

BANKNOTES

The Nelson Nash Institute Monthly Newsletter

June 2025

Government

By L. Carlos Lara

"According to the system of natural liberty, the sovereign has only three duties to attend to...first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting...every member of the society from the injustice or oppression of every other member of it...; and thirdly, the duty of erecting and maintaining certain public works and certain public institutions..."

Adam Smith, The Wealth of Nations 1776 ¹

If you and I were to get really honest with each other we would mostly likely agree that our main concern with regards to what we are experiencing in our political and economic affairs these days can be summed up in our knowing what effect all this will have on our ability to "make a living." We know this because, for most all of us, this is and always has been a necessity and fact of life. It is the business from which we never retire. In fact, it is difficult to imagine any human being who is not preoccupied with this economic endeavor. In whatever manner we try to explain our society, or our government, in terms of the past, present or the future, we cannot do it and ignore "economic man," and his innate need to make a living.

We would also agree on how we got started down this lifelong path. As simplistic as it sounds, we got a job somewhere and started earning a paycheck, (even if that paycheck came from our own or our family's business). The next thing we knew we had obligations to meet and bills to pay. Many of us got married and had children and this added to our expenditures. Somewhere along the way we discovered that prices on things mattered and that they always seem to go up, they never appear to go down. Therefore, we started to budget, we changed jobs or careers to obtain more income, we worked more hours, took on second jobs, or our spouse had to go to work too. As the years came and went, we realized the very important necessity to put some money away for old age when we would not be able to work as long and as hard as we seemed to be

IN THIS MONTH'S ISSUE:

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doing now. There was only one problem, there was never anything left over to save or whatever we did manage to put away always seemed to diminish in value or disappear altogether. We agreed that this scenario seems to represent most all of us with very small variances. Our society, we learned through experience, represented this scenario fairly accurately. It was the economic picture of 98% of the entire population of the United States.

One day, we woke up to the harsh reality of taxes. We figured out that taxes represent the bill we pay to support our government and that this expense is higher than almost anyone of our other living expenses. The price of government is huge because government is huge and it's getting bigger! It is the world's largest employer with over 3 million employees and more than half of them armed to the teeth with the finest weaponry money can buy. When we think of that entire payroll, all of those government buildings, and the utilities to keep them in operation, we start to get some idea of how large it really is. And, what about all of those government programs that require billions to remain in operation, many of them that do not directly benefit us, yet we must pay for year after year. Then there is the astronomical cost of war, it is staggering. Government, we know, does not produce wealth nor does it invest wealth, but rather exists solely from the production every citizen of society pays into it; therefore, we are at a loss as to how much longer this increase in size can possibly continue.

Today we are only able to keep fifty cents of every dollar we earn, but with the value of the dollar continuing to go down, how, we wonder, can we continue to finance all of this? Is it possible that the answer is in what we now see our government doing, which is to become an entrepreneur itself and buy up insolvent businesses to operate as a future investment for the public? Do our leaders believe that they can just print these trillions of dollars out of thin air? Well, not only do they believe it, they actually do it.

If you are an average person like me, a concerned

citizen, you most likely have begun to question our government, its leaders and its policies. Specifically, because it impacts us economically, you have most likely questioned the justice of taxation and the yoke which it has become. Like me, you were born into this present system without a choice, so you may have wondered how our country evolved to this point. If you are a Christian like me, you may have struggled with reconciling what scripture says in Romans 13:1-3 with what you clearly see happening in our government today. You may have wondered where, if it is at all possible, are we to draw the line.

Let every soul be subject unto the higher powers. For there is no power but of God; the powers that be are ordained of God. Whosoever therefore resisted the power resisted the ordinance of God; and they that resist shall receive to themselves damnation. For rulers are not a terror to good works, but to the evil. Wilt thou then not be afraid of the power? Do that which is good and thou shall have praise of the same.

This article hopes to assist you in your thinking about all of this.

My hope is that it will provide a perspective that will enable you to sort out some confusing issues and that it will enable you to make the right choices and decisions that you must make as you continue to make a living in support of yourself and your family. This article, like all the rest which you have received, is taken from an economics point of view for as I said earlier, no matter how we attempt to interpret society or government, we cannot ignore "economic man". That is who we are and that is what we will always be while we are on this planet.

Point # 1: The Necessity for Government

Beginning with the obvious, there must be men before there is a society and there must be a society before there is government. Societies arise from men and the need for government arises from the "nature" of man.

"Not only do all things, including plants and

animals, have a nature, but man has a nature as well. Like all living things, man is mortal, though unlike other animals, we believe that he alone is aware that he will die. This awareness gives urgency, a tension, and heightened purpose to the life of man. Man has a discernible physical nature. The distinguishing feature which has usually been focused upon is his potential rationality. He alone of all creation is a thinker, capable of knowing the universe of cause and effect, of law and order, and making calculation in terms of this knowledge, capable of knowing himself and what is appropriate to him. Since he can choose, man is a moral being. Since he can recognize cause and effect, he is a morally responsible being." - Clarence B. Carson²

There is, however, another side to man's nature rooted just as deeply as his good side and is often more dominant in his actions. It could be summed up in the word "sinner," however, these days this term does not go far enough in describing him. Man, quite frankly, has a terrible and evil side. Not only does he cheat, lie, steal, and commit all kinds of crimes, but he can be violent, aggressive and destructive.

"Man may conspire with others to take advantage of or do great harm. Societies and groups may become so worked up that there is almost no limit to the harm they would inflict on their enemies. The historical record is replete with stories of almost every kind of preying of man on man that can be imagined. It is said, too, that man tends to love power over others, and if he gains it may exercise it in tyrannical fashion." - Carson³

Given the evil side of man, governments are created to protect ourselves from ourselves. This, of course, does not mean that man cannot be tamed in any other way except by government. Certainly, the training received at home and at school, instruction in morality, social rewards and punishments, conscience and even calculation of cause and effect can have a good and positive effect on a human being. However, when these methods fail to achieve their positive ends, government must intervene to use force and restrain.

The force that government uses to perform its basic function of protecting the people under it, not only from domestic enemies, but foreign enemies as well is absolute force. Not only does government have a monopoly claim on the use of force, but also equips itself for the actual use of it. All the laws of government imply the threat and the use of force; otherwise they would not be laws. Government is, in essence, legal force.

Government is necessary not only for all the things already mentioned, but for economic activity in particular. Every actual economy exists within the framework of a government and its role is to protect economic activity because private property can be trespassed upon, stolen, abused, or destroyed. Whether and to what extent that government role may be essential, however, is another matter.

Point # 2: Impact of Government on Economy

There are basically three ways that government may disrupt, hamper or burden the economy. The first way is by being a large user of goods and utilizing requirements and policies that cause the markets not to function effectively. Some example of this would be the requisitioning of goods, prescribing or establishing priorities of what can be produced or distributed, the rationing of goods and cheapening the money by inflation.

A second way in which the government can impact the economy negatively is as a competitor in the marketplace for workers. All of this is dependent on how many workers government employs and the policies government follows in employing them. Examples of this would be the use of pay rates below market, the setting of certain hours and minimum pay rates.

The third, and by far the most direct impact, is taxation.

"Taxation is the one area where governments inevitably have some, usually considerable, impact on the economy. In the nature of things, governments

do not produce goods. It follows that if they are to make expenditures, which they must, they must raise the revenue from some other source than the sale of goods. In short, they must levy taxes. They may, of course, temporarily supplement their revenue by borrowing, but if their credit is to be maintained, debts must be paid, and that usually involves higher taxes." - Carson⁴

"That the power to tax involves the power to destroy; that the power to destroy may defeat and render useless the power to create..." - Chief Justice John Marshall⁵

Even though the power to tax is the power to destroy, reason will show that taxation of the citizenry should not be discontinued. Taxation is necessary, but great care must be taken in levying the taxes. The rule most often abused today is that taxes are not justly levied, with the most abused, sinister and destructive in more recent times being the "indirect" tax of money and credit expansion. It is the most destructive because the average citizen is unaware on how it is imposed on him. There is a long list of many other more direct taxes such as Tariffs, Sales Taxes, Capital Gains Tax, Inheritance Tax and Sumptuary Taxes or "Sin Taxes" and each have their peculiar injustices; it is, however, the Graduated Income Tax which causes individuals and corporations the most confusion, discomfort and inconvenience.

"The graduated income tax is inherently unjust, unequal, disproportionate, and not uniform. It taxes larger income at higher rates, taxes those that are in the process of getting wealth than from wealth already obtained, tends to make saving and investment more difficult, penalizes ability and industriousness, and enforcement involves government prying into the lives of individuals and businesses. One of the great difficulties lies in determining what is income and what are profits (to be taxed). The corporate tax rate is usually passed on to consumers in higher prices. The withholding tax makes tax collectors of employers and taxes the employee's money before he ever sees it. The

graduated income tax can only be kept from working disastrous consequences by allowing all sorts of tax breaks and deductions, thus probably increasing the injustice of it." - Carson⁶

Point # 3: Constitutional Limits on Government

"In questions of power, then, let no more be heard of confidence in man, but bind him down from mischief by the chains of the Constitution." - Thomas Jefferson

At the time of the making of the United States Constitution, Americans were extremely jealous of their rights and were very much afraid of the dangers of government. For this reason they designed a government that would be strictly limited. They wanted to erect constitutional barriers for their permanent security. They wanted visible boundaries that spelled out the powers of the rulers and the rights of the people whereby any transgression of them could be immediately discovered. This is how the first ten amendments were adopted. The 9th and 10th amendment made this specifically clear. However, the Founders wanted more than just "paper" limitations. They were all too familiar how these could be easily ignored, reinterpreted, or reconstructed by those in power so they added additional restraints in the actual structure of government by creating the separation of powers among the three branches: legislative, executive and judicial.

With regards to economic and trade matters, government was strictly limited in two very important ways. First, the United States was not authorized to make any sort of money a "legal tender". Today we have "fiat money" and it is legal tender. Government was authorized only to coin gold, regulate its value and fix the standards of its weight and measures.

Secondly, its taxing power was strictly limited and it could levy taxes only for the "common defense" and the "general welfare" of the United States. Obviously, taxation has changed considerably; it

would take a sizable volume to detail all of the various types and ways government levies taxes.

The ink was hardly dry on the Constitution before its authors, now in position of authority, began to rewrite it by interpretation. That selfish and self-centered aspect of human nature, now inside its human institution, was at work and has been at work to this present day. Our government has changed. The growth and centralization of government has pushed American society to that point and condition of subservience which the Constitution was intended to prevent.

"In 1913 came the amendment that completely unshackled the American state, for with the revenues derived from unlimited income taxation it could henceforth make unlimited forays in to the economy of the people. The Sixteenth Amendment not only violated the right of the individual to the product of his efforts, the essential ingredient of freedom, but it also gave the American State the means to become the nation's biggest consumer, employer, banker, manufacturer and owner of capital. There is now no phase of economic life in which the State is not a factor, there is no enterprise or occupation free of its intervention." - Frank Chodorow⁷

The transformation of the United States from a small limited government to the intervention Institution as powerful as that of Rome at the pinnacle of its grandeur took place in a century and a half. At its peak of power Rome's principle preoccupation was the confiscation of the wealth of its citizens and subjects and it was all legally formalized.

"The essence of ugly government then, is not only its failure to consistently and systematically punish wrongdoers, but its perverted use of power. All unchecked government will inexorably turn ugly. This is true for the same reason that institutional government is needed in the first place. Flawed human beings are capable of gross displays of arrogance, envy, pride, malice and greed. Since this is the case, and since the same flawed human beings exercise authority over others, it is easily understood

that power is abused. For this reason, the best government that can be expected in this world is limited in scope and is subject to numerous checks and balances.

This brings us back to the American experience. Originally, the government was designed with extensive checks and limitations of power. Yet, in the course of time, the country has moved steadily away from its constitutional moorings. For a period of time, various aspects of government worked as planned and served to limit the abuse of power. However, the dam began to break in the early twentieth century when the Constitution was altered in several significant ways. The election of Senators by popular vote, the introduction of an income tax in 1913 and the establishment of the Federal Reserve System set the stage for many more abuses of government power. In the 1930's the election of Franklin D. Roosevelt marked the beginning of an all-out assault on the nation's Constitution. While the courts struck down numerous provisions of his New Deal legislation as unconstitutional, eventually Roosevelt won the day.

Over time he was able to replace a number of constitutionally minded judges with judicial activists who were willing to reinterpret the plain meaning of the Constitution so that it might serve to expedite political ends rather than to restrict government power. The result of this has been the massive increase in the size and scope of government and its control over the lives of the American people. The current institution is ripe for being abused by unprincipled men. In fact, we have already witnessed numerous examples of such abuses. The current concentration of power in the federal government does not bode well for the future of the nation. The lessons of history clearly teach that such concentrations of power will ultimately lead to disaster. The only way that we might avoid the uglier kinds of abuses is for there to be real reduction in the size, scope, and power of government. As of yet, there are no signs that the nation is moving in this direction." - Paul A. Cleveland⁸

Message of Hope

Do you believe that a dramatic change in the political, economic and social landscape of our country can occur overnight? I did not use to believe this, but now I do. I can actually see that when the conditions are just right, dramatic changes can occur. When we look at history and specifically revolutions, we see that men dedicated to liberty step out in front and tell the truth without fear and things change.

I have had the opportunity to personally meet a man who I have been very interested in and who, by what I have learned, fits the description of a man dedicated to freedom. His name is Ron Paul. How does a man who had a set career as a medical doctor, suddenly overnight, change his entire course of direction, devote the remainder of his adult life to this new direction, and at age 72 winds up running for President of the United States? In all of this time, his views have run completely different from the political establishment in which he worked and he is known today by all members of government as the most "honest man" in Washington.

As incredible and simplistic as this may sound, his career change was inspired by the reading of a single book and then later meeting the man who wrote it. The book is said to contain not a word or phrase designed to appeal to the biases of the world. Written 100 years ago, Yale University approached this author at age 60, who did not even speak English at the time, to translate his treatise for publication; all of this done against the advice of many of Yale's academic advisory board because it was written by an economist without a prestigious teaching position or any notable reputation at all in the United States. The book sold so quickly that a second and third printing would be necessary in a few months. This man's name was Ludwig von Mises, born in 1881 as a Jew in the outer reaches of the Austro-Hungarian Empire and died in New York City in 1973.

His theme cut against the grain of the 20th Century and is more relevant today than ever before. When you study his life, you see a man that understood

that no matter how bleak the present circumstances, the future could be very different and could change. Even as the world collapsed around him in his own country, he believed that freedom could triumph, provided the right ideas emerged at the forefront of the intellectual battle.

The crucial element that one sees in Mises' life, his teachings and writings was that oppressive government rule could be overthrown in an instant. The instrument for that overthrow is the body of ideas that transcend generations and convinces people of the better way. It is the idea of freedom. Mises was an intellectual genius that could prove the present system to be false, but he knew all too well that the trait most needed to make things change was not intellectual brilliance and wit, it was moral courage.

This is the type courage that gives a person the ability to stand up for what one believes in the face of political and social pressure. This is the life he lived until his last breath. It is no wonder that great numbers from all over the world have been drawn to him. He has personally taught many, one on one; because he believed he had a personal responsibility to do so. Several of his students have become Nobel Prize-winning economists; the scholarly followers of Mises in our own time exhibit these traits and inspire us every day with their innovative, principled, and courageous leadership. Nearly every day the media references the Austrian School of Economics.

When central bankers propose additional pumping of dollars, journalists ask "what would the Mission's think of this?" The network of these courageous individuals is large and it is growing. His life and works have inspired the growth of many privately funded institutions, sanctuaries for freedom-minded intellectuals that are committed to the dissemination of these ideas. The time is right. The young are listening. It is the main reason why Ron Paul was able to raise \$5 million dollars in presidential campaign donations in a single day with efforts we can only define as "TOP-DOWN" efforts.

But take courage. We are not alone especially since R. Nelson Nash's Infinite Banking Concept from the "BOTTOMS-UP" movement is sweeping the nation one individual at a time. So, join in with us and do whatever you can to spread the word, not through the spreading of false rumors or conspiracy-type propaganda, but through a genuine desire to get involved in the intellectual battle. Help us restore our faith in our families, our community, our businesses, ourselves and our God. Mises's lifelong motto is one which all thoughtful Americans should adopt, "*Do not give in to evil, but proceed ever more boldly against it.*"

NOTES

1. Adam Smith, *The Wealth of Nations*, Published 1776
2. Clarence B. Carson, *Basic Economics*, Study Guide by Paul Cleveland, Ph.D., American Text Book Committee, Boundary Stone Publishers
3. Clarence B. Carson, *Basic American History*, Boundary Stone Publishers, Birmingham, Alabama
4. Clarence B. Carson, *Basic Economics*, Boundary Stone Publishers, Birmingham, Alabama
5. Chief Justice John Marshall, Supreme Court decision; *McCulloch vs. Maryland*
6. Clarence B. Carson, *Basic Economics*, Boundary Stone Publishers, Birmingham, Alabama
7. Frank Chodorow, *The Rise and Fall of Society*, Copyright 1959, Thomas Nelson & Sons, Ltd. Toronto, Canada
8. Paul A. Cleveland, Ph.D., Article, *Government: The Good, The Bad and the Ugly*, *The Journal of Private Enterprise* Fall 1997



INFINITE BANKING INITIATIVE

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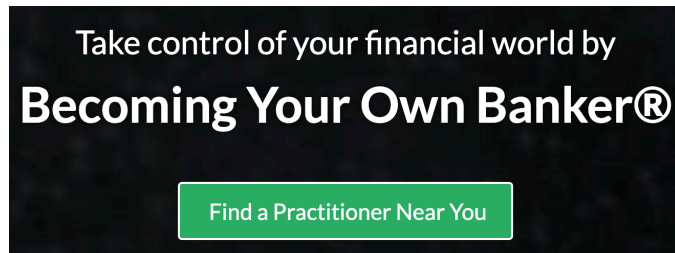
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IBC Practitioners have completed the *IBC Practitioner's Program* and have passed the program exam to ensure that they possess a solid foundation in the theory and implementation of IBC, as well as an understanding of Austrian economics and its unique 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.

Before you look for a practitioner, we suggest listening to the following two episodes of *The Lara Murphy Report*:

- [*How-To Guide for Starting IBC, Part 1*](#) How to begin your study of Infinite Banking, including finding an Authorized Practitioner.
- [*How-To Guide for Starting IBC, Part 2*](#) How to prepare for your first meeting with an Infinite Banking Authorized Practitioner.

The financial professionals listed below joined or renewed their membership as part of the *Authorized Infinite Banking Concepts Practitioners* team in June.

MEMBERSHIP RENEWALS

- | | |
|--|--|
| • David Befort, Minnetonka, Minnesota | • Rachel Marshall, Chesapeake, Virginia |
| • Megan Betker, Victoria, British Columbia | • Colton McGriff, Birmingham, Alabama |
| • Mike Conner, San Antonio, Texas | • Darren Mitchell, Dartmouth, Nova Scotia |
| • Bill Curtis, Plantation, Florida | • Joey Mure, Birmingham, Alabama |
| • Liliana Danila, Pointe Claire, Quebec | • James Neathery, Fort Worth, Texas |
| • Mike Everett, Lawrence, Kansas | • Thomas O'Connell, Parsippany, New Jersey |
| • John Hasche, Lake Preston, South Dakota | • Jim Oliver, Estero, Florida |
| • Doug Jones, Dalton, Georgia | • Jason Powers, Littleton, Colorado |
| • Debra Lanford, Greer, South Carolina | • Carl Rogers, Charlotte, North Carolina |
| • Vance Lowe, Dallas, Texas | • Luke Tatum, Mountain Home, Arkansas |
| • Frank Lupu, Eagle, Idaho | • Craig Yenni, Castle Rock, Colorado |
| • Lucas Marshall, Chesapeake, Virginia | |

NEW MEMBERS

- | | |
|---|--------------------------------------|
| • Jared Adams, Senoia, Georgia | • Quan Pham, Saskatchewan |
| • Kate Breen, Plantation, Florida | • Nelson Pizarro, Ramona, California |
| • Sebastien Daniels, Mississauga, Ontario | • Guadalupe Villegas, Keizer, Oregon |
| • William Fullington, Clovis, New Mexico | |



THE FOUNDATIONS OF IBC

The Foundations of IBC is an online **video series** for the general public that provides a comprehensive introduction to the *Infinite Banking Concept*.

The first four modules are free, you can view them here: infinitebanking.org/foundations

The remaining eight modules are subscription-based, costing \$49.95 for all eight.

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Module 3, Part 2: Policy Loans & The Nature of Collateral

Module 3, Part 3: How to Read a Policy Illustration

Module 4: Why Nelson Calls It The Infinite Banking Concept

Module 5: The Life Insurance Industry

Module 6: Why Not Buy Term and Invest the Difference?

Module 7: Using IBC to Pass Wealth to Future Generations

Module 8: The MEC Rule and Policy Design

Module 9: Does IBC Work for Older People?

Module 10, Part 1: IBC for the Business Owner

Module 10, Part 2: IBC for the Business Owner

Module 11, Part 1: Using Your IBC Policy: Premiums, Dividends, and Policy Loans

Module 11, Part 2: Using Your IBC Policy: Premiums, Dividends, and Policy Loans

Module 12: IBC as a Way of Life