

2957 OLD ROCKY RIDGE ROAD  
BIRMINGHAM, ALABAMA 35243

BANKNOTES ARCHIVES:  
INFINITEBANKING.ORG/BANKNOTES

NELSON NASH, FOUNDER  
NELSON31@CHARTER.NET

DAVID STEARNS, EDITOR  
DAVID@INFINITEBANKING.ORG

## The *Infinite Banking Institute* is now the *Nelson Nash Institute*!

The IBI Board of Directors consisting of Carlos Lara, Robert Murphy, David Stearns, and, begrudgingly Nelson Nash, voted unanimously to rename the institute. We made the initial announcement at the annual *IBC Practitioners Think Tank* held last week. The institute’s new logo is based on the flame of knowledge, and integrates the letter “N”. With the change, we codified our mission and vision statements presented below.

Our mission is to educate and inspire individuals to take control of their financial lives by reclaiming the banking function from outsiders.

Our vision is a free society characterized by creative privatized banking solutions independent of government intervention. We recognize that true freedom incorporates financial freedom.

To summarize who we are and what we want to achieve, I offer you the following:

We advocate a form of privatized “banking” for the public relying on Nelson Nash’s *Infinite Banking Concept* (IBC). This alternative financial strategy is superior in several dimensions when compared to traditional government-qualified plans.

We teach the public how to use Permanent Whole Life Insurance as the cashflow management vehicle for implementing Infinite Banking.



# NELSON NASH INSTITUTE

Our IBC Practitioner’s Program trains financial services professionals—including life insurance agents but also CPAs and attorneys—on how to properly structure whole life insurance policies as “banking” policies for their clients.

*The Infinite Banking Concept* is based on the premise that if a typical household, or business, owns the capability to perform the banking function, then it

will recapture volumes of interest traditionally paid to other financial entities (banks, mortgage companies, etc.). IBC is not about “investing in” life insurance. Instead, IBC uses properly structured life insurance policies that allow a household or business

to conveniently manage cashflow in a way that maintains control and access, while providing conservative yet consistent long-term growth.

The *Nelson Nash Institute* is named after the founder of the *Infinite Banking Concept*. Nash is also the author of the definitive book on the subject *Becoming Your Own Banker*. Nash is a firm believer in the “Austrian School” of economics (named after the origin of its founders), a school of thought stressing the economic benefits of individual liberty, sound money, and limited government. Nash has described IBC as “Austrian economics in action.”

The *Nelson Nash Institute* is unique in the educational/insurance/financial market place because we provide education on the theory and application of life insurance to both the general public and the financial

services professional, but we are independent of the insurance industry.

We are proponents of whole life insurance and believe we fill an important role in training financial professionals in the structure and design of this complex instrument. This training serves our overarching mission to educate and inspire the public on the personal and social benefits of IBC.

The official website of the *Infinite Banking Concept* has changed also, the site URL remains the same: [www.infinitebanking.org](http://www.infinitebanking.org).

## **The Fed: Reality Trumps Rhetoric**

by Shawn Ritenour

[This article is excerpted from the December issue of *The Free Market*.]

Throughout the existence of the Fed, its officers and intellectual supporters understandably asserted that the government's movement toward central banking was a most beneficial evolution. In a 1948 issue of *The Federal Reserve Bulletin*, for example, Fed Chairman Thomas B. McCabe asserted that money production could not manage itself, so we need a central bank such as the Fed that acts for the public interest. Nearly three decades later, the venerable Arthur Burns claimed that the basic assets of the Fed are concern for the general welfare, moral integrity, respect for tested knowledge, and independence of thought.

The alleged benefits from a Fed-managed elastic money stock became the standard justification for the Fed in later propaganda. Again in 1948, Fed Chairman McCabe asserted that a lack of a central bank caused a continual threat of financial panic, but the Fed put an end to this danger — a rather cheeky claim to make only a few years after the Great Depression. Subsequent Fed Chairman William McChesney Martin claimed that the Fed was designed to minimize panics and crises due to irregularities in flow of money supply and make the monetary system function more smoothly, but that a gold standard was too rigid.

In 2013, Chairman Ben Bernanke likewise told college students that “financial stability concerns were a major reason why Congress decided to try to create a central bank in the beginning of the 20th century.”

Alas, from the beginning, reality diverged from Fed rhetoric. What the Fed claimed it did and would do sharply differed from what it actually did and from the consequences of its actions. Instead of preventing and ameliorating crises, it caused and aggravated them. Instead of fighting inflation, it was inflation's fountainhead. Instead of remaining politically independent, it served politicians.

While it was originally claimed that the Fed would make financial and economic crises impossible by supplying an elastic money stock, in reality, from the beginning the Federal Reserve System was deliberately designed as an engine of inflation to be controlled and kept uniform by the central bank.

### **Federal Reserve Reality**

U.S. economic history clearly refutes the notion that the Fed merely maintained an elastic currency to satisfy only the needs of commerce. If that were so, one would expect no necessary long-term trend toward increasing inflation, yet that is what we see. The rate of annual increase of the monetary base has increased with each inflation-enhancing institutional change in our monetary system. From 1918 through 1933, the year Roosevelt took us off the domestic gold standard, the monetary base increased at an average annual rate of approximately 2.2%. From 1933 to 1971, when Nixon took the dollar off the last vestiges of the international gold standard, the monetary base increased at an average annual rate of 6.4%. After we left gold for good, the Fed increased the monetary base at an average annual rate of 9.8%.

The money stock followed suit. Since the advent of the Fed, M2 money stock increased by \$10,006.4 billion in 2012. That is over a 452% increase during the life of the Fed.

As one might expect as the money supply increased continually over the past century, the purchasing power of the dollar collapsed relative to what it was

the century before the Fed. The consumer price index was 22.8 times higher in June 2013 than in January of 1913.

From 1800 to about 1895, the purchasing power of the dollar roughly doubled. Then, as prices began their long march up after the advent of the Fed, the dollar's purchasing power began its long slide downward, culminating in a PPM (purchasing power of the monetary unit) of approximately 8 cents in 2009 compared to the dollar of 1800. So much for maintaining the value of the dollar, stable price, and manipulating the money supply only for the needs of commerce.

In light of the historical record, concerns about price deflation should be laughable. Noticeable price deflation has occurred only three times over the past one hundred years. The Fed allowed for price deflation in the wake of the 1920–21 recession, which is why it was over so quickly. It was ineffective in stopping monetary and price deflation in 1931–33 even though it was not for lack of trying.

### **The Fed Fails to Prevent Crises**

The financial meltdown of 2008 is merely the most recent economic debacle fostered by the Fed. Less than eight years after its origin, a Fed induced inflationary boom set in motion the recession of 1920–22. Fed inflation in the mid-to-late 1920s ushered in the recession that turned into the Great Depression. After World War II the Fed oversaw inflation and recession during the 1950s. By 1963 Fed-backed inflation so far outstripped the U.S. stock of gold that it was nowhere near large enough to cover our obligations under the Bretton Woods system. The situation was so bad, in fact, that the U.S. Treasury was compelled to borrow abroad in money other than dollars because of foreign lack of confidence in U.S. currency. The Fed prevented neither the stock market crash of 1987 nor the collapse of the hedge fund Long Term Capital Management. Immediately after the great stock market crash of 1987, then new Federal Reserve Chairman Greenspan, assured investors that the Fed stood ready to provide whatever liquidity was necessary to keep the markets afloat. The Fed's solution to the 1990s

recession and Mexican Peso crisis was more of the same — monetary inflation via credit expansion.

Investors flush with new cash were looking for opportunities and became hip to the next big thing: technology and the internet. Fed inflation in the 1990s led to the tech-stock bubble and subsequent recession of 2000. The Fed again responded by doing what it does best: assuring investors, expanding credit and increasing the money supply and repeated its “accommodation” after the 9/11 terrorist attacks. Many investors, bitten by the tech crash and induced by various lending regulations, directed their new money into real estate and then mortgage backed securities and financial derivatives based on these securities. Capital was malinvested again resulting in the Great Recession and the worst of crony capitalism.

Economic history demonstrates that not only has the Fed not provided economic stability, again and again it has introduced instability and economic destruction through its inflationary credit expansion and interest rate manipulation.

### **Conclusion**

For 100 years the Fed has proclaimed its economic indispensability. The picture it paints of a world without the Fed is a dystopian one in which society is left lurching from recession to recession, alternately experiencing runaway inflation and high unemployment. Thanks to the Fed, it is claimed, we instead enjoy sound money, fewer recessions, high employment, stable prices, and increased standards of living. In other words, the Fed is absolutely necessary for full-orbed macroeconomic stability.

Economic reality teaches a vastly different lesson, however, because the laws of economics have a way of impinging on statist rhetoric. The history of the Fed has been one of monetary inflation, higher overall prices, diminished purchasing power, economic depressions, and lost decades. In 1913 the state sowed the inflationist wind and for a hundred years we have been reaping the economic whirlwind.

Comment by R. Nelson Nash – *History has demonstrated that turning the monetary function over*



to governments has always produced the results that Shawn cites in this article. You can get the banking function in life controlled for yourself through contract with like-minded people utilizing the teachings of *The Infinite Banking Concept*.

## The True Cost of the Homeownership Obsession

JANUARY 16, 2015 — Ryan McMaken

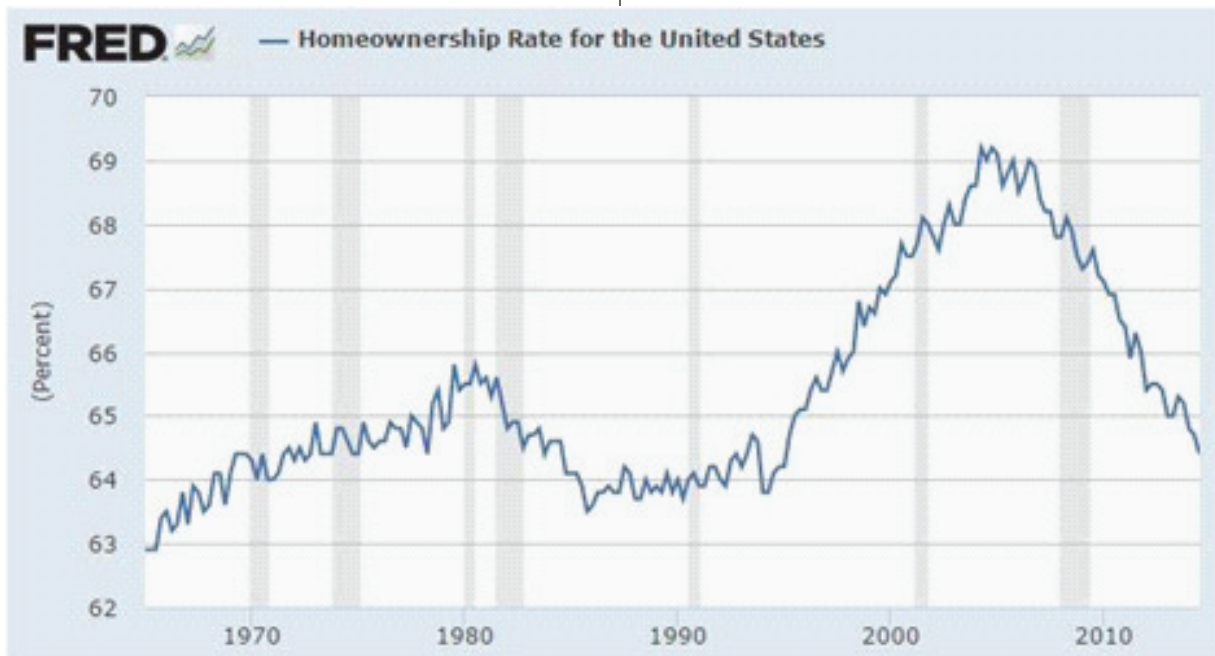
In 2014, the US homeownership rate fell below 65 percent, which means it's back to where it was during the 1970s and much of the 1990s. Various federal agencies have long made homeownership a priority, and have introduced a bevy of government and quasi-government programs including the GSEs like Fannie Mae, FHA-insured loans, VA-insured loans, the Bush administration's "American Dream Downpayment Initiative" and, of course central bank meddling to keep interest rates nice and low for the mortgage markets.

homeownership rates climbed to unprecedented levels, cracking 70 percent or more in many parts of the country. When the boom in homeownership came to an end, it was not a painless matter of people selling their homes. It was a very costly readjustment process, and it was something that would have been completely unnecessary and would never have happened to the degree it did without the interference of Congress, the central bank, and the easy-money induced boom they engineered.

### The American Dream = Homeownership

Homeownership rates have never been an indicator of economic prosperity. Switzerland, for example, has a homeownership rate half of the US rate. Nevertheless, raising the homeownership rate has long been a pet project of politicians in Washington.

Nevertheless, the political obsession with raising homeownership rates dates back to the New Deal when Roosevelt began introducing a variety of homeownership programs designed to drive down



And for all their efforts, all the inflation, and all the taxpayer-funded subsidies poured into bailouts, we have a homeownership rate at where it was forty years ago. During the housing boom, though,

the percentage of households that were renting their homes. Based on romantic ideas of frontier homesteading, it was assumed that owning a house was the only truly American way of living. It was during this time that the thirty-year mortgage — an artifact

of government intervention — became a fixture of the mortgage landscape. And homeownership rates did indeed increase. And with it, debt loads increased as well.

By the 1990s, central-bank engineered low interest rates propelled mortgage debt loads to awe inspiring new levels, and houses kept getting bigger as families got smaller. Government-sponsored entities like Fannie Mae and Freddie Mac kept the liquidity flowing and home equity lines of credit turned houses into sources of income.

From 2002 to 2007, those of us who worked in or around the mortgage industry were amazed at just how easy it was to get a loan even with a very sketchy credit history and unreliable income. Only token down payments were necessary. Many of these less-than-impressive borrowers bought multiple houses. Behind all of it was the Federal government and the Fed forever repeating the mantra of more homeownership, lower interest rates, more mortgages, and rising home prices. The rising homeownership levels were for the populists. The rising home prices were for the bankers and the existing homeowners.

### **A Housing-Related Employment Bubble**

The housing bubble became the gift that seemingly never stopped giving because with all this home buying came millions of new jobs in real estate, construction, and home mortgages. Seemingly everyone looked to real estate as a source of easy money. The bag boy at your local grocery store was selling condos on the side, and everyone seemed to be selling new home loans. Home builders couldn't keep up with the orders and contractors had six-week waiting lists.

We know how that all ended. The foreclosure rate doubled from 2002 to 2010. Implied government backing of Fannie Mae and Freddie Mac became explicit government backing, and numerous too-big-to-fail banks which had invested in home mortgages were bailed out to the tune of hundreds of billions of taxpayer dollars. Some lenders like Countrywide and Indymac essentially went out of business, and all lenders (including many who were not bailed out) faced costs ranging from 20,000 to 40,000 per

foreclosure in lost revenue, legal fees, and other costs. Foreclosures begat foreclosures as foreclosure-dense neighborhoods were most prone to price drops, leading to negative equity, which in turn led to even more foreclosures. Ironically, the most responsible borrowers — the ones who made sizable down payments and reliably made payments, and thus had more skin in the game — were the ones who suffered the most and who had the most to lose by simply walking away from their homes.

Real estate agents, loan industry professionals, construction workers, and others who relied on the home purchase industry lost their jobs and had to spend time and money on retraining in completely new industries. Or they were simply among the millions who collected unemployment checks and food stamps supplied by those who still had jobs.

### **Was the Bubble Worth It?**

And for what? The opportunity cost of it all was immense and during the bubble years, total workers in housing-related employment ballooned to 7.4 million, many of whom were fooled by the bubble into thinking the home-sales industry was a good long-term career. To get these jobs they spent many hours and thousands of dollars on certification, training, and job experience. After the bubble popped, three million of those jobs disappeared. From 2001 to 2006, employment in the mortgage industry increased by 119 percent, only to have most of those jobs disappear from 2006 to 2009.

Now, there will always be people who make bad career decisions, and there will always be frictional unemployment, but without the housing bubble and the myriad of federal programs and central bank pumping behind it, would millions of workers have flooded into these industries knowing that most of them would be unemployable in that same industry only a few years later? That seems unlikely.

Moreover, might we be better off today if those same people, many of whom were very talented, had invested their time and money into other fields and other endeavors? What businesses were never opened and what products were never made because so many

flocked to the housing sector? We'll never know.

Thanks to the government's relentless drive for more homeownership and ever-increasing home prices, millions of workers concluded that real-estate jobs were the best bet in the modern economy. They thought this because investors chasing yield in a low-interest-rate environment were pouring their money into owner-occupant housing in response to government guarantees on single-family loans and easy money for mortgage lending.

The people were promised more homeownership, but after just a few years, it has become clear they didn't get it. At the same time, Wall Street was promised high home prices, and when the prices faltered, it was offered bailouts instead. Wall Street got its bailouts.

The cost of the housing bubble is often calculated in dollar amounts that can easily be counted on Wall Street, but for those who aren't politically well-connected — for ordinary workers, homeowners, construction firms, and many others — the cost in time and lost opportunities will forever remain among the many unseen costs of government intervention.

Comment by R. Nelson Nash – *In observing the activity described in this and all other articles of this nature, the problem has to do with the definition of "homeownership." In the jargon in the industry today it means that one has title to a property – but a lending institution has a lien against the property, often in excess of the value of the property!! This concept is a blatant lie! This does not meet the definition of ownership at all. This chain of events is doing nothing but making "the wheels" of the banking community and the real estate industry turn. Ownership exists only when there is no lien. In the event of bankruptcy the lien holder must be served first.*

*This is just one example of the thought process of John Maynard Keynes that has the entire world in its grip. When will people ever wake up?*

## **Am I A Part Of The Problem?**

By Leonard E. Read

*If you are not a part of the solution, you are a part of the problem – Unknown*

Are you a part of the social problem, contributing to the present mess we're in? The answer is yes – unless you are a part of the solution! However, and in spite of inclinations to the contrary, it is not my role to answer that question for you or anyone else but, rather, to assess my own status in the scheme. If, perchance, this analysis of self helps another shift from being a part of the problem to becoming a part of the solution, then that's enough for me.

Why, in this wise observation by an author unknown to me, is "a part" so much emphasized? Is it not because no individual is more than an infinitesimal element in either the solution or the problem? Each of us is but a drop in the sea of humanity, not just of our time but of all time, and not just in our community or nation but in the whole world. Should I fail to recognize this fact, -- my limitations – I will attempt to cast others in my image, in which case *I remain a part of the problem.*

The sea of humanity is composed of human drops – you and me and everyone else – no less than the Red Sea or any other body of water is a multiple of water drops, be they human or water, that determine the purity or impurity of the seas. My role is obvious. It is to set my sights and actions aright. If I do, then I will become *a part of the solution!*

In order to set my sights and actions aright, I must first settle on a standard of right and a measure of wrong, that is, on society's ideal and society's nemesis. What are these opposites? Freedom and slavery! The latter has numerous contemporary labels: communism, Fabianism, fascism, naziism, and so on. This is to say that to the extent politicians and bureaucrats control our creative activities, and to the degree that our labors are coercively directed to satisfy the desires of others rather than selves, to that extent are we slaves. Bundle these several forms of political slavery under one label: socialism. Here's my definition:

Socialism is the state ownership and control of the means of production (the planned economy) and the state ownership and control of the results of production (the welfare state).

Very well! What is the first step I must take in order to shift from being a part of the problem to becoming a part of the solution? Do no wrong, say no wrong, even think no wrong! I must learn never to give any encouragement or lend any support to a single ideological error. Simple? Not exactly!

First, I must not only be able to recite the definition of wrong – socialism – but must also apprehend its full significance in my mind. The truly difficult part is to assess each and every political activity and draw an accurate conclusion as to whether it is right or wrong. If any political action even prepares the ground for socialism, it is wrong and therefore should never be encouraged.

Most people identify socialistic activities as the programs and propaganda currently emanating from the Kremlin – the “communist conspiracy.” However, wrap the American flag around any one of these for a short period and it’s labeled “Americanism.” Once, while making this point in a lecture, I remarked, “Most people do not think of our postal system as a socialistic institution.” A listener interrupted with, “Of course it isn’t; we’ve had it so long.” Typical!

The first step does not require of me that I be a creative thinker, writer, talker of the freedom philosophy but only that I partake in no wrong. Nothing else! But never overlook the importance of those who do no wrong. No longer are they a part of the problem; rather, they are a part of the solution. Rarely recognized is the fact that those who never do wrong have an enormous radiating influence.

“Do no wrong” is the first part of this beginner’s level (first step) exemplarity. The second? It is difficult, if not impossible, to know what’s wrong unless one has a reasonably fair awareness of what’s right. Is this companion part difficult? Though too seldom taken, not at all! An examination of what’s right is as simple as the ABC’s – if I be in my right mind. What is the right mind? One’s own! For me it is my mind, not

someone else’s. And for you, by the same token, it is your mind, and not mine. Of course, I absorb what I can from those who are in their right minds but it is my mind that decides who is and is not in their right minds.

A startling bit of truth comes to light in this observation, a way of assessing what I am or am not. If what’s right or wrong – freedom or slavery – isn’t readily identifiable, I am not in my right mind: rather, I am a mere shadow of countless others who are not in their right minds.

I look around my own orbit and observe the many who do no thinking for themselves; they reflect only what they hear and read. Unfortunately, many who have the public ear and eye are no more in their right minds than the ones swayed by their jargon. These influence peddlers, by and large, are but articulate broadcasters of socialism; *slavery!*

To repeat, becoming a part of the solution rather than a part of the problem requires as a first step *only* that I do no wrong. Elbert Hubbard, who clearly perceived the distinction between freedom and slavery – a man in his right mind – bequeathed to posterity – you and me – a mode of behavior that anyone in his right mind can easily grasp and practice:

I wish to be simple, honest, natural, frank, clean in mind and clean in body, unaffected – ready to say “I do not know,” if so be it -- ... to face any obstacles and meet every difficulty unafraid and unabashed. I wish to live without hate, whim, jealousy, envy or fear. I wish others to live their lives, too – up to their highest, fullest and best. To that end I pray that I may *never meddle, dictate, interfere, give advice that is not wanted*, nor assist when my services are not needed. If I can help people, I will do it by giving them a chance to help themselves; and if I can uplift or inspire, let it be by example, inference and suggestion, *rather than by injunction and dictation*. I desire to Radiate Life. (Italics mine)

Radiate Life! Those who do no wrong have an enormous radiating influence.



True, there are higher steps: (1) becoming creative thinkers and expositors of the freedom philosophy and (2) rising to such a high state of excellence that others will seek our tutorship. These advanced steps are never to be expected until the first step is taken. The first step opens the portals to one's potentialities. Doing no wrong casts a light on the undiscovered self; it is the preface to the expansion of consciousness. But even if these higher blessings never come to pass, doing no wrong assures an escape from being a part of the problem and rising to a part of the solution. It is the way to Radiate Life!

Comment by R. Nelson Nash – *This article was taken from Leonard's book Comes The Dawn written in 1976. What a joy it was for me to have this man as friend and mentor for nearly twenty years!*

*This article reminds me of an experience I had in Little Rock, AR a couple of years ago during a seminar on The Infinite Banking Concept that I was conducting. One participant was a Chiropractor from Memphis, TN.*

*During the Question & Answer period that followed he asked, "Bankers lend money that doesn't exist?"*

Nash: "Yes."

Chiro: "That is fraud!"

Nash: "Yes."

Chiro: "That is inflation!"

Nash: "Yes."

Chiro: "That means, If I get a loan at a bank, then I am the real cause of inflation. If banks don't have customers, then they can't inflate."

*Never before had I witnessed so complete an understanding of where the real problem lies. The Infinite Banking Concept teaches individuals how they can become their own banker and warehouse their medium of exchange in a place that cannot inflate the money supply. That place is Dividend-paying Whole Life Insurance.*

### Nelson's Favorite Quotes

*Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.*

- Ayn Rand

*Your beliefs don't make you a better person, your behavior does.* - Anonymous

*The first step toward success is taken when you refuse to be a captive of the environment in which you first find yourself.* - Mark Caine

### Nelson's Newly Added Book Recommendations

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

*The Fall of Logic: The Deceit of Conventional Financial Wisdom* by Chase Chandler

*Comes The Dawn* by Leonard E. Read

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:

- [Dale Moffitt - Red Deer, AB, Canada](#)
- [Stephen Devlin - Vancouver, BC, Canada](#)
- [Franz Griswold - Dansville, New York](#)
- [Howard Silvermintz - Atlanta, Georgia](#)
- [Michael Sparks - Clarksville, Tennessee](#)
- [Matthew Nocas - Montrose, Colorado](#)
- [John Blalock - Birmingham, Alabama](#)
- [Joe Myers - Jacksonville, Florida](#)
- [Susan MacAfee - Sierra Vista, Arizona](#)
- [Eric O'Connor - Beaver, Pennsylvania](#)
- [JJ Childers - Little Rock, Arkansas](#)



*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*.

Have an interesting article or quote related to IBC?  
We gladly accept article submissions as long as permission to reprint is provided. Send submissions for review and possible inclusion in BankNotes to [david@infinitebanking.org](mailto:david@infinitebanking.org).