectuals usually come to Washington to help politicians leash other Americans, not to leash the government. And since they presume their preferred policies are better than freedom, intellectuals propel government programs to force their inferiors to "take their medicine."

Washington think tanks have proliferated at the same time federal policies have become far more intrusive and harebrained. There are now roughly 400 think tanks in the Washington area, some of which are little more than "cash machines for power" for politicians. Clifford May, the president of the Foundation for Defense of Democracies, commented in 2005: "It is the job of think tanks to create political capital. It is the job of politicians to spend it." May's think tank extols politicians who advocate bombing Muslim nations. Journalist Ken Silverstein, in an excellent report last year on think tank corruption, noted, "The Lexington Institute, a Virginia-based think tank, has never met a weapons program it didn't like. That is not surprising since a good chunk of its funding — about \$2.5 million in 2010 — comes from defense giants like Boeing, Lockheed and Northrop Grumman."

Some think tanks are fronts for political operatives. Jack Abramoff, the most powerful lobbyist in Washington, placed an aging beach lifeguard at the head of American International Center, a think tank he created to funnel money to himself and his favorite causes. The scam was fruitful until Abramoff's other machinations won him admission to federal prison. Newt Gingrich's boutique think tank, the Center for Health Transformation, pocketed \$37 million from

health care corporations and industry groups before going bankrupt in 2012 after Gingrich's presidential campaign floundered. Gingrich used his op-eds and speeches to tout positions favored by his think tank donors and omitted mentioning who was bankrolling his operation.

Think tanks are increasingly lackeys for foreign governments. The *New York Times* last June exposed how the government of Norway paid the Center for Global Development \$5 million to hustle Washington officials to boost foreign aid spending. The Brookings Institution received a windfall from the government of Qatar to set up a research institute that, according to the Qatar government, would devote itself to "reflecting the bright image of Qatar in the international media, especially the American ones." After an especially tawdry fixed election in 2011, the Kazakhstan government image was burnished by two think tanks on its payroll — the Center for Security and International Studies and the Institute for New Democracies. The Atlantic Council, another prominent DC think tank, pockets cash from Saudi Arabia, Bahrain, the United Arab Emirates, and NATO.

Some think tanks offer little more than an intellectual version of "rent-a-mobs" of political protestors. In the same way that medieval kings grabbed any shabby pretext to invade neighboring countries, today's politicians perennially seek pretexts to further invade citizens' lives. And there is never a shortage of intellectuals who, like the courtiers of medieval courts, assure their masters that God — or at least social science — blesses their aggression.

Washington think tanks provide a sheen of intellectual legitimacy to Leviathan. The profusion of think tanks and policy wonks also spawn the illusion that ideas drive policy in Washington. But in most cases, the ideas are simply pretenses to sanctify the pursuit of power.

The role of intellectual grafters in contemporary Washington is epitomized by Jonathan Gruber, an MIT economist who received a \$297,000 federal contract for aiding the push for the Affordable Care Act and earned the nickname, "the Oracle of Obam-

aCare." He boasted in 2009 of his "black box" software program he used to gin up the numbers to promote the Obama legislative agenda. Invoking a secret computer model is the contemporary version of the tricks Merlin the magician practiced in King Arthur's court. Gruber told a conference of economists in 2013 that the administration had to bamboozle the public about ObamaCare due to "the stupidity of the American voter." His comments sparked a conservative firestorm but the liberal *New Republic* exonerated him as an "independent-minded professor" devoted to the public good.

The more power politicians capture, the more profitable lying about government becomes. Nobel Laureate Friedrich Hayek, in his famous 1944 essay in *The Road to Serfdom*, "Why the Worst Get on Top," showed why, once government acquires vast power, "the readiness to do bad things becomes a path to promotion." In the same way, Washington is biased in favor of intellectuals who defend torture, total government surveillance, and the president's assassination prerogative. The advocates and apologists for George W. Bush's invasion of Iraq continue to be esteemed inside the Beltway as foreign policy visionaries.

The bigger government becomes, the more the "intellectual playing field" is tilted in favor of servility. Kowtowing is also spurred by Medals of Freedom, National Humanities Awards, and other honorifics bestowed by the White House and federal agencies. Regardless of how badly previous government policies failed, the expert consensus is almost always in favor of new programs and new interventions. Washington intellectuals fret far more about public distrust of government than about federal oppression of American citizens.

The closer that intellectuals get to politicians, the more weaselly they usually become.

The Washington definition of "independent thinker" is merely someone without a visible receipt for his opinions. Americans should be as wary of "gravey train intellectuals" as they are of congressmen and other serial perjurers.

*Comment by R. Nelson Nash -- Wow! What a great job*

*James Bovard did with this article in exposing what really goes on in Washington, DC. These facts are the basis of my effort to change the name of Washington, DC to "The Fear Factory." Everything that goes on there is based on fear. These folks create a problem in the minds of people – and then they present a government program to solve the problem they created. The amazing thing is that people actually believe them!*

### Nelson's Favorite Quotes

*If they can get you asking the wrong questions, they don't have to worry about answers.*

- Thomas Pynchon

*A slave is one who waits for someone to come and free him.* - Ezra Pound

### Nelson's Newly Added Book Recommendations

<https://infinitebanking.org/reading-list/>

*Saviors of the Earth?: The Politics and Religion of the Environmental Movement* by Dr. Michael S. Coffman (Available also as a *YouTube* video by the same name).

*Choice Cooperation, Enterprise, and Human Action* by Robert P. Murphy (One of the four directors of the NELSON NASH INSTITUTE. This is a "must read" for all who are interested in our mission)

*The Great Utopian Delusion: The Global Rise of Government and the Destruction of Liberty* by Carson, Cleveland and Barney. This book will be available on August 17 from Boundary Stone, LLC. [sales@boundarystone.org](mailto:sales@boundarystone.org). 205-305-5862.

Comment by R. Nelson Nash – *We are very pleased to have the two above books "hot off the press" to add to our Book Recommendation list on [www.infinitebanking.org](http://www.infinitebanking.org)*

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

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

- [Timothy Bogert - Southfield, MI](#)
- [Glen Zacher - Edmonton, AB, Canada](#)
- [Jayson Lowe - Edmonton, AB, Canada](#)
- [Russ Bragg - Jamison, PA](#)
- [Rebecca Rice - Little Rock, AR](#)
- [Thomas Eckols - Austin, TX](#)
- [Melany Newsham - Edmonton, AB, Canada](#)
- [Augusta Smith - Big Cove, NB, Canada](#)
- [Scott Guldin - North Huntingdon, PA](#)
- [Tony Coccarelli - Richardson, TX](#)

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.

The IBC Practitioner has signed the *IBC Practitioner's Agreement* with the IBI that specifies that he or she is a financial professional who wishes to advertise his status as an *IBC Practitioner*, and acknowledges possession of the proper licensing and other legal requirements to practice in his industry. The *IBC Practitioner* agrees for those clients who want an IBC policy, he will design it according to certain characteristics to ensure that these specific clients are getting a "Nelson Nash" policy, as described in his books and seminars. If an *IBC Practitioner* is dealing with a client who asks for an "IBC," "Nelson Nash," "privatized banking," or "banking" policy, or if the Practitioner recommends such a policy to the client, and/or if the client has come to the Practitioner by referral from his listing at the IBI website, then and only then the Practitioner must be sure to set this particular client up with a *dividend-paying, whole life policy*.