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The Disturbing Truth Behind Your Next Income Tax Return

By Jeffrey Tucker, Executive Editor, Laissez Faire Books

The least of the problems with income tax is that it takes your money. The really big problem is that the income tax takes your life. It gives the government direct access to the things you own and sets up the political-bureaucratic sector to be the final arbiter of what you can and cannot consider to be yours.

Illustrating this point is the bitter news that the IRS has considered it completely legal to demand access to your email archive whenever it wants. This news came about because of a Freedom of Information Act request filed by the American Civil Liberties Union.

The filing unearthed a 2009 memo that stated outright: "The Fourth Amendment does not protect communications held in electronic storage, such as email messages stored on a server, because Internet users do not have a reasonable expectation of privacy in such communications."

Forget search warrants and legal processes. In the

interest of getting its share, the government can have it all on demand. This assertion was made again in 2010 by the IRS's chief counsel: The "Fourth Amendment does not protect emails stored on a server" and there is "no privacy expectation" on email.

A Century of Intrusions

This assertion openly contradicts a 2010 legal decision from the Sixth US Circuit Court of Appeals. *United States v. Warshak* said that the government must obtain a probable cause warrant before forcing people and providers to cough up email archives. Granted, even that's not much protection. Government always has its "probable cause."

Good for the ACLU for making an issue of this. There will continue to be legal wrangling over this issue, which is obviously important to absolutely everyone. But at some level, it's all beside the point. The problem isn't the legal process that allows the government to do what it wants; the problem is that government has a hook into personal income that allows powerful people to have their way with the whole of your life.

As we look back at the history, we can see that the income tax enabled a century of intrusions into our lives. It's been 100 years of a form of imposition that no American in most of the 19th century could have ever imagined or tolerated.

The income tax is what enabled Prohibition, for example. Without the ability to monitor and adjudicate



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how people made money, the power of enforcement would not have been there at all. (Remember that Al Capone was not convicted for bootlegging, but for tax evasion.)

It is what made possible the central planning of the New Deal. The government's presumption that it owns the first fruits of labor gave rise to wage controls and mandatory participation in the Social Security system. It allowed the central planners to push aside young workers and tell them that they aren't allowed to be part of the workforce. It allowed the introduction of the minimum wage that continues to shut out whole sectors of society.

And look what happened during World War II. The price controls on wages and salaries – made possible only because the income tax gave government a fiduciary interest – inspired companies to start offering health-care benefits as part of the compensation package.

That practice was intensified over the decades until it became mandatory. That practice is a major source of the health care problems we have today. So there we have it: There is a direct link from Obamacare today back to the income tax of 100 years ago.

The Root of All Evil

Just the other day, with the IRS still on the march, the elaborate lunches provided in highflying companies such as Google entered onto the radar screen. Shouldn't these wonderful buffets be considered as compensation subject to tax? There is just something unseemly about an agency that can't let people even enjoy a lunch without demanding a cut.

Frank Chodorov, author of the masterpiece *The Rise and Fall of Society*, was right to call the income tax the "root of all evil." We look back to history and are in awe that anyone ever had the full right to earn whatever money he or she wanted to and to never have to tell the government about it. But that was the way it was for the dominant part of American history.

That's the system once called freedom.

It's striking when you realize just how completely unnecessary the income tax is for the funding of

government. Last year, the income tax generated roughly \$1.2 trillion in revenue for the government. What if we cut back government spending by exactly that amount so that we replace the income tax with absolutely nothing? That would take us back in time to 2004.

As Ron Paul would ask, was the government really too small back then? Would society really collapse if we went back to a government we had just ten years ago?

So let's face it. Yes, the government likes our money and always wants more of it. But more crucially, the government uses the income tax as a primary means of controlling not just our money, but the whole of our lives. That's the real purpose of the income tax and why the government will fight for its preservation to the end.

Right now, many Americans are sweating it out to get their taxes done in time for the filing deadline of April 15. It would be immeasurably hard without the brilliant companies that have put together software programs – updated constantly! – that make what would otherwise seem impossible rather easy. This is the type of thing that free enterprise and the private sector do. They help us to have better lives.

But government? What does it do? It takes. It snoops. And it controls.

Comment by R. Nelson Nash – Another reason to read the two books I put on the Book Recommendations list this month. It is extremely important to understand the mindset that Woodrow Wilson unleashed on this country. As a result people willingly look to the State to solve the problems we face in life. The price is economic slavery. The solution to the condition is to learn the independence that can be created through The Infinite Banking Concept.

Secession and the Law

By Butler Shaffer

March 31, 2014 www.lewrockwell.com

I am amazed at the absence of reasoning found in the responses of many lawyers, law professors, political

philosophers, and media opiners on the topic of political secession. As with political discussions generally, debate on this issue originates from either an *individualistic* or *collectivist* perspective. Those whose basic premises are aligned with institutional interests, and who regard such entities as ends in themselves, superior to the interests of individuals, tend to reject the rightful authority of men and women to alter or dismantle these institutions. If individuals are looked upon as being subservient to the interests of the state, those who share this opinion find it easy to treat secession as an illegal undertaking.

The Achilles heel in this line of thinking is found in its contradiction with the modern theoretical foundations of political systems. For centuries, the state acquired its "legitimacy" from a mythical "social contract" by which the governed consent to live in accordance with rules created by their alleged "agents." That no evidence exists for any state having been brought into being by a contract among those to be ruled, has not diminished the use of the fiction. Political systems have been *created* and *sustained* by violence; by the *conquest* – not the *consent* – of the governed.

While I do not recognize a "social contract" as the origins of the state, I am quite willing to use the statist's fabrication of such a transaction against them. By their nature, contracts are agreements *voluntarily* entered into by two or more persons to exchange claims to the ownership of property interests. Courts often refer to this voluntary nature as "mutual assent." When one is forced, through threat of violence, to part with some property interest – as occurs when a street-mugger takes money from another at gun-point – a *crime*, not a *contract*, has taken place.

For purposes of addressing the statist's arguments re secession, I will assume what has never in fact occurred, namely, that a state system has come into existence by every adult male and female freely agreeing, in advance of its creation, to be bound by a contract to subject themselves to prescribed rules and procedures. But if such an arrangement can be generated by voluntary agreement – by contract – why may it not also be modified or terminated by a subsequent agreement? If we can voluntarily *create*

such a system, why may we not also voluntarily *end* it?

Implicit in the argument that it is illegal to dismantle a political structure allegedly created by some contract, is the unexplained assumption that the entity thus produced acquires rights that supersede the interests of the contracting parties. What is the reasoning that allows a *tool* to acquire a superiority of *purpose* and *control* over its creators? By what thinking does the Frankenstein monster become master over its producer?

Furthermore, had such a contract been entered into, who would be bound by it? If a majority of the population had consented to this arrangement, how could a minority – who did not agree to be so bound – be obligated under a contract principle? And under what reasoning could any subsequent persons – including the children of those who had contracted as well as any subsequent residents – be bound?

Suppose that the Amalgamated Widget Company and I mutually agree to enter into a contract by which I will make my services available to the company in exchange for which they will pay me an agreed-upon salary. Suppose, further, that after ten years of working for Amalgamated, I decide to go to work for another firm. If Amalgamated wants me to stay, and cannot otherwise persuade me to do so, would it be "illegal" for me to work elsewhere? Would the company have a legal right to compel me to continue working for it? Such a conclusion is implicit in the statist's rejection of the right to secede.

When questions of secession are approached *not* in terms of consistency with some abstract, philosophic principle, but as a matter of realpolitik, it becomes evident who the real parties in interest are. It is not the *system*, the *tool* that advances the claim of its primacy, but those who have taken *control* of the instrument – or who were responsible for its creation in the first place – in order to use it to control others to advance their private purposes. The "cui bono" principle applies in this setting as much as it does elsewhere in human behavior: "who benefits," not only from the *creation* of systems by which we organize ourselves,

but in *interpreting* the words we employ in defining the scope of what such systems may do.

When we attach ourselves so strongly to an abstraction that our minds have created, that we *identify* our very being with it; it becomes difficult for us to examine how such an attachment might contribute to the problems ensuing from our actions. To what extent, in other words, does our *thinking* contribute to the difficulties we experience in our institutionalized world?

Whether we are considering questions in the realm of religion, science, law, or other subjects, we encounter a truth that few people are willing to consider: *no system of thought can be self-validating*. As Gregory Bateson emphasized, intellectual respect for any belief system cannot depend upon internal assertions, but must be analyzed from outside the system; to be tested by a *metasystem* (which, in turn, must be validated by yet another metasystem, ad infinitum). Neither religion, nor science, nor any philosophic beliefs, nor legal maxims, can self-justify itself. One finds an illustration of this idea in the old story of the man who is explaining to his son the structure of the universe, whose vastness, he tells him, rests on the back of a turtle. "But upon what does this turtle rest?," the boy asks. "Upon another turtle," the father responds. "But, again, what supports this turtle?," the bewildered lad inquires. "Look," said he father, "it's turtles all the way down!"

This endless regression is present in every system of thought, including the politico-legal system under question here. One of the first questions I ask my first-year students is this: "does the U.S. Constitution have any validity? And if so, why? Upon what basis does the government presume to rule your life?" This is one of those questions that few of us are ever encouraged to ask, leaving most of us to accept the political control of our lives with the same resignation we would the forces of gravity. Most of my students appear dumbfounded that such a question is even asked, particularly in a law school where the legitimacy of the Constitution is taken as a given. While the preamble presumes to speak for "We the People," and Article V provides for the calling of a

"Convention for proposing Amendments," at no point is mention made of the right of people to secede, to withdraw from the system thus created.

By what metasystem might the question of the justifiability of the Constitution – and, with it, the entire political structure of the United States – be analyzed? If it cannot be validated by its own self-serving language, to what standard might we turn? One possibility is the Declaration of Independence, a document that created no political institution, but provided the criteria by which any such bodies might be judged. Philosophic or religious texts might also be useful, but given connections presumed to exist between these two instruments, I will use the Declaration for purposes of comparison.

The Declaration – heavily influenced by the thinking of such persons as John Locke – rationalizes the relations between individuals and political systems on a *contract* theory. Individuals being free, by nature, to protect their lives and property – but not to aggress or steal from others – may join together to form agencies to provide such protection – but with the same limitations vis-à-vis their neighbors. Should the political system, thus produced, exceed its permitted boundaries, it is the right of the people to "alter or abolish" it, and to create a new system to promote such legitimate ends. The Declaration clearly expresses the rights to "abolish" or to secede from a government that violates the individual rights that transcend the powers of the state.

One can read through the Constitution for words that provide such precision in thought, but will not find it. In the 1857 words of Lord Macaulay, "Your Constitution is all sail and no anchor," one finds the essence of state power in America. One provision in the Constitution that contains faint echoes of the sentiments of the Declaration is the Ninth Amendment, which reads: "The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people." The logical implications of such words would lead thoughtful minds to acknowledge what the passage portends: the rights of human beings are of such infinite dimensions as to not be capable of verbalization. The Ninth

Amendment was intended as a reminder of this fact.

If the spirit of the Declaration was thus to be incorporated into the Constitution by this Amendment, one would expect hundreds or even thousands of cases to have arisen under it, and to have affirmed an expansive defense of the individual when confronted by the state. Such has not been the case. Only a handful of cases has arisen under the Ninth Amendment. This has contributed to the twisting of the thinking that places individual liberty above all interests of the state; thus creating a default-mode mindset that whatever "rights" people enjoy come from, and are "given" by, the Constitution. As a result of such intellectual corruption, it is commonplace for people to conclude that, if a purported "right" cannot be found in the specific language (aka as "strict construction") of the Constitution, it does not exist!

It is on the basis of such thinking that politicians, judges, and other statists assert that "secession" is "illegal." If the Constitution does not specifically provide for this remedy, it does not exist; it is unlawful to pursue it. That such a proposition negates not only the Declaration of Independence, but the "social contract" theory upon which the state depends for bamboozling the public, is conveniently ignored by the statists. Many even go so far as to argue that the Civil War proved the illegality of secession, a conclusion that disregards the American colonials seceding from their then-present British government in a Revolutionary War aided by the ideas and spirit in the Declaration of Independence.

"Secession" is *not* a legal question, any more than it is a "scientific," or "technological," or "medical," or even a "mathematics" issue. It is, rather, a proposition that cannot be intelligently explored, or acted upon, within the confines of the system from which secessionists seek to withdraw. It is, in other words, a *philosophical* question; one that requires recourse to deeply-held principled beliefs. Just as those nineteenth century libertarians who sought to abolish slavery had to rest their arguments on metasystems of thought that transcended constitutional, statutory, and other formal legal standards; the secession question cannot be answered by the political authorities who control, for

their benefit, the coercive machinery that continues to grind down, loot, and destroy those who seek to liberate themselves from its inhumane practices.

From what extra-legal thinking can thoughtful minds find the inspiration and questioning with which to move outside the rigidly maintained boundaries of legalism? When we recall that the post-World War II Nuremberg defendants sought to excuse their murderous conduct with the plea that the acts they performed were not only *allowed*, but *mandated* by German law, we ought to be skeptical of allowing any system humans have created to be the judges of its own validity.

Whether mankind is to survive, or bring about its own extinction, will depend largely on the premises that underlie our social organizations. Will they exist as voluntary, cooperative systems through which individuals can mutually achieve their respective interests; or will they continue to function as herd-oriented collectives that allow the few to benefit at the expense of the many? The answers to such questions are to be found only within our individual thinking. Secession does not begin at the ballot box, or in courtrooms, or in signing petitions, but in the same realm where you lost your independence: within your mind, and your willingness to identify with conflict-ridden abstractions.

Butler Shaffer teaches at the Southwestern University School of Law. He is the author of the newly-released *In Restraint of Trade: The Business Campaign Against Competition, 1918–1938*, *Calculated Chaos: Institutional Threats to Peace and Human Survival*, and *Boundaries of Order*. His latest book is *The Wizards of Ozymandias*.

Comment by R. Nelson Nash – I suggest that you read this article by Butler Shaffer at least five times. Then, consider that one can "secede" financially from the "ways of the world" by studying and applying the principles taught by The Infinite Banking Concept.

A College Degree Does Not Make You a Million Dollars

By Andrew Syrios

It is becoming substantially less difficult these days to convince people that college is not a sure fire way to the good life. Even Paul Krugman has conceded that "it's no longer true that having a college degree guarantees that you'll get a good job." You can say that again: 53 percent of recent graduates are either jobless or underemployed. Unfortunately, myths die hard. Many people still believe as Hillary Clinton once said, "Graduates from four-year colleges earn nearly an estimated one million dollars more [than high school graduates]." This may sound convincing, but this figure — based on a Census Bureau report — is about as true as it is relevant.

After all, isn't it true that the most hard-working and intelligent people tend more to go to college? This is not a nature vs. nurture argument, the factors behind these qualities are unrelated to the discussion at hand. If one grants, however, that the more ambitious and talented go to college in greater proportion than their peers, Mrs. Clinton could have just said "the most hard-working and intelligent earn nearly an estimated one million dollars more than their peers." I think the presses need not be stopped.

For one thing, the Census Bureau estimate includes super-earners such as CEO's which skew the average upward. Although some, such as Mark Zuckerberg and Bill Gates, didn't graduate college, most did. This is why it's better to use the median (the middle number in the data set) than the mean or average. It's also why Hillary Clinton and other repeaters of this factoid don't.

Furthermore, just because most smart people go to college doesn't mean they should. They may earn more money, but what they keep is more important than what they make. Financial columnist Jack Hough created a very illuminating hypothetical scenario with two people, one who chooses college and one who enters the labor force after high school. Hough then uses the average cost of college as well

as U.S. Census Bureau data for the average income of college graduates and non-graduates, adjusted for age. He assumes both save and invest 5 percent of their income each year. By the age of 65, how does the net worth of each look?

- College Graduate: \$400,000
- High School Graduate: \$1,300,000

When one thinks about the common narrative of college vs. no college, it truly becomes absurd. Indeed, who exactly are we comparing? We're not only comparing Jane-Lawyer to Joe-Carpenter, but we're also comparing financial analysts with the mentally disabled, medical doctors with welfare dependents, building engineers with drug addicts, architects with pan handlers, marketing directors with immigrants who can barely speak English, and university professors with career criminals (whose earnings, by the way, are rarely reported). Many of these troubled people didn't graduate high school, but it is shocking how they shuffle kids through the system these days. Some 50 percent of Detroit high school graduates are functionally illiterate and it isn't that much better for the country on the whole. And something tells me that these particular non-graduates need something other than four years of drinking and studying Lockean (well, more likely Marxian) philosophy.

It certainly could be a good thing to earn a college degree. If one wants to be an accountant, engineer, or doctor, a degree is required. And those jobs have very high incomes. But can one really expect to make a killing with a degree in sociology or Medieval-African-Women's-Military-Ethnic Studies? Pretty much the only jobs those degrees help one get, in any way other than the "hey, they got a college degree" sort of way, are jobs teaching sociology or Medieval-African-Women's-Military-Ethnic Studies. And that requires an advanced degree as well (i.e., more money down the tube).

Furthermore, a college degree does not even guarantee a particularly high income. *CBS News* ran an article on the 20 worst-paying college degrees. The worst was Child and Family Studies with a starting average salary of \$29,500 and a mid-career average of \$38,400.

Art History came in 20th with a starting average of \$39,400 and a mid-career average of \$57,100. Other degrees in between included elementary education, culinary arts, religious studies, nutrition, and music.

These are decent salaries, but are they worth the monetary and opportunity costs? With the wealth of information on the Internet, many skills can be attained on one's own. Alternatives to college such as entrepreneurship and apprenticeship programs are often ignored. Indeed, apprentices typically get paid for their work while they are learning. The average yearly wage of a plumber and electrician are \$52,950 and \$53,030 respectively. That's better than many college degrees and comes without the debt.

And that debt is getting bigger and bigger as college tuition continues to rise. In the last five years, tuition has gone up 24 percent more than inflation. Including books, supplies, transportation and other costs, in-state college students paid an average of \$17,860 for one year in 2013 (out-of-state students paid substantially more). And despite all of that, many students don't even finish. According to *US News & World Report*,

Studies have shown that nonselective colleges graduate, on average, 35 percent of their students, while the most competitive schools graduate 88 percent. Harvard's 97 percent four-year graduation rate might not be that surprising ... [but then] Texas Southern University's rate was 12 percent.

12 percent is simply ridiculous, but the 35 percent for nonselective schools is extremely bad as well. Even the 88 percent for competitive schools leaves 12 percent of their students with no degree, but plenty of debt.

Given all of that, it can't be surprising that the default rates on student loans (which cannot be wiped away in bankruptcy) appear to be much higher than is typically reported. According to *The Chronicle*,

[O]ne in every five government loans that entered repayment in 1995 has gone into default. The default rate is higher for loans made to students from two-year colleges, and higher still, reaching

40 percent, for those who attended for-profit institutions ...

[T]he government's official "cohort-default rate," which measures the percentage of borrowers who default in the first two years of repayment and is used to penalize colleges with high rates, downplays the long-term cost of defaults, capturing only a sliver of the loans that eventually lapse ...

College is good for some people. If you want to go into a field that has high earning potential (engineering, medicine, accounting, etc.) or you really like a certain subject and want to dedicate your career to it even if it may not be the best financial decision, go for it. But don't go to college just because as Colin Hanks says in *Orange County*, "that's what you do after high school!"

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

Andrew Syrios is a Kansas City-based real estate investor and partner with Stewardship Properties. He also blogs at Swifteconomics.com. See Andrew Syrios's article archives.

Comment by R. Nelson Nash - *To quote Walter E. Williams, "A college degree is the most oversold idea in America. Half the kids should not be there." Andrew Syrios puts some valuable perspective to this subject.*

Our Oligarchs Can Thank James Madison

by Ryan McMaken on April 24, 2014

A recent study from Princeton and Northwestern concluded that the United States is an "oligarchy" ruled by a small group of wealthy elites and interest groups.

According to authors Martin Gilens and Benjamin Page:

The central point that emerges from our research is that economic elites and organized groups representing business interests have substantial independent impacts on U.S. government policy,

while mass-based interest groups and average citizens have little or no independent influence.

Fortunately for The Average Joe, however, his stated policy preferences happen to coincide with the desires of the wealthy elites much of the time, (according to the study) so even though his views and desires don't matter in Congress, he nonetheless sometimes gets what he wants, simply by coincidence.[1]

It's only when the desires of middle-income Americans are in conflict with the goals of interest groups and the wealthy elites that he is likely to lose most of the time:

Not only do ordinary citizens not have uniquely substantial power over policy decisions; they have little or no independent influence on policy at all.

Are interest groups and wealthy elites more powerful than the average American? Certainly evidence of that is all around us, with perhaps the most obvious and dramatic example in recent years being the passage of the Troubled Asset Relief Program (TARP) engineered by the Bush administration in 2008 to bail out wealthy hedge fund managers and bankers who had run their companies into the ground. Prior to the passage of TARP, members of Congress admitted that calls from their constituents were 95 percent or more against the passage of TARP. Congress passed the legislation anyway, handing about a trillion dollars of taxpayer money to wealthy corporations, bankers, and other interests.

James Madison and Federalist #10

According to the propagandists for the centralization of the American national government in 1787, known euphemistically today as "Federalists," the size, scope, and diversity of the United States is supposed to make such looting impossible. The claim that a larger and more expansive government produces *more* freedom may seem counterintuitive to some, but such is the proposition taught to American school children year after year.

We have James Madison, and specifically his Federalist Paper No. 10, to thank for the popularity of this rather dubious theory.

In the essay, Madison's position is that large expansive republics are superior to small limited republics because they balance a variety of "factions" (by which he meant interest groups and voting blocs) against each other and prevent any single group from unduly influencing the government. In a small republic, Madison argued, small factions are able to easily take control of the state's resources or the state itself. Included among these factions is any large voting bloc with similar interests. The majority and its alleged penchant for the oppression of the minority can be controlled by cancelling out the interests of local majorities at the national level with majorities from other states, thus leading to a balanced population in which no particular faction can gain an upper hand.

Madison's purpose was to demonstrate that if the American states were allowed to remain largely independent, as they indeed were in 1787, they would degenerate into despotism, but if the states were all consolidated into one federal system, the different factions within the many states would be balanced out and no group or alliance could ever take control of the new government.

Like today's elites in D.C. and Brussels, Madison's greatest fear was political decentralization and disintegration, and upon reading No. 10 and other Federalist writings, it quickly becomes clear that many of them were obsessed with the idea of the United States being torn apart by separatist and rebellious factions. This preoccupation is easy to understand if we remember that the convention of 1787 was born out of hysteria over domestic terrorism. That's not the terminology they used at the time, of course, but the catalyst for the convention was Shays' Rebellion. The response of the wealthy elites at the time — people like George Washington and James Madison — was to call for a massive expansion of government power to ensure that any future resistance movement could be easily crushed.

The Anti-Federalist Response

Many of the anti-Federalists, including "Cato" disputed the assertions of Madison (who offered precious few real-world examples to support his

theory).

Specifically, Cato's letters argue that smaller states are superior to larger ones because they control less wealth and fewer resources, and therefore offer fewer benefits to factions seeking power, while at the same time limiting the scope and complexity of state matters to a scale at which "average" citizens can hope to understand and witness the dangers posed by those seeking to extract government favors. Cato quotes Montesquieu:

[T]here are too great deposits to intrust in the hands of a single subject, an ambitious person soon becomes sensible that he may be happy, great, and glorious by oppressing his fellow citizens, and that he might raise himself to grandeur, on the ruins of his country. In large republics, the public good is sacrificed to a thousand views; in a small one the interest of the public is easily perceived, better understood, and more within the reach of every citizen; abuses have a less extent, and of course are less protected.

In other words, small republics prevent any one interest from seizing the sort of super-sized power that would most easily be attained through a more expansive state. Moreover, in a large republic, the overall population consists of many competing factions that pave the way for factions to seize power by encouraging division among the population.

In these arguments we see some early precursors of arguments we find later in Rothbard and Hoppe.[2] Hoppe offers the anti-Madisonian view:

Political integration involves the territorial expansion of a state's powers of taxation and property regulation. ... In general, the smaller a country and its internal markets the more likely it is that it will opt for free trade.

I think that a world consisting of tens of thousands of distinct countries, regions and cantons, and hundreds of thousands of independent free cities such as the present-day "oddities" of Monaco, Andorra, San Marino, Liechtenstein, Hong Kong, and Singapore, would be a world of unprecedented prosperity,

economic growth, and cultural advancement.

Conclusion

The anti-Federalists lost and Madison won, so we can now witness the true extent to which a large republic has failed to prevent the rise of exploitive and powerful factions in the United States. The U.S. government now controls more than 2.5 trillion dollars that flow to the treasury every year, inviting every faction, large and small, that hopes to capture even a tiny fraction of this enormous pile of wealth for itself. Never in the history of the world has any single state spent so much and owed so much, while maintaining military bases in every corner of the world while spying, cataloging, taxing, regulating, and imprisoning so many.

At one time, it was thought that those who paid for such "amenities" would rise up and object, but thanks to the vastness of the republic, taxing and spending need never be challenged. This huge, federal republic, so naively assumed by Madison to be balanced against spending and expansion, has instead facilitated a way to allow endless spending by simply spreading out the benefits. Many districts, states, counties, and regions may theoretically be at odds, but their primary concern is getting their share. Whether it's military spending in the South, subsidies for industry in the North, cheap lands and water for farmers and ranchers in the West, farm bills for the farmers, pensions and pills for the elderly, schools for families, and roads for everyone else, there's no one left to protest. Meanwhile, the sheer vastness and uniformity of the state's power nationwide ensures few options for voting with one's feet to the millions within its enormous frontiers.

The system of oligarchy identified by Gilens and Page is familiar territory to economic historians. Today's oligarchs are little more than modern versions of the mercantilists of old. It's unfortunate the American Revolution, a war fought against mercantilist privilege, ended as a Federalist counter-revolution that paved the way for the triumph of similar interests in later decades.

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

Ryan W. McMaken is the editor of Mises Daily and *The Free Market*

Notes

[1] The study is written by political scientists performing quantitative analysis, so it's best to not get bogged down in the numerical details of the study. Nevertheless, while we might critically dissect the assumptions and data behind the report, one is still struck by how very *plausible* the report's research and conclusion are.

[2] Rothbard is said to have suggested the name of the Cato Institute due to his affinity for the letters of the Anti-Federalist Cato.

Comment by R. Nelson Nash -- *Google the word, Oligarch. Then, google YouTube, THE BANKER. Click on the topmost video that appears and watch this ten minute presentation.*

There Is No Such Thing As A Do-Good State

By Michael S. Rozeff April 25, 2014

If enough people contribute voluntarily to the cause of food stamps, then there is no rationale for the U.S. government to force unwilling persons to pay for its program. On the other hand, if not enough people are willing to contribute voluntarily, then why should the U.S. government force unwilling people to pay for it?

The answer we will get is that feeding people is a good cause, just as sending soldiers and jets to Poland is a good cause in the eyes of many. And if people are unwilling to support these good causes, then the argument goes that the government must force them to support them. This is an argument in support of a do-good state.

The immediate objection to the do-good state is that it is not universalizable. There are all sorts of good causes, and they vary with the persons who regard them as good. The state can't adopt all of these causes. It cannot even decide which ones are better than others. The state certainly cannot force all those causes it decides are good upon everyone without undermining the life, liberty and pursuit of happiness of its citizens. Let us lay aside this objection, because in the real world we know that governments do adopt a

menu of causes that they claim are good causes. They may be acting inconsistently, irrationally, partially and destructively but the idea of the do-good state still has a strong hold on many people.

According to the do-good state argument, one of the state's purposes is to find good causes that people will not voluntarily support and then to force them to pay for these causes. This purpose is never stated as baldly as this, but it is an accurate characterization. The argument presumes that each person doesn't know enough to find out or support what that person conceives to be good, but those people who operate the state do have this knowledge. It presumes that persons left to make their own decisions will make inferior or wrong decisions, so that their decision-making capabilities must be abridged by the superior state. In this view, the state is a do-gooder, like a parent that makes children do various things for their own good. In this concept of the paternal state, those who operate the state, its officials and lawmakers, decide what is good. They decide how much to take from citizens to accomplish the good and they decide how to distribute the takings among a menu of causes that they think are good causes.

I think that the preceding is a fair statement of some of the presumptions that underlie the do-good state. I'd go further, however. In the do-good idea of the state, there are superior human beings who run the state and there are inferior human beings who do what these superior beings tell them to do. It is a master-slave relationship that, in this view, is justified by the good that it accomplishes, that good being always what the superior beings see it as and say it is.

I will argue that there is, in reality, no such thing as a do-good state. I will argue that the state's monopoly power conflicts with and precludes its being a do-good state as any kind of general outcome.

However, the masters of the state do not see it this way. They justify their positions by telling the slaves that they are often or even always listening to them and heeding their collective or majority wishes and that they can always choose different masters as long as they leave untouched the powers of this select

group. The slaves are told to be satisfied because they have democracy and they are the real masters. But if it were really true that the masters obeyed the wishes of the slaves, this would mean that the slaves in fact can identify good causes for themselves. Who needs the masters then? And if it's really true that the collective or majority determines what the government decides is good and uses its power to implement, then this only means that the actual masters consist of an unidentifiable and shifting group of voters. One may be a slave with respect to one cause and a master with respect to another. Just because one's masters are a more diffuse and hard-to-identify group than if they were all sitting on Capitol Hill doesn't mitigate one's status of being a slave. These democratic rationales peddled by the masters and by professors of political science do not take the sting out of being a slave.

In practice, most states nowadays are not completely totalitarian. This is not because they don't want to be totalitarian. They do want complete control, as is shown by many proposed laws. However, they don't pass certain laws because they'd face too much resistance from the citizens. Before increasing their control, they need to prepare the citizens for it. This is why they do not immediately presume to remove all decision rights from their citizens. They let them choose many actions themselves, such as food, clothing, location, recreation, mates, sex partners, etc. Still, behind the scenes, they use power to alter the menus and to influence choices. Most states are partially totalitarian, and this still gives them plenty of current power over major areas of human decision-making, including law-making, administration of justice, health, education, welfare, the military, agriculture, energy, communications, transportation, commerce, industry, the workplace, one's associations, and so on. Individual decision rights are replaced by collective decision rights, which actually means decision rights of those who run the state. All of this existing control gives the state the leverage to increase the degree of totalitarian control. It might conceivably awaken enough consciousness and resistance among the citizens that they alter the balance of power.

All can agree, be they those who support the state

as a do-gooder organization or those who think the state embodies a master-slave relationship, that the state claims a monopoly power over citizens; that the state seeks to maintain this power and to impose it on citizens; and that the state has a high degree of success in achieving this objective. In a word, all can agree that the state is POWER, and it seeks to be the final and legitimate word on power in its domain.

In view of human nature and human failings and the monopoly character of the state's power, which even its supporters do not deny, can the concept of the state as a do-gooder state be valid? No, it can't possibly be valid. Even if power is considered very narrowly, problems emerge. Defense is one such narrow area. The proper use of power for defensive purposes to enforce rights is not something for which there is clarity or agreement among all human beings. Details of cases vary. Ideas vary about what is right and wrong. Definitions of aggression vary. Ideas of remedies vary. Even if a state is restricted to matters of crime, wrongdoings and justice, its having a monopoly power is questionable. The power to settle issues with finality is one value that the state brings to the table, but the actual content of justice is another value that is very important. When the state has the monopoly power over justice, the content of justice can easily be sacrificed to the finality. This occurs because with power justices can make decisions based on their idiosyncratic ideas. They can also make decisions that cater to private interests and factions and not to justice. Will they do so? What's to restrain them? Many government courts have very weak institutional mechanisms of restraint. In such circumstances, justice is unlikely to conform even to the do-good ideas that the proponents of the do-good state support. Even if the doing of good by the state is limited to the provision of justice, the monopoly power aspect of the state conflicts with providing justice.

The conflicts between doing good and monopoly power rise rapidly when the state curtails the decision rights of its citizens in all those many broader matters relating to their associations with others (or their exchanges with one another) and absorbs them as

its own. It is human nature to seek to use the state's powers for one's own ends and devices. It is human nature for those who operate the state to seek to extend its powers. These forces cause the state's actions to deviate from the many and varied conceptions of what a do-good state should be doing.

It is a pervasive human limitation to be operating with partial knowledge and uncertainty. Every presumption of the do-gooder state is questionable, even if monopoly power were not the important issue that it is. The do-gooders in general have no special insight that enables them to identify the good better than their millions and millions of individual subjects can. The do-gooder rulers are influenced by their own tastes, their own limited knowledge of history, their own ideas of right and wrong, their own ideas of good and bad, their own ambitions, their colleagues, their emotions, not to mention the interest groups that lobby them.

What is clear about the state, to everyone, is that the state is power. What is not clear among those who fancy the do-good state is that this power does not imply that it can be used systematically to do good or will be used systematically to do good. The opposite is more apt to be the case. As a rule, the state's power can't be and won't be used to do good. As a rule, the masters who run the state won't be able to identify the good of their subjects, that good being highly individual and varying from person to person. By removing decision rights from the citizens, they will impede economic calculation, prevent adaptation to changing prices and conditions, and undermine learning. Complex processes will be replaced by the simplistic decisions of the state's operatives. Their prioritization of the many conflicting possibilities will not be resolved and cannot be resolved by reference to the good of the subjects. They will use political and personal calculations. Consequently, the state cannot and will not do the good that the do-good state is conceived of as doing by its proponents. Instead, as a rule, it will be a do-bad state.

There is no such thing as an exceptional state, one whose rulers avoid the personal failings of all human beings, who consistently identify what is good and

right, and who are capable of bringing it about. The state's monopoly power has to result in their being selected and operating otherwise than as people who can or will do good. The state's monopoly power conditions the outcome, which is the state's being a do-bad state, not a do-good state.

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Comment by R. Nelson Nash – Based on the facts that Mike so brilliantly demonstrate here, it is baffling to me that people put so much confidence in the idea of The State. I wonder if you are participating in an IRS Tax-qualified plan of any kind? If so, they WHY?

Embracing Economic Liberty: A Commitment to Justice and Mercy (con't)

By Paul A. Cleveland

III. The Practice of Economic Mercy

True religion can make no peace with a false philosophy, any more than with a science that is falsely so-called; a thing cannot possibly be true in religion and false in philosophy or in science. All methods of arriving at truth, if they be valid methods, will arrive at a harmonious result.¹⁷

In order to succeed in the abuse of power, evil must attempt to present itself as light. In the case of consolidating power and using it for despotism and oppression rather than for legitimate self-defense, rulers often pretend that they are the charity workers in society caring for the least fortunate even as they oppress them and destroy their fortunes. It is paramount, therefore, that an accurate definition of economic charity be presented and defended.

What is charity? In I Corinthians 13, the word charity is sometimes used interchangeably with the word love at the end of Paul's discourse on love. In this discourse, Paul emphasizes that the key to all just action as well as all charitable action is love. As for the matter of charity, one way to put the matter is that charity or mercy is denoted by a voluntary sacrifice motivated by love. Based on this definition, economic mercy amounts to one person voluntarily giving another person one of his own possessions out of love for that other person. Thus, the key to genuine charity is that it is volitional. Moreover, true charity on the part of the giver, if it be true, must be motivated by love. Mere outward conformity falls short of the target.

In this world we may witness all sorts of voluntary gift giving that does not rise to the level of charity if it is not motivated by love. Jonathan Edwards wrestled with this issue in his essay, *The Nature of True Virtue*.¹⁸ In that essay, Edwards reasoned that true virtue lies in a benevolent love for God. Thus virtue was not any particular act, but rather a disposition toward ultimate being. To be sure, such love would affect outward actions, but outward actions may only be apparently virtuous. He meticulously pressed this idea to its most logical and fullest meaning noting that any loyalty and outward love in a robber band falls far short of the love of being in general and only that love can rise to the level of true virtue. Since God has the power of being in and of Himself, true virtue can only extend from a man's benevolent love of God. Anything else falls short. Such love would result in both just and merciful actions.

Indeed, the bible says that all human action falls short. The prophet Isaiah wrote, "We have all become like one who is unclean, and our righteous deeds are like a polluted garment. We all fade like a leaf, and our iniquities, like the wind, take us away."¹⁹ For this reason, the simple outward conformity to a moral code is insufficient in proving that a man is just and merciful since justice and mercy are determined as matters of the heart. That is to say that the underlying motive is crucial. Also, for this reason, adopting and living by the right laws cannot bring a person into an ongoing relationship with a holy God since his

actions inevitably fall short of virtuous perfection. Nevertheless, the Scriptures do call people to participate in both just and merciful human actions as a response to the charity of God in Christ. This is only possible in that Christ's love for the Father and the Holy Spirit rise to the level of perfect virtue.

As for the legal code and the operation of state government, it can only secure a degree of outward conformity to matters of just behavior by punishing the worst forms of aggression of one person against another. It cannot mandate charity or else it would destroy the definition itself. A law requiring people to be charitable essentially uses force to take what rightfully belongs to one person and gives it to one to whom it does not belong. In a 1952 essay on the subject, Russell Clinchy observed:

The original concept of charity as an expression of love, now appears to have been replaced by a concept of government-guaranteed security. One possible explanation for the development of this concept of charity may be that so many people felt that personal responsibility in the dispensing of charity was too slow and inadequate. Thus they chose to move into the speedier method of the use of public funds... But the method chosen was uncharitable because love was replaced by force. The spirit of charity was debased to "public welfare," and the shift from personal responsibility to grants by the state was on... The element which gives meaning to charity is personal consideration and responsibility, but that element is lost when the edicts of the state are substituted for the voluntary decisions of persons.²⁰

Such actions also undermine the possibility of real community. The nineteenth century French economist, Frederic Bastiat, in his book *Economic Harmonies* wrote that, "*All men's impulses, when motivated by legitimate self-interest, fall into a harmonious social pattern.*"²¹ For many modern minds this seems like a disregard of one's personal moral duty. However, a more complete assessment of what Bastiat meant will reveal that this is not the case. In fact, the study of economics progressed along the lines of affirming this

essential truth. That is, if people are largely constrained to act within the context of civil liberty, they will tend to live in greater harmony. The concept of civil liberty was defined as one in which individual people were free from being subject to the arbitrary dictates of others and where the laws of society were those that restrained the actions of people from violating others by force and fraud. People would be then left free to pursue their ends by voluntary contract. While some of these would be better than others and some would prosper more than others as a result, the general trend would be for economic progress and the opportunity for the development of truer communities. To be sure there might still be hardship to endure since the market by necessity changes and evolves as new discoveries are made and as values change. Just the same, economic progress would be the general rule and no man would be allowed to arbitrarily dictate and force others to work for his private interests.

Many of today's moral philosophers fear that such human interaction in the market, ruled by self-interest, is inherently unjust. They worry that while economic freedom with its free enterprise system does produce prosperity, it also undercuts morality. Put another way, one modern assumption is that the private interests of people are forever antagonistic. However, if our material interests are forever at odds with our own spiritual interests and our own individual interests are forever at odds with those of other people, then the only solution is to coerce people to do what is right. If the real problem is sin which we all share in, who is going to use that force to accomplish the goal? Who among us is qualified to do so? After all, if individual interests are always at odds with the general interests, no human institution or human being is fit for resolving the problem. Those who think this way embrace forced poverty as an ideal. Carried to its logical conclusion, one would have to embrace the forced destruction of all mankind. This is, perhaps, the chief reason why all experimental forms of socialism finally end in violence and murder.

Where did this sort of thinking spring from? The problem is that modern moral philosophers have substituted the Kantian notion of virtue for the older

Christian understanding. As C. S. Lewis wrote:

If there lurks in most modern minds the notion that to desire our own good and earnestly to hope for the enjoyment of it is a bad thing, I submit that this notion has crept in from Kant and the Stoics and is no part of the Christian faith. Indeed, if we consider the unblushing promises of reward and the staggering nature of the rewards promised in the Gospels, it would seem that our Lord finds our desires, not too strong, but too weak. We are half-hearted creatures, fooling about with drink and sex and ambition when infinite joy is offered us, like an ignorant child who wants to go on making mud pies in a slum because he cannot imagine what is meant by the offer of a holiday at the sea. We are far too easily pleased.²²

The simple truth is that we live in a fallen world and people will fall far short of perfection. No one can deny the presence of evil. The question then is, under what circumstances is evil self-limiting? To be sure, people suffer in this world and all suffering is ultimately the result of sin. We can suffer because of our own sin or we can suffer because of sin of others or simply because of sin in general. In terms of economics, people can suffer for many reasons. Some reasons may need to be remedied either by the punishing acts of government or by the merciful acts of others. However, some suffering may simply be a useful signal that prompts the person suffering to change his behavior. As Bastiat observed:

Society is composed of men, and every man is a free agent. Since man is free, he can choose; since he can choose, he can err; since he can err, he can suffer ...Now, all error breeds suffering. And this suffering either falls upon the one who erred, in which case it sets in operation the law of responsibility; or else it strikes innocent parties, in which case it sets in motion the marvelous reagent that is the law of solidarity. The action of these laws, combined with the ability ...of seeing the connection between cause and effect, must bring us back, by the very fact of suffering, to the path of righteousness and truth ...But if evil is to fulfill this purpose ...the freedom of the individual

must be respected.

Now, if man-made institutions intervene in these matters to nullify divine law, evil nonetheless follows upon error, but it falls upon the wrong person. It strikes him whom it should not strike; it no longer serves as a warning or a lesson; it is no longer self-limiting; it is no longer destroyed by its own action; it persists, it grows worse, as would happen in the biological world if the imprudent acts and excesses committed by the inhabitants of one hemisphere took their toll only upon the inhabitants of the other hemisphere.²³

When someone is suffering because of his own sin, benefactors ought to use prudence and wisdom when they intervene to relieve the pain. If their actions merely facilitate the continuation of the behavior that caused the suffering in the first place, the aid of others may merely promote the faster decay of the person and an increase in his ultimate suffering. Moreover, when we appeal to state intervention to eliminate all suffering, we merely promote greater degradation and the downfall of civilization as individual responsibility is replaced by an entitlement mentality where an individual is likely to believe that others owe it to him to relieve all his suffering regardless of his own actions which may well have caused it. J Gresham Machen saw this coming as state welfare grew during the 1930s. In his book, *Christianity and Liberalism*, he wrote:

The whole development of modern society has tended mightily toward the limitation of the realm of freedom for the individual man ...It never seems to occur to modern legislatures that although 'welfare' is good, forced welfare may be bad. In other words, utilitarianism is being carried out to its logical conclusions; in the interests of physical well-being the great principles of liberty are being thrown ruthlessly to the winds. The result is an unparalleled impoverishment of human life. Personality can only be developed in the realm of individual choice. And that realm, in the modern state, is being slowly but steadily contracted ...When one considers what the public schools of America in many places already are—

their materialism, their discouragement of any sustained intellectual effort, their encouragement of the dangerous pseudo-scientific fads of experimental psychology—one can only be appalled by the thought of a commonwealth in which there is no escape from such a soul-killing system ...The truth is that the materialistic paternalism of the present day, if allowed to go on unchecked, will rapidly make of America one huge 'Main Street,' where spiritual adventure will be discouraged and democracy will be regarded as consisting in the reduction of all mankind to the proportions of the narrowest and least gifted of the citizens.²⁴

Despite Machen's warning, Western societies have been aggressively embracing the policies of state welfare as the means to the achievement of human ends. Unfortunately, rather than relieving suffering these are producing more hardship and suffering. As more and more people abandon their responsibilities in this world they increasingly act like spoiled children. No matter what is provided for them, they only demand more and call for more aggressive intervention. The various romanticists and socialists among us endlessly point to the imperfections everywhere as reason enough to extend government coercion. "Demagogic leaders have told the common man that he is entitled to much more than he is getting; they have not told him the less pleasant truth that, unless there is to be expropriation—which in any case is only a temporary resource—the increase must come out of greater productivity. Now all productivity requires discipline and subordination; the simple endurance of toil requires control of passing desire."²⁵ Economically however, the only means of providing such goods is to expropriate them from others. Their policies thereby undercut the productive efforts of others and are, therefore, destructive of the general welfare. You can only steal and redistribute the produce of others once. Abandoning liberty undercuts the economy and actually erodes one of the means by which people recognize their own failings. It also, hinders the potential for genuine charity. Moreover, if a person cannot see his own sin, one wonders how he will ever repent of it.

In his, *The Law of Love and the Law of Violence*, Leo Tolstoy got to the heart of the matter when he admonished his reader:

Understand then, all of you, especially the young, that to want to impose an imaginary state of government on others by violence is not only a vulgar superstition, but even a criminal work. Understand that this work, far from assuring the good of men, is only a lie, a more or less unconscious hypocrisy, and is always hiding the lowest passions.²⁶

[We will conclude with part IV. *The Parable of the Workers in the Vineyard* in next month's *BankNotes*]

Notes:

¹⁷ Machen, J. Gresham, *Christianity and Liberalism*, (New York: The Macmillan Company, 1934), p. 58.

¹⁸ Edwards, Jonathan, *The Nature of True Virtue*, (Ann Arbor: The University of Michigan Press, 1960).

¹⁹ Isaiah 64: 6.

²⁰ Clinchy, Russell J., "Charity: Biblical and Political," *Essays on Liberty*, (Irvington, NY: Foundation for Economic Education, 1952) vol. 1, pp. 159-160.

²¹ Frederic Bastiat, *Economic Harmonies*, (Irvington, NY: The Foundation for Economic Education, 3rd printing, 1979).

²² C. S. Lewis, "The Weight of Glory," *The Weight of Glory and Other Essays*, (Grand Rapids: Eerdmans, 1965), pp. 1-2.

²³ Bastiat, op. cit., pg. xxx-xxxi.

²⁴ J. Gresham Machen, *Christianity and Liberalism*, (New York: The Macmillan Company, 1934), pp. 10-15.

²⁵ Bastiat, *Economic Harmonies*, pp. 124-125.

²⁶ Tolstoy, http://www.archive.org/stream/lawofloveandthel001362mbp/lawofloveandthel001362mbp_djvu.txt, 112 *The Law of Love*.

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— William F. Scolavino

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