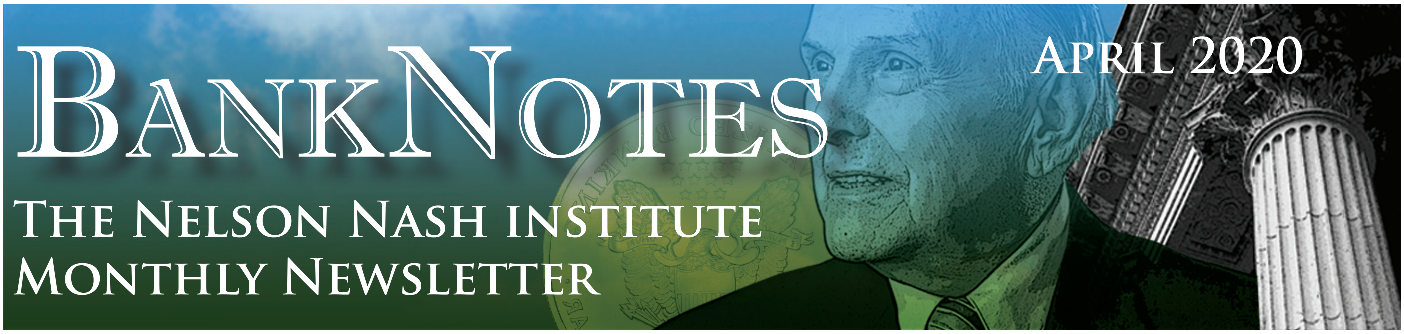

“This is R. Nelson Nash” in His Own Words

The following was put together in January 2018 by R. Nelson Nash for the 2018 IBC Think Tank Conference. I thought it appropriate to share on the anniversary of Nelson's passing (27 March, 2019). — David Stearns

A person’s thoughts over a period of time ultimately results in a set of core beliefs—a mindset—some call it a worldview—that controls human action and gives life meaning and purpose.

Here are three articles that I want to share with you that will give you a rather complete picture of who I really am and why I conceived the Infinite Banking Concept over 30 years ago.

In order for you to fully understand the importance of the concept I would like to make a special request of you to ensure that this concept flourishes in years to come. It has already changed the lives of thousands of persons in the world and will continue to do so but it depends on you and your commitment to practice it—communicate it—and coach those who are making this transition.

Perhaps this will become habitual for you and extend indefinitely into the future. You are encouraged to share this message with others within your circle of influence.

This preface serves to introduce the first of three articles.

Nelson’s List Of Undeniable Truths

The Bible is the story of man’s relation to his maker. It is not about science, world history, climatology, plant or animal life. geology, or any other study in which mankind indulges.

“Then God said, ‘Let us make mankind in our image, in our likeness, so that they may rule over the fish in the sea and the birds in the sky, over the livestock and all the wild animals, and over all the creatures that move along the ground.’” (Genesis 1:26).

“The earth is the Lord’s, and everything in it, the world, and all who live in it;” (Psalm 24:1).

“Know that the Lord is God. It is He who made us, and not we ourselves; we are His people, the sheep of His pasture.” (Psalm 100:3).

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There is no way that "we just happened." The Bible is the only reasonable explanation of why we are here.

God made us for fellowship with Him. It is impossible to have fellowship with a puppet. Therefore, He had to give mankind" free will"—the ability to reject Him. Our human nature is to do exactly that—it is our sin nature. When we reject Him, we are separated from Him. He did not reject us—we rejected Him.

Mankind has one eternal problem—he wants to be god. To witness the ultimate manifestation of this malady, just watch what he tries to do with government.

Sin is anything that we do that separates you and me from God.

"About three in the afternoon Jesus cried out in a loud voice, 'Eli, Eli, lema sabachthani?' (which means 'My God, my God, why have you forsaken me?')." (Matthew 27:46). At that moment He was separated from The Father (God). He became sin for us.

"For the wages of sin is death, but the gift of God is eternal life in Christ Jesus our Lord." (Romans 6:23). Sin killed Jesus Christ—not the beatings and extreme physical abuse that is usually depicted or alluded to before His death."

"God made him who had no sin to be sin for us, so that in Him we might become the righteousness of God." (2 Corinthians 5:21). Sin has a price and it must be paid. Jesus ransomed us as believers.

There is a fundamental element of dependency in the act of worship. Man will worship that on which he is dependent.

You worship that on which you are dependent.

My personal observation of Christians today is that they say that they worship God. But, suggest that we terminate one of their favorite government programs—and they cannot conceive of life without it.

We are here on this earth for such a short period of time. My 86+ years of existence (at this point in time) are just a "blink of the eye" in comparison with eternity.

This earthly experience is nothing more than "a training camp" to fit us for eternal fellowship with our Maker.

Man has glimpses of truth and light from time to time, but he finds it so easy—and attractive—to lapse into the ways of the world.

"He was in the world, and though the world was made through Him, the world did not recognize Him." (John 1:10). He "didn't meet their specifications." They were measuring Him by their own understandings.

"God is spirit, and those who worship Him must worship in spirit and truth." (John 4:24).

Satan is a spirit also—and he is "alive and well" today. And it is my observation that most Christians don't recognize him. What does he look like? What are his behavior characteristics? Satan is a wily creature.

Answer: He always makes his ideas—and actions—"look attractive" initially. Basically, he is convincing people that "we really don't need God. Man can do very well without Him. All we have to do is form a coercive organization (government), put the 'right people' in charge of it and do what they say."

That course of action is nothing more than "man trying to play the part of God." Unfortunately, most folks don't recognize this truth.

"Do not worship any other god, for the Lord, whose name is Jealous, is a jealous God." (Exodus 34:14).

This is why all government programs are destined to fail. God won't put up with such nonsense—because they are all manifestations of "Mankind attempting to "play god."

Again, there is a fundamental element of dependency in the act of worship. You will worship that on which you are dependent.

From time to time a person is fortunate to come *across a profound message that gives vital insight into what really causes the difficulties in life with which people wrestle daily.*

During 2017 I was fortunate to be introduced to this most profound message by Paul Rosenberg. I encourage you to memorize it. It is that important.

Fish Are the Last to Notice the Water [article linked] by Paul Rosenberg

The author of this next article has a worldview that is practically identical with my own. He even uses stories and expressions that match mine.

He is a Christian. He is an Austrian Economist. His family business is Life Insurance. We share so very much in common in our thought process.

God Is a Libertarian [article linked] by Jesús Huerta de Soto

The following is extracted from an interview with Jesús Huerta de Soto, first published in the Austrian Economics Newsletter, Volume 17, Number 2 (Summer 1997).

The Spanish Roots of the Austrian School: An Interview with Jesús Huerta de Soto [article linked]

So now you know why I came to write *Becoming Your Own Banker*. The truth contained in these three articles led me, during my life insurance sales career, to see that "the world has never been right about anything."

In one of Shakespeare's plays are the words "All the world's a stage, And all the men and women merely players."

Taking a hint from him I developed this observation—when we consider this thing, we call life, most people don't know what "the play" is all about. Worse than that, they get the characters in "the play" mixed up.

What I saw was that money and the concept of banking is a necessary function in our lives. But the banking function is in the hands of the wrong people. Central banking can't work! Paul Rosenberg's article proves the point conclusively.

The warehouse of our medium of exchange (money) should be in a contractual relationship with other like-minded people (life insurance). deSoto explains this beautifully in his last paragraph above. The banking function should be totally held at the individual level—a place where it is impossible to inflate the money supply.

I saw that your need for finance during your lifetime greatly exceeds your need for death benefit as it was conventionally understood.

I saw that if one solved for this need for finance by the means of using dividend-paying whole life insurance that one would automatically solve for the need for death benefit to those who survived the insured.

And so, I began teaching this concept over 25 years ago which led me to writing *Becoming Your Own Banker* in 2000—a book that has changed the lives of thousands of people all over the world. Read the book. Adopt its message in your own life. Teach it to others.

Now you know who R. Nelson Nash really is.

Financialization: Why the Financial Sector Now Rules the Global Economy

by Ryan McMaken

To read or watch the news in today's world is to be confronted with a wide array of stories about financial organization and financial institutions. News about central banks, interest rates, and debt appear to be everywhere.

But it was not always the case that the financial sector and financial institutions were considered so important. Public policy in general was not always designed with a focus toward propping up banks, keeping interest rates low, and ensuring an ever greater flow of cheap and easy loans. Reporting on the minutiae of central banks—with the assumption that these changes directly impact nearly every facet of our lives—wasn't always the norm.

But that is where we are now.

The change is real and it's a thing called "financialization." It has arisen from of an economy that is increasingly focused on the financial sector at the expense of other areas of the economy. And it's relatively new. Scholars have suggested many causes for financialization, but they often end up just blaming markets. In fact, the true cause is decades of government and central bank policy devoted to inflating asset prices in financial markets and bailing out the financial sector again and again.

What Is Financialization?

"Financialization" is a term used to describe the process by which financial institutions like banks and hedge funds have taken over economies and political systems in much of the world.

Economist Gerald Epstein provides one definition: "the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions."[1]

Sociologist Greta Krippner provides another: "the tendency for profit making in the economy to occur increasingly through financial channels rather than through productive activities."[2]

Some scholars have attempted to measure financialization's prevalence in the United States. Carmen Dorobăț writes:

> Lin and Tomaskovic-Devey (2013) argue…one important tendency of the last decades has been the increased participation of both financial and non-financial firms in financial markets.
>
> The two authors analyze the ratio between the financial income (sum of interest, dividends, and capital gains) and profits for manufacturing as well as all non-financial firms in the United States.… They discover that between 1970 and 2007, US firms have become more and more financially driven, obtaining an increasingly smaller share of their income from the sale of goods and services, and about four times as much revenues from financial activities compared to 1970.

Perhaps the most commonly given example of financialization is the expansion of the financial arms of US automobile manufacturers:

> General Motors established its financial arm General Motors Acceptance Corporation (GMAC) in 1919 and Ford established its financial service provider Ford Motor Credit in 1959. Before the 1980s, the main function of these financial institutions was to provide their automotive customers access to credit to increase car sales. Starting in the 1980s, these firms broadened their portfolio. GMAC entered mortgage lending in 1985. In the same year, Ford purchased First Nationwide Financial Corporation, the first thrift that operated at the national level, to enter the savings and residential loan markets. In the 1990s both GMAC and Ford Motor Credit expanded their services to include insurance, banking, and commercial finance.

By the early 2000s, a majority of GM's profits were coming from its financial operations and not from automobile production, and the S&P 500 was increasingly dominated by financial firms.[3]

What Is the Time Frame?

Historians of financialization typically place its origins in the late 1970s or during the 1980s. Sociologist Frank Dobbin, for example, concludes,

> We saw a rapid shift in the core business of the United States, from manufacturing not to service so much as to finance per se. As Simon Johnson pointed out, when the market peaked in 2001, finance accounted for 40% of profits in the American economy.

An oft-cited study by Lin and Tomaskovic-Devey shows that the "ratio of financial income to profits" more than doubled during the 1980s and then accelerated further during the 1990s.

Krippner notes:

> An increasing trend indicates a higher share of rev-

> enues coming from financial relative to non-financial sources of income…The ratio is remarkably stable in the 1950s and 1960s, but begins to climb upward in the 1970s and then increases sharply over the course of the 1980s. In the late 1980s, the ratio peaks at a level that is approximately five times the levels typical of the immediate post-war decades.

Nor was this trend specific to the United States. The comparative data shows that most wealthy countries underwent similar transformations. According to Dobbin:

> It happened in liberal market economies and coordinated market economies. It happened in economies with strong welfare states and weak welfare states. It happened in places where neoliberals took power early and places where neoliberals never quite ran the show. It happened regardless of the partisan coloration of government. And so on. The comparative data also give us something quite close to a natural experiment. There was one rich democratic country that escaped the fiscal crisis of the state in this period by the lucky expedient of discovering oil. That country was Norway. And—apart from the banking enclaves of Switzerland and Luxembourg, which did not financialize only because they were already so dependent on finance—Norway appears to be the only rich democratic country that did not undergo financialization in this period.[4]

What Are Anticapitalists Saying Causes Financialization?

The causes of financialization have long been debated. Some causes suggested by scholars are economics based, and some are sociological and cultural.

Financialization as Endemic to Late-Stage Capitalism

In many cases, the charge that financialization is part of the natural evolution of markets has its roots in Marxism. Some authors have claimed that financialization is a cyclical process going back to the earliest days of capitalism, as described, for example, by Giovanni Arrighi in his book The Long Twentieth Century. According to Arrighi, capitalist systems begin with a productive phase, but end up, through increasingly intense global competition, moving into the financial sector in attempts to augment profits through financial speculation rather than through production. In this view, financialization is just another phase of development in a capitalist system and is baked into the market economy itself.

In this allegedly natural progression of capitalism, Arrighi states, "material expansions eventually lead to an over-accumulation of capital…and increasingly, competition turns from a positive-sum into a zero-sum (or even a negative-sum) game."[5]

In an earlier, less competititive age, owners of capital might have been motivated to invest most of it in physical plants, employment, and production. But globalization and "cut-throat competition" strengthen "the disposition of capitalist agencies to keep in liquid form a growing proportion of their incoming cash flow."[6] This leads to competition among states for the capital that increasingly is accumulating in financial markets. The resulting political bias in favor of capital owners leads to "redistributions of income from all kinds of communities to the agencies that control mobile capital, thereby inflating and sustaining the profitability of financial deals largely divorced from trade and production."[7]

The Rise of the "Shareholder Value" Movement

A second proposed cause of financialization is the acceleration of the "shareholder value" movement. This theory, perhaps described in most detail by sociologist Gerald Davis, holds that prior to the 1970s publicly traded corporations were important social institutions that served several functions beyond just producing goods and services. Thanks to reforms imposed on them by Progressives, these corporations provided long-term employment and acted as catalysts for saving through their pension programs. According to Davis, "the public corporation became the central indispensable actor in the US economy."[8]

But this stabilizing status quo, Davis asserts, was destroyed by "bust-up takovers" in the 1980s, and corporations were "split up into their constituent parts."9 This led to substantial layoffs, and the corporate economy became less concentrated. Faced with new competition, corporations abandoned their previous social role and concentrated instead on shareholder value. This new corporate landscape was one in which shareholders frequently bought and sold their stock and corporations were forced to compete more fiercely to provide larger dividends and stock price growth. This sucked wealth out of pension funds and health programs, and it diminished the social benefits once provided by the old legacy corporations.

Consequently, financialization increased as investors and business owners increasingly adopted the idea that the sole purpose of a company is to increase shareholder value rather than production and market share. Although skillful production and growing market share can contribute to shareholder value, other methods could prove easier. Companies could increase their own shareholder value by growing the their portfolios or by harnessing the power of a speculative frenzy. In any case, production of nonfinancial products and services took a back seat.

Or so the story goes.

Speculative Manias

A third theory states that speculative manias have over time fostered market demand for ever larger numbers of financial instruments that allow investors to make bets on nearly everything under the sun. These manias can be triggered by any number of causes, ranging from a bumper crop to the end of a war or the introduction of a new technology. These manias are then accelerated by cultural or psychological changes that accompany the perception that there is a "new reality." Economists have long attempted to use these cultural factors to explain economic events. John Maynard Keynes, for example, used the term "animal spirits" to summarize these nontangible changes.

These theories were popularized in part by economists Hyman Minsky and Charles Kindleberger, who held that once markets meet some levels of success, they have a tendency to drive overconfidence in financial markets for future investments.

Although the theory acknowledges that manias can be set off by outside factors, it nonetheless holds that markets themselves foster a tendency toward unrealistic expectations that "quickly become divorced from intrinsic values."[10]

According to Krippner, these "bubble theories view processes internal to markets as destabilizing rather than stabilizing to markets" (emphasis added).[11]

In any case, the result is that investors seek to reap greater financial rewards by betting on bubbles rather than through the production of physical goods and nonfinancial services. Financialization results.

Deregulation

"Deregualtion" is also a prominent theme in many analyses of financialization.

Krippner, for example, concludes that "the turn to finance [was] set in motion by domestic financial deregulation in the 1970s."[12] This was followed by the loosening of many regulations on how banks paid out interest to depositors (also known as the pre-1986 version of Regulation Q).

In short, the abolition of various regulations on the financial sector—many of which had existed since the New Deal—set in motion a greater flow of capital and has led to more competition among banks and financial firms for the dollars of middle- and upper-class savers. Whereas the game of saving and investment had been relatively boring and sedate before the deregulation of the 1970s and '80s, the new competition that it unleashed led to a wide array of riskier—but potentially more rewarding—investment instruments.

In this narrative, money poured into the financial sector, since investment firms and banks were competing more than ever and driving up returns for investments. This sucked money out of other sectors which were still only offering the sorts of moderate, unfrenzied, and long-term returns that came with investing in manufacturing and nonfinancial services.

The Real Cause: Bailouts, Central Banks, and the "Greenspan Put"

The critics of financialization are correct that it exists. And they are sometimes correct in describing how events such as deregulation and manias have shaped the way financialization has occurred. But these theories fail to explain the root causes of how the financial sector came to be seen as a safe and profitable haven for so much capital.

The failure to identify the root cause has many implications for policy. After all, if it is assumed that markets themselves contain the seeds of financialization, and that these processes are merely unleashed when governments allow them greater freedom, then we easily conclude that markets cannot function without a sizable load of government regulation and that they are to blame for the the various crises and panics of recent decades.

If markets repeatedly cause global crises, perhaps the market really is, to use David Stockman's term, "a doomsday machine."

But this narrative ignores key characteristics of the modern economy: namely that governments use fiscal and monetary policy to greatly weaken the discipline of the market. Governments do this through bailouts and through central banks' policies, designed to force down interest rates and increase the money supply.

These policies tend to be geared most toward the financial sector, so the risk of investing in financial sector institutions is reduced for those who hope to benefit from (full or partial) bailouts and easy borrowing in case of crisis. As "lenders of last resort," central banks are able to push liquidity to the financial sector with ease. This encourages investors to engage in higher-risk activities than they would in the absence of the knowledge that bailouts are likely in case of crisis.

Even those who think that markets themselves are geared toward encouraging excessive risk the problem of bailouts is apparent. For example, although Minsky and Kindleberger contended that speculative manias have their roots in markets, they nonetheless admitted that these manias often were made far worse by the presence of a central bank acting as a lender of last resort. As Krippner summarizes this point: "if financial institutions know that they will be bailed out, they are encouraged to speculate with abandon, making the crisis more severe when it finally comes."[13]

Thus, although changes in policy during the 1970s and early '80s may have contributed to financialization, the foundational cause was the removal of risk from the marketplace through government bailouts. After all, in the wake of deregulation it quickly became apparent that the new financial environment was not always an easy way to riches: Continental Illinois became the largest failed bank in US history in 1984. The stock market crashed in 1987. Had markets been allowed to function, this would have been a signal to markets that risky investments come with a downside for the specific investors involved.

But investors didn't learn that lesson at all. Continental Illinois was bailed out when the US government essentially nationalized the bank, protecting its shareholders. After the market crashed in 1987, the new Fed chairman Alan Greenspan "immediately flooded the banking system with new reserves, by having the Fed Open Market Committee (FOMC) buy massive quantities of government securities from the repo market."

In other words, this new post-1970s world of financialization was not even a decade old before federal policymakers started teaching investors that if they get into trouble federal policymakers will bail them out.[14]

By the early 1990s, the US had entered the world of the so-called "Greenspan Put," under which it quickly became clear that the central bank would intervene to rescue markets whenever investors took on too much risk. While financial sector institutions could reap the rewards of good times, they would be rescued by taxpayers when times turned bad. Under Greenspan, the central bank was there to bail the financial sector out repeatedly through various means.

We witnessed this with the Mexican financial crisis, the Asian financial crisis of the late 1990s, and the bailouts that followed the Dot-com bust. Greenspan was at the center of inflating the housing bubble after 2004.

The Greenspan Put didn't go away after Greenspan retired from the Federal Reserve Board. It was continued in various forms by all his successors. So, it's easy to see why under these conditions the financial sector becomes the go-to place for investors relative to other sectors. Why invest in industries that won't be bailed out when excessive risk taking in the financial sector is likely to be rewarded for engaging in ever greater risks?

Even when dramatic and targeted bailouts are not the the goal, repeated efforts by central banks to inject more liquidity into markets through new money creation has favored the financial sector relative to other sectors of the economy. Robert Blumen has described the mechanisms that keep central bank policies that drive asset price inflation from showing up in consumer price inflation. This means that price increases in financial assets like stocks further inflate the perceived value of the financial sector relative to other sectors. All of this drives financialization well beyond what would occur in an unhampered market.

Financialization and Our Bubble Economy

Although researchers like Arrighi, Davis, and Krippner all describe various aspects of financialization, these theories don't work as satisfying explanations of the phenomenon. Even if cultural changes, new investment instruments, or a lack of government regulation allowed for new investment avenues in the financial sector, there is no reason to believe that the very real human fear of monetary loss has fundamentally changed. In a functioning market the promise of immense profit through investment in the financial sector is tempered by the fear of taking a loss. As investors see banks fail and stocks take a beating, they normally view these events for what they are: a demonstration of the downside of financialization.

But governments and central banks haven't allowed that to happen in recent decades.

So, it's not enough to attempt to describe financialization in terms of cultural changes or vague Marxian notions of capitalist evolution. At the heart of the issue is government intervention designed to provide the investor class with greater gains and fewer losses.

Yet the prevailing "wisdom" among policymakers and central bankers is that ever greater amounts of financialization—propped up by repeated government interventions — are somehow just a natural and inescapable feature of the market economy. With each new bubble and each new crisis, the central banks become ever more willing to try risky and "nontraditional" interventions, whether it's negative interest rates, the abolition of physical cash, or ever larger purchases of near-worthless assets. Thanks to decades of government-fueled financialization, the stakes climb ever higher.

But perhaps the most unfortunate part of it all is that as the crises mount, markets get the blame for what would never have happened had markets actually been allowed to function.

1.Gerald Epstein, "Financialization, Rentier Interests, and Central Bank Policy," paper presented at the Political Economy Research Institute's Conference on "Financialization of the World Economy," Dec. 7–8, 2001, University of Massachusetts, Amherst, Amherst, MA.

2.Krippner is careful to clarify that by "productive" she means "the range of activities involved in the production or trade of commodities." Financial activities are, of course, not "necessarily unproductive," since financial services can indeed be valuable and productive services for the people who procure them. Krippner concludes: "To suggest that the economy has become financialized is to claim that the balance between these two sets of activities has swung strongly toward finance, not that the financial economy has become entirely uncoupled from production." Greta Krippner, Capitalizing on Crisis (Cambridge, MA: Harvard University Press, 2011).

3.Moreover, as Gretchen Morgenson of the New York Times noted in the early 2000s:

> in recent years, financial services companies have quietly come to dominate the S&P 500.Right now, these companies make up 20.4 percent of the index, up from 12.8 percent 10 years ago. The current weight of financial services is almost double that of industrial company stocks and more than triple that of energy shares.…It is also worth noting that the current

weight of financial services companies in the S&P is significantly understated because the 82 financial stocks in the index do not include General Electric, General Motors or Ford Motor. All of these companies have big financial operations that have contributed significantly to their earnings in recent years.

Gretchen Mortgenson, "What Lurks Inside Your Index Fund," New York Times (website), June 20, 2004, http://www.nytimes.com/2004/06/20/business/yourmoney/20watch.html.

4.Frank Dobbin,"Review of Greta Krippner, Capitalizing on Crisis: The Political Origins of the Rise of Finance," Trajectories 23, no. 2 (2012): 2–4.

5.Giovanni Arrighi, The Long Twentieth Century: Money, Power, and the Origins of Our Times (London, Verso Publishers, 2010), p. 372.

6.Ibid., p. 372.

7.Ibid., p. 373.

8.Gerald F. Davis, "After the Corporation," Politics and Society 41, no. 2: 283–30.

9.Ibid., p. 287.

10.Krippner, Capitalizing on Crisis, p. 5.

11.Ibid., p. 5.

12.Ibid., p. 86.

13.Krippner, p. 6.

14.Henry Liu, "The Unlearned Lesson of the 1987 Crash," Roosevelt Institute, 2010, https://rooseveltinstitute.org/unlearned-lesson-1987-crash/.

What C.S. Lewis's Screwtape Teaches Us About Politics

by Gary Galles

Americans, finally facing the prospect of the mano-a-mano portion of the 2020 presidential campaign, have already learned that previous complainers about the negativity, underhandedness, and attack-dog nature of politics didn't know how good they had it.

Abetted by technologies that increase the reach and power of smear campaigns and by mechanisms that allow far more money to be spent on them, not to mention the mushrooming of "fake news," electoral politics has became an even more intense mud pit of attacks and finger-pointing about every conceivable issue, along with "O yeah?" responses, counterattacks, and bare-knuckle brawling among partisan spinners. And that was before the general election campaign, which can double down on duplicity and deception.

The incredibly bitter, and often deplorable, invectives and the constantly generated attacks, often created out of innuendo or whole cloth, as we have observed, has in my mind elevated C.S. Lewis to the rank of the most accurate, though accidental, commentator on the current state of politics even though he wrote over a half century ago.

The Screwtape Letters is written as a series of letters of instruction from an experienced devil (Screwtape) to a junior tempter (Wormwood) on how to successfully tempt humans. In one particularly notable letter, Screwtape described how to inflame domestic hatred between a mother and son:

> *When two humans have lived together for many years, it usually happens that each has tones of voice and expressions of face which are almost unenduringly irritating to the other. Work on that. Bring fully into the consciousness of your patient that particular lift of his mother's eyebrows which he learned to dislike in the nursery, and let him think how much he dislikes it. Let him assume that she knows how annoying it is and does it to annoy—if you know your job he will not notice the immense improbability of the assumption. And, of course, never let him suspect that he has tones and looks which similarly annoy her.*
>
> *In civilized life domestic hatred usually expresses itself by saying things which would appear quite harmless on paper (the words are not offensive) but in such a voice, or at such a moment, that they are not far from a blow in the face. To keep this game up you…must see to it that each of these two fools has a sort of double standard. Your patient must demand that all his utterances are to be taken at their face value and judged simply on the actual words, while at the same time judging all his mother's utterances with the fullest and most oversensitive interpretation of the tone and the context and the suspected intention. She must be encouraged to do the same to him. Hence from every quarrel they can both go away convinced, or very nearly convinced, that they are quite innocent. You know*

the kind of thing: "I simply ask her what time dinner will be and she flies into a temper." Once this habit is well established you have the delightful situation of a human saying things with the express purpose of offending and yet having a grievance when offence is taken.

But with a few alterations Lewis seems to describe current American politics equally well:

> *When two [political candidates or parties have campaigned against one another] for many years, it usually happens that each has tones of voice and expressions of face which are almost unenduringly irritating to the other. Work on that. Bring fully into the consciousness of your [partisan] that particular lift of his [opponent's] eyebrows which he learned to dislike…and let him think how much he dislikes it. Let him assume that [his opponent] knows how annoying it is and does it to annoy—if you know your job he will not notice the immense improbability of the assumption. And, of course, never let him suspect that he has tones and looks which similarly annoy [the other side].*

> *In civilized [politics] hatred usually expresses itself by saying things which would appear quite harmless on paper (the words are not offensive) but in such a voice, or at such a moment, that they are not far from a blow in the face. To keep this game up you…must see to it that each of these two fools has a sort of double standard. Your [partisans] must demand that all [their] utterances are to be taken at their face value and judged simply on the actual words, while at the same time judging all [their opponents'] utterances with the fullest and most oversensitive interpretation of the tone and the context and the suspected intention. [Their opponents] must be encouraged to do the same to [them]. Hence from every quarrel they can both go away convinced, or very nearly convinced, that they are quite innocent…Once this habit is well established you have the delightful situation of [both sides] saying things with the express purpose of offending and yet having a grievance when offense is taken.*

Lewis hit the current state of politics on the head. Screwtape's strategy has increased in prominence with every recent campaign, and a virulent strain has now even spread to every crevice of day-to-day government and commentary. The consequence has been to move government and battles to control it far closer to what Lewis called the "lowerarchy" of hell. This strategy has done far more to retard than advance either integrity or the general welfare, moving our focus from James Madison's famous statement in Federalist no. 51 that "If men were angels, no government would be necessary" to the nature of government when many participants act in a more devilish manner.

Twelfth in a monthly series of Nelson Nash's personally written Becoming Your Own Banker© lessons. We will continue these lessons until we have gone through the entire book.

PART 1 Lesson 12: Creating Your Own Banking System through Dividend-Paying Whole Life Insurance (continued)

Content: Page 22-23 *Becoming Your Own Banker Fifth Edition*

As a result of what you learned in lesson 11, the company now has an ever-increasing pool of money. Your premium payments are pooled with that of all other policy owners, but all the accounting is separate. Every policy has the potential of being different. From time to time an insured person dies. It doesn't happen very often, but when it does, the company pays the beneficiary from the pool of money and the cost of doing so is allocated among all the participants on an equitable basis.

The "hired help" (administrators, etc) must be paid for their work, too, and that cost is also allocated among all the participants.

At the end of each year the directors that actually run the company call the accountants in and, in essence, ask, "How did we do on John Doe's policy this year in comparison with the assumptions made by the actuaries and the rate-makers in designing it?"

We must remember that an actuary is a kind of engineer and that all engineers "overbuild" everything they design. I think about this fact every time I am at the controls of an airplane. I have never seen an instrument panel that does not contain an airspeed indicator with a red mark somewhere on the face of it, telling you, "Don't go past this point or the airplane will come apart on you!" That is not really true! It won't come apart until the airspeed is some 20 to 30% greater than the red mark. The engineers have put a "fudge factor" into the equation.

But, if you operate the airplane just beyond the red line on a regular basis, you are inducing stresses on the wings that are cumulative in their effects and one of these days it will come apart on you. Unfortunately, it will be too late to correct the error of your past behavior!

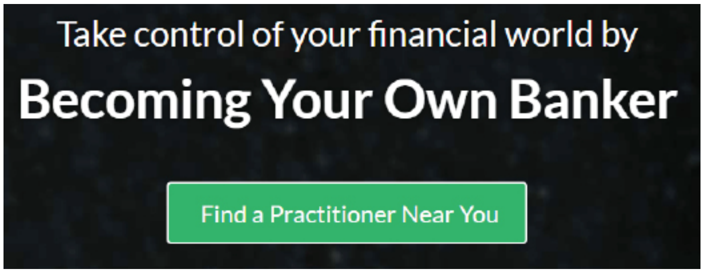
The actuaries and rate-makers in a life insurance company have done, essentially, the same thing. They have collected more premium than is necessary to do the job. This is because the results of a life insurance plan is all predicated on (1) collection of premiums, (2) earnings on the investments, (3) mortality experience, and (4) business expenses. There are no stockholders in the kind of company that I'm describing so the "extra premium" is the capital that assures the success of the plan.

Furthermore, the policy is engineered to get more efficient every year, no matter what may come. This is a strange phenomenon to most folks, so let's go back to the airplane world to make an analogy that will help us understand it. Imagine that we are going to make a very long flight in a Boeing 747, and so we load it with all the fuel it will hold. This means that it can fly about 10,000 miles. By the time we have flown 8,000 miles the airplane will now be able to do things that we would never attempt at takeoff – all because we have burned up an enormous quantity of fuel and the airplane weighs that much less. But the engines are capable of producing the same power as when we took off. Therefore, every mile that we fly, the airplane will get more efficient – and you can't do a thing about it! It gets better – no matter what!

In comparison, a life insurance policy with a mutual (dividend-paying) company enjoys a similar phenomenon – it is engineered to get better every year, no matter what happens (that is, if the Owner does what is called for in premium paying, loan repayments plus interest that is at least equal to or better that the general investment portfolio of the company). In designing a life insurance policy, the rate-makers have taken into consideration the advice of the actuaries that their assumptions (i.e. interest earnings, death claims and administrative costs) are not set in concrete. Over a long period of time the actuaries will be very accurate, but from time to time the results can be better or worse than predicted and can affect the dividend scale declared for the next year. In fact, you can safely say that the real results will never exactly match the illustration provided at the beginning of the life of a policy. But, once a dividend is declared, it is now guaranteed from that point on. It can never lose value in the future.

A significant period of lower than expected earnings of interest, or a period of more than expected death claims and/or administrative costs can result in a "downer" for the company. When this happens in a regular corporation it is the function of the stockholders to "take up the slack." But, in the case of a mutual life insurance company there are no stockholders! So, the rate-makers are cautioned by the actuaries, "if we calculate that it would take $1.00 per year for a given plan – don't collect $1.00 – collect $1.10." This extra .10 is the capital that makes the whole system viable.

We will continue this examination of what is happening in a life insurance contract in lesson 13.



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

- Kaye Lynn Peterson - Rancho Cordova, California
- Howard Silvermintz - Atlanta, Georgia
- Diane Burga - Sherwood Park, Alberta
- Debra Lanford - Greer, South Carolina
- Mark Yarbrough - Rogers, Arkansas
- David Gribble - Colorado Springs, Colorado
- Scott Crook - Cave Creek, Arizona
- Jeremy Stevens - White Hall, 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.