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The Jeffersonian Secessionist Tradition

By Thomas DiLorenzo July 5, 2014

“The tree of liberty must be refreshed from time to time with the blood of patriots and tyrants. It is its natural manure.”

–Letter from Thomas Jefferson to William Stephens Smith, Nov 13, 1787

Thomas Jefferson, the author of America’s July 4, 1776 Declaration of Secession from the British empire, was a lifelong advocate of both the *voluntary* union of the free, independent, and sovereign states, *and* of the right of secession. “If there be any among us who would wish to dissolve this Union or to change its republican form,” he said in his first inaugural address in 1801, “let them stand undisturbed as monuments of the safety with which error of opinion may be

tolerated where reason is left to combat it.”

In a January 29, 1804 letter to Dr. Joseph Priestly, who had asked Jefferson his opinion of the New England secession movement that was gaining momentum, he wrote: “Whether we remain in one confederacy, or form into Atlantic and Mississippi confederacies, 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 did I now foresee a separation at some future day,, yet 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 . . .” Jefferson offered the same opinion to John C. Breckenridge on August 12 1803 when New Englanders were threatening secession after the Louisiana purchase. If there were a “separation,” he wrote, “God bless them both & keep them in the union if it be for their good, but separate them, if it be better.”

Everyone understood that the union of the states was voluntary and that, as Virginia, Rhode Island, and New York stated in their constitutional ratification documents, each state had a right to withdraw from the union at some future date if that union became



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harmful to its interests. So when New Englanders began plotting secession barely twenty years after the end of the American Revolution, their leader, Massachusetts Senator Timothy Pickering (who was also George Washington's secretary of war and secretary of state) stated that "the principles of our Revolution point to the remedy – a separation. That this can be accomplished without spilling one drop of blood, I have little doubt" (In Henry Adams, editor, *Documents Relating to New-England Federalism, 1800-1815*, p. 338). The New England plot to secede from the union culminated in the Hartford Secession Convention of 1814, where they ultimately decided to remain in the union and to try to dominate it politically instead. (They of course succeeded beyond their wildest dreams, beginning in April of 1865 up to the present day).

John Quincy Adams, the quintessential New England Yankee, echoed these Jeffersonian sentiments in an 1839 speech in which he said that if different states or groups of states came into irrepressible conflict, then that "will be the time for reverting to the precedents which occurred at the formation and adoption of the Constitution, to form again a more perfect union by dissolving that which could no longer bind, and to leave the separated parts to be reunited by the law of political gravitation . . ." (John Quincy Adams, *The Jubilee of the Constitution*, 1939, pp. 66-69).

There is a long history of American newspapers endorsing the Jeffersonian secessionist tradition. The following are just a few examples.

The *Bangor, Maine Daily Union* once editorialized that the union of Maine with the other states "rests and depends for its continuance on the free consent and will of the sovereign people of each. When that consent and will is withdrawn on either part, their Union is gone, and no power exterior to the withdrawing [state] can ever restore it." Moreover, a state can never be a true equal member of the American union if forced into it by military aggression, the Maine editorialists wrote.

"A war . . . is a thousand times worse evil than the loss of a State, or a dozen States" the *Indianapolis*

Daily Journal once wrote. "The very freedom claimed by every individual citizen, precludes the idea of compulsory association, as individuals, as communities, or as States," wrote the Kenosha, Wisconsin *Democrat*. "The very germ of liberty is the right of forming our own governments, enacting our own laws, and choosing or own political associates The right of secession inheres to the people of every sovereign state."

Using violence to force any state to remain in the union, once said the New York Journal of Commerce, would "change our government from a voluntary one, in which the people are sovereigns, to a despotism" where one part of the people are "slaves." *The Washington (D.C.) Constitution* concurred, calling a coerced union held together at gunpoint (like the Soviet Union, for instance) "the extreme of wickedness and the acme of folly."

"The great principle embodied by Jefferson in the Declaration of American Independence, that governments derive their just powers from the consent of the governed," the New York Daily Tribune once wrote, "is sound and just," so that if any state wanted to secede peacefully from the union, it has "a clear moral right to do so."

A union maintained by military force, Soviet style, would be "mad and Quixotic" as well as "tyrannical and unjust" and "worse than a mockery," editorialized the *Trenton (N.J.) True American*. Echoing Jefferson's letter to John C. Breckenridge, the *Cincinnati Daily Commercial* once editorialized that "there is room for several flourishing nations on this continent; and the sun will shine brightly and the rivers run as clear" if one or more states were to peacefully secede.

All of these Northern state editorials were published in the first three months of 1861 and are published in Howard Cecil Perkins, editor, *Northern Editorials on Secession* (Gloucester, Mass.: 1964). They illustrate how the truths penned by Thomas Jefferson in the Declaration of Independence – that the states were considered to be free, independent, and sovereign in the same sense that England and France were; that the union was voluntary; that using invasion, bloodshed,

and mass murder to force a state into the union would be an abomination and a universal moral outrage; and that a free society is required to revere freedom of association – were still alive and well until April of 1865 when the Lincoln regime invented and adopted the novel new theory that: 1) the states were never sovereign; 2) the union was not voluntary; and 3) the federal government had the “right” to prove that propositions 1 and 2 are right by means murdering hundreds of thousands of fellow citizens by waging total war on the entire civilian population of the Southern states, bombing and burning its cities and towns into a smoldering ruin, and calling it all “the glory of the coming of the Lord.”

Happy Fourth of July!

Thomas J. DiLorenzo [send him mail] is professor of economics at Loyola College in Maryland and the author of *The Real Lincoln; Lincoln Unmasked: What You're Not Supposed To Know about Dishonest Abe, How Capitalism Saved America, Hamilton's Curse: How Jefferson's Archenemy Betrayed the American Revolution – And What It Means for America Today*. His latest book is *Organized Crime: The Unvarnished Truth About Government*.

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Comment by R. Nelson Nash – *Secession does not require political action. It can – and is being done – by individual action. It is a change in the way one thinks, which leads to change in behavior. In becoming a practitioner of The Infinite Banking Concept, one is actually seceding from “the way the world thinks.” As a result of my book, BECOMING YOUR OWN BANKER, I know lots of people now who will never make a loan from any type of banking institution in the future. My wife and I have never used one in 22 years. It is a very peaceful and stress-free way of life. Study both of my books and attend one of my seminars. They are sponsored by Authorized Practitioners of The Infinite Banking Institute.*

The Deficit Americans Should Think About Most: Personal Character

by Lawrence W. Reed, President of The Foundation for Economic Education

From council rooms in small towns to the marble corridors of Capital Hill, Americans are rightly focused on ways to halt the tide or red ink.

Facing huge budget shortfalls, states like California and New York are considering radical cuts to balance their books. President Obama acknowledged the seriousness of the problem in his State of the Union message, calling it a “mountain” that could bury us and urging a five-year partial budget freeze. The president is right to admonish us about the magnitude of the problem that he helped mightily to exacerbate. Political leaders who are serious about fiscal discipline deserve some credit for finally acting to correct course.

But even the most aggressive measures to reform federal spending won't address the underlying cause of our public debt.

That's because the deficit that matters most is not denominated in dollars at all. Its currency is of the heart and mind. It's a manifestation of the values with which we circumscribe our actions, our purposes, and our values. I speak of a deficit of character, which arguably is the root of all of our major economic and social troubles today.

Your character is not defined by what you say you believe. It's defined by the choices you make. History painfully records that when a people allow their personal character to dissipate, they become putting in the hands of tyrants and demagogues. Such tyranny often takes the form of actual rulers, but it can also involve the serfdom of our nobler nature to a lord of lustful impulse. Decadence can destroy democracy as surely as dictatorship.

Among the traits that define strong character are honesty, humility, responsibility, self-discipline, courage, self-reliance, and long-term thinking. A free society is not possible without these traits in

widespread practice.

How we subtract from our character

When a person spurns his conscience and fails to do what he knows is right, he subtracts from his character. When he evades his responsibilities, foists his problems and burdens on others, or fails to exert self-discipline; when he allows or encourages wrongdoing on any scale; when he attempts to reform the world without reforming himself first' when he obligates the yet-unborn to pay his current bills for him; when he expects politicians to solve problems that are properly his own business alone; he subtracts from his character – and drags the rest of us down, too.

Mountainous debts, unconscionable deficits, irresponsible bailouts, and reckless spending: These are all economic problems because they sprang first from character problems.

Reform starts with recognition. Not the easy kind that points out flaws in others, but the hard kind that reflects on, then roots out, errors in ourselves.

Is it wrong to take a dollar from the responsible and give it to the irresponsible? Of course it is, which is why so many of us decry the billion-dollar bailouts given to reckless but politically well-connected government agencies and private firms. Yet how many of us accepted tax-payer-funded aid when we fell behind on mortgage payments for homes we never should have bought?

We should express outrage at parents who, after borrowing heavily to buy gadgets and expensive meals, canceled their children's preschool when the bills came due. So why do we cheer for government "stimulus" that will similarly hurt our children? What is it about doing these things a trillion times over that makes it right?

Once upon a time in America, most citizens expected government to keep the peace and otherwise leave them alone. We built a vibrant, self-reliant, entrepreneurial culture with strong families and solid values.

Somewhere along the way, we lost our moral compass. Like the Roman republic that rose on integrity and

collapsed in turpitude, we thought the 'bread and circuses' the government could provide us would buy us comfort and security. We have acted as if we really don't want to be free and responsible citizens, so we get less responsibility from our leaders and less freedom for us.

The good news is that Washington's profligacy sometimes shocks us into sobriety.

In 1890, American voters raged against the Republican-dominated House of Representatives for its lavish spending. They punished the "Billion Dollar Congress," cutting the GOP roster in the House by more than 90 seats. A similar backlash occurred this past fall, when Republicans gained 63 seats after Democrats (with some GOP complicity) spent hundreds of billions of dollars we didn't have.

In both cases, voters seemed mindful of Thomas Jefferson's warning: "We must not let our rulers load us with perpetual debt. We must make our election between economy and liberty of profusion and servitude."

Heeding that exhortation takes more than punishing spendthrift incumbents in Congress once in a while. Our federal government is ultimately a reflection of our self-government, so Americans who are serious about fixing the country's fiscal mess must begin by fixing their own character.

Resolutions for reform

These resolutions make a good starting point:

- I pledge myself to a lifetime of self-improvement so I can be the model of integrity that friends, family, and acquaintances will want to emulate
- I resolve to keep my hands in my own pockets, to leave others alone unless they threaten me harm, to take responsibility for my own actions and decisions, and to impose no burdens on others that stem from my own poor judgments.
- I resolve to show the utmost reverence and respect for the lives, property, and rights of my fellow citizens. I will remember that government money is really my neighbor's money, so I will not vote

to loot them. I will stand on my own two feet, behave like an adult in a free and civil society, and expect the same of my children.

- If I need help, I will ask my family, friends, faith network, neighbors, local charities, or even strangers first – and government last.
- If I have a “good idea,” I resolve to elicit support for it through peaceful persuasion, not the force of government. I will not ask politicians to foist it on others because I think it is good for them.
- I resolve to help others who genuinely need it by involving myself directly or by supporting those who are providing assistance through charitable organizations. I will not complain about a problem and then insist that government tinker with it a twice the cost and half the effectiveness.
- Finally, I resolve that the highest authority in which I place my strongest faith will not be the United States Congress.

Comment by R. Nelson Nash. *This essay by Lawrence W. Reed is from his book THE GREAT HOPE, a collection of his essays—this one written August 22, 2011. Larry has given me permission to publish them serially in forthcoming issues of BANK NOTES. I look forward to sharing them with you. The Foundation for Economic Education is the organization where I was introduced to Austrian Economics in 1957. Bookmark the FEE website and read their material often.*

When Steelers Steal

by Christopher Westley on July 3, 2014

In Alabama last week, an estimated 900 union reps, politicians, local business owners, and their families rallied to raise awareness of supposed steel import dumping and how it threatens their way of life. They have a point. When a competitor enters a market selling a homogeneous product and can undercut the price of the established producers, those producers' livelihoods are threatened.

Thank goodness this is the case. In a free market

economy, the threatened firms often respond by searching for ways to increase efficiencies, attempting to access lower cost inputs, and improving on economies of scale and scope. In the long run, those firms that continually adjust to serve the consumer better than others survive for another day, while those that don't tend to fail and are soon forgotten.

When this process is played out across the entire economy, more goods and services are produced than would have otherwise, prices fall (resulting in a corresponding increase in purchasing power), and we become richer. That this process was relatively unhampered in the United States in the nineteenth century explains why the Industrial Revolution occurred here and why, over time, Americans grew in prosperity and their economy became the envy of the world.

Although one can go back to the Washington administration of 1789 for examples of government intervening in the market order, it was not until the Progressive Era that these interventions became institutionalized as official functions of government, and soon cartels and crony firms began to characterize and (increasingly) define the US economy. In the steel industry in particular, this has proved to be quite nefarious. Let's count some of the ways.

First, there are the unions. Steel was one of the first industries to be unionized. This in itself is not necessarily pernicious, but it became so once extra-market power, yielded by the coercive state, was used to anoint union workers over others. These workers became more resistant to change and less productive as it became increasingly difficult if not impossible to fire them. A primary reason why steel producing states became known as the Rust Belt is because while union productivity relatively declined and union wages relatively rose, capital and labor found itself more productive in other states. Both escaped the Rust Belt for better opportunities elsewhere.

Although opulent labor unions have spent tens of millions of dollars to force unionization on right-to-work states, ostensibly out of concern for working conditions there, the actual purpose is to remove

relative differences in the cost of capital and labor so as to remove the advantages these states enjoy. Their solution, when faced with the consequences that result when workers' wages exceed their productivity, is to try to force the same wage-productivity outcome on potential competitors elsewhere.

Second, there are international trade effects. Although the American steel industry's glory days occurred in the first few decades following World War II, it was not to last as steel production, often employing superior technology, took root overseas. Managers of less-protected industries would have had strong incentives to respond with similar investments out of concern for shrinking market share, but such incentives are diminished when managers can depend on the government to impose protective trade legislation. Why renovate factories to match South Korean steel efficiencies when lower priced Korean steel can be countered with tariffs and quotas?

Such is the moral hazard of protectionism. It removes healthy incentives for favored industries to improve over time.

Finally, there's the role of prices. By forcing domestic steel prices higher than they otherwise would be, increased competition becomes inevitable as competitors react to heightened price signals *the domestics themselves created*. This "short-sightedness effect" plays out with short-run benefits to domestics but with long-run problems that often result in demands for new rounds of protection. It's a costly cycle that harms consumers the longer it is allowed to exist.

Higher protected prices also have the effect of increasing the search for substitutes such that, today, many thousands of products have been developed to replace goods that used to incorporate steel. That's great for those producers and the consumers they serve, but one wonders about the unseen goods not produced because resources were diverted to steel substitutes. Let's just say they do not show up in GDP calculations.

Talk of such destruction was probably not a feature of last week's steel rally in Alabama, where the federal

flag flew freely and workers' signs proclaimed, "Keep It Made In America" and "#SOSJobs." Pat Summerlin, an electrician attending the rally, said protecting the industry was important since, after all, his plant and its workers support the community. "If I lose my job, that means I'm not spending money at your business. We're all connected."

Not if you balance increased spending of the well-connected with harmful and often unseen effects of protecting the domestic steel industry on everyone else. When you do, there is a net loss to society — a loss that reflects a profound and even steel-like ignorance of economics.

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

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Comment by R. Nelson Nash – *It is great to have Christopher at one of our Universities here in Alabama. He provides clear thinking and expresses those thoughts eloquently.*

When High Taxes Lead to Revolution

By Peter St. Onge

Mises.org August 1, 2014

History is full of tax revolts. It's a fairly popular pastime, if historians are to be believed. But when do they come? What's the spark and what's the gasoline?

In Sun-Tzu's *Art of War*, he argues that long military campaigns are unwise because they exhaust the people, and he says that long campaigns exhaust "seven tenths" of the wealth of the elites.

This is one of those oddly-specific claims that sometimes strike westerners as hilarious. But Sun-Tzu was a historian, and lived in an era with plenty of case studies of war's destruction. So it's worth exploring his rule of thumb here.

One of the problems we immediately face is a lack of good statistics for most historical periods. Even in the twentieth century, statistics can be incomplete, biased, or poorly collected. Before then, all bets are off — the statistics stink in history.

So we have two choices: either we completely ignore the past, and reinvent every wheel. Or else we estimate the past using these kinds of subjective commentaries like Sun-Tzu's. The model is a radar, used not to "see" something but to estimate its location with fragments of data.

So let's use this "radar" method on Sun-Tzu's "sevenths." One interpretation is that he thinks there's an upper limit to the devastation that can be imposed on your own citizens. This would be consistent with modern economic "marginal analysis," where people value a loss more as it grows bigger. For example, if you take \$10 from a billionaire, it's not a big deal, but if you take his last \$10 in the world he'll fight you to avoid going hungry.

In this light, Sun-Tzu is saying that once you pass the 70 percent threshold, people become desperate enough to shift from sheep to wolf.

We can translate this into a modern hypothesis, that the people will accept up to a 70 percent tax rate with manageable protest, but go much beyond that and you're likely to have problems. Now, we're still a way off this mark in the US: spending at all levels of government in 2014 was about 42 percent. The highest spenders in the world, according to the OECD, are the Scandinavians at about 50 percent.

While these are high numbers, they're still well below Sun-Tzu's 70 percent. And the trends are not as bad as they might seem. While the trend is worsening, we've still got a ways to go: OECD average tax take grew about 4 percent between 1975 and 2010. At that rate the US wouldn't get to 70 percent for another 250 years. Fortunately we'd have a "canary in the coalmine" as the Scandinavians would hit this threshold about 100 years earlier.

One caveat for Sun-Tzu's scenario is that regulation was pretty primitive in his day. By one estimate these

regulations add another 11 percent to government's "take," bringing the number up to 53 percent, but still below 70 percent.

A second big caveat is that this is all assuming past trends continue. History doesn't have perfect case studies, so we don't know what happens when an internet-and-computer wielding state gets the upper hand. So we could get to 70 percent much faster.

On the other hand, the State has become much more clever at hiding its taxes. Payroll withholding and hidden regulatory costs might not stir the people the way that a direct requisition might. And then, of course, there is the hidden tax in a central banks' inflation of the money supply.

Taking it all in, my guess is that this back-of-the-envelope "radar" tally suggests that current tax trends are plenty sustainable, for better or worse. Unless the trend changes significantly, taxes will likely continue rising slowly and, like the frog in boiling water, people will grumble and that's that.

There may be other catalysts, of course — the "culture wars" or incessant stoking of ethnic and racial animosity could come to a head. But on current trends taxes won't be the spark.

Peter St. Onge is a Summer Fellow at the Mises Institute and an Assistant Professor at Taiwan's Fengjia University College of Business. He blogs at Profits of Chaos.

Comment by R. Nelson Nash — *Some interesting observations by a relatively newcomer to the Austrian school of economic thought. Many years ago Leonard E. Read wrote on this subject and I suggest that you do some research on the subject.*

Nelson's Newly Added Book Recommendations

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

On The Wealth of Nations by P.J. O'Rourke

How Now Shall We Live by Charles Colson

People of the Lie by M. Scott Peck, MD

Nelson's Favorite Quotes

The game of speculation is the most uniformly fascinating game in the world. But it is not a game for the stupid, the mentally lazy, the person of inferior emotional balance or the get-rich-quick adventurer. They will die poor. – Jesse Livermore, *How to Trade in Stocks*

Mankind has one eternal problem – he wants to be god. To witness the ultimate example of this fact, just watch what he tries to do with government.
-- R. Nelson Nash

The man who reads nothing at all is better educated than the man who reads nothing but newspapers.
-- Thomas Jefferson

Nelson's Live Seminars & Events for August 2014 <http://infinitebanking.org/seminars/>

Nelson Live in Birmingham, AL 23 August
Contact Stacy Brasher at 205-440-4101 or email Stacy at stacybrasher@nowlinandassociates.com

Our comprehensive Becoming Your Own Banker® seminar is organized into a five-part, ten-hour consumer-oriented study of The Infinite Banking Concept® and uses our book Becoming Your Own Banker® as the guide. Typically, Nelson covers the concept's fundamentals in a two-hour introductory block the first day. He then covers the "how to" over an eight-hour block the final day.

These seminars are sponsored, therefore attendance is dictated by the seminar sponsor. If you are interested in attending one of these events, please call or email the contact person listed with the seminar information.

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

The following producers completed our *Infinite Banking Concepts Practitioners Program* course of study during the past month, and joined our IBC Practitioner Team:

- *Troy Gent - Joseph, UT*
- *Scott Guldin - North Huntingdon, PA*
- *Julius Botelho - Redlands, CA*
- *Todd Skinner - Williamsburg, VA*

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*.



Wall Street or Main Street?

Americans have been taught that the U.S. enjoys a free-enterprise market economy, in stark contrast to the failed socialist model. In political campaigns, Republican politicians in particular praise entrepreneurship as the lifeblood of America. But do they really believe it? Or instead do they favor Big Business and Wall Street, while taxing and regulating small businesses and Main Street?

Capitalism vs. Corporatism

In this year's NIGHT OF CLARITY our nationally-recognized speakers will explore the theme "CAPITALISM vs. CORPORATISM." Experts from business and academia—all versed in the Austrian School of economics—will explain how the government and the Federal Reserve stack the deck to favor the big banks and other insiders. Attendees will receive an expert diagnosis of what went wrong with our economy, and how to FIX it, yet all in terms the layperson can understand.

Stockman Diagnoses THE PROBLEM

The Friday lectures will culminate with the headline address by DAVID STOCKMAN, former budget director under Ronald Reagan and author of the New York Times bestseller *The Great Deformation*. Stockman is qualified as no other to give an insider account of how both parties pulled a con job on Americans, selling them free market "capitalism" but in reality delivering crony corporatism, with the government and Fed picking winners and losers. Stockman names names and pulls no punches in his diagnosis of our fiscal mess.

Nash Provides THE SOLUTION

Yet hope is not lost. Our Saturday workshop will provide THE SOLUTION for average households and business owners in the form of privatized banking. Attendees will learn the theory and practice of NELSON NASH'S *Infinite Banking Concept* (IBC) as laid out in his underground classic, *Becoming Your Own Banker*.

It's All Waiting for You in MUSIC CITY

The situation is dire; Americans must learn the sad truth about our current monetary and banking systems. But with knowledge comes the ability to protect your household, and ultimately to help the nation. Register today for the 2014 NIGHT OF CLARITY in downtown Nashville!

Please visit the Night of Clarity Website to find registration information:

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