

# BANKNOTES

The Nelson Nash Institute Monthly Newsletter

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## There Is An Answer

By L. Carlos Lara

Sometimes we become so overwhelmed that we lose our perspective. That often quoted remark, “*We can’t see the forest for the trees,*” is applicable to any one of us at any given time, resulting in a form of paralysis that can take hold of us. In order to correct this common dilemma, someone outside of ourselves must point out what we were not seeing and help us find our way once again. Once that help has been provided, there is no mistaking the feeling. It is as though we *were* blind, but now we see.

We could all use that kind of assistance today to see beyond our present disordered circumstances. Our country, in fact, our entire world, is facing such horrendous economic problems. Not a day goes by that we do not witness the social and economic unrest here and abroad. The problems have gotten so big that we cannot help wondering, “*Have we finally gone too far?*” Our attempts to decipher these issues can be mind-boggling, inducing a despair of spirit. There are so many conflicting opinions on the best course of action that it is hard to make sense out of any of it. It is as though the entire human race has suddenly plunged into a state of confusion from which there is no return. What are we missing? Is there a dot, perhaps, that we have not fully connected?

We have certainly not overlooked the fact that the effects of the recession are now being felt everywhere. The suffering is real and Americans are genuinely concerned. They are witnessing financial tragedies happening all around them. Often these victims are their own neighbors and families. It becomes impossible to turn away from these realities, especially when the magnitude of the suffering is increasing. One of the most glaring examples of our broken economy is the staggering number of homes in foreclosure and the impact of that loss on millions of families.

But there is an even more disturbing fact. Not everyone in society is suffering! In fact, just the opposite is true. There are many who are directly profiting exponentially from these chaotic times and actually support them. We have a whole class of people who are enthralled

## IN THIS MONTH’S ISSUE:

- **There Is An Answer**



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with current events just as they are. In certain echelons, some are actually taking credit for having been instrumental in averting even worse disasters had it not been for their timely actions. There are billionaires who have profited enormously directly from taxpayer money, who are now announcing publicly that they are merely doing God's work. How can there be such inconsistency? Could it be that we are only lamenting the fact that we were not astute enough to profit from the current times, while others could? Are we intellectually inferior, or is it a question of simply not being in the right place at the right time? Or is it perhaps that our consciences have not yet been seared to the point of participating in what amounts to legalized theft.

These are questions that try the soul. In an economic environment such as ours, it is easy to feel small, powerless and insignificant. We realize we need help in sorting all this out, but where do we go for this help? What can we actually do? More importantly, whom can we trust?

In the very back of our book, *How Privatized Banking Really Works*, there is a section called Great Austrians. Among that list of men, there is one who was arguably the greatest polemicist of free market economics who has ever lived. His essays in



support of free trade in particular remain models to this day. His name is **Claude Frederic Bastiat** (1801-1850). It is Bastiat, and Austrians like him, who were the impetus for our book. The ideas in our book are actually *their* ideas. Bastiat, however, offers the most enlightening answers to questions of our day. His essay *The Law* was a classic exposition of the proper role of government in protecting natural rights. If the government ever seized performing this legitimate function and began taking from one group and giving handouts to another, then the government was engaged in *legalized plunder*. According to Bastiat,

*The state is the great fictitious entity by which everyone seeks to live at the expense of everyone else.<sup>1</sup>*

*The Law* has become the Austrian's handbook. I personally do not go very far without it and always reach for it when this chaotic environment swells up around me. Here we can find a perspective that transcends time. For this reason, I am recommending that we go back into it and examine some of its main principles. In this tiny manuscript, just 75 short pages in length, we find the truthful explanation as to why things are the way they are. I cannot emphasize enough how important this is—understanding the problem clearly is what provides the path for the solution.

*A problem well explained  
and understood is half solved.<sup>2</sup>*

In the very first page of his book, Bastiat begins by reminding us that we are created beings. We are not God. Immediately, the question of who is actually in control of the world and everything in it is answered and established. Bastiat was obviously not writing to the atheist, but even those of us who believe in God and his sovereignty often forget this fundamental truth.

God spoke the universe into being out of nothing. By the power of his word and his will, God makes things happen simply by decree.

To understand where Bastiat takes us from here, we must rely on our Judeo-Christian heritage as support. It is not so much that he will be teaching us something new, but rather that he is helping us focus on the entirety of our situation.

The supreme gift that we have from God is *life*, he says. This gift encompasses our physical being, our ability to reason, and our sense of morality. God has placed us in the midst of natural resources, whereby we apply our unique faculties to them and create products we need to sustain ourselves. This is the origin of private property. Man, Bastiat says, is summed up in these three qualities: *individuality*, *liberty* and *property*. No matter what any scholar, politician, or dictator may say to the contrary, these three gifts from God precede any human laws and are superior to them.

### What is Law?

Law, Bastiat says, is the collective organization of the individual right to defend oneself. And what is it that we are defending? It is our personhood, our freedom and our private property. If every person has the right—even by force—to defend his person, his liberty and his property, then it stands to reason that a group of men can organize and support a common force to protect these rights all of the time. But this collective force can have no other function and cannot destroy the same equal rights of others. To do so is a perversion of the law.

Bastiat insists that if a nation were founded on this premise alone, order and justice would prevail. In addition to this, government intervention in our lives would be so minimal that our desires and their satisfactions would develop naturally in a rational manner. Bastiat put it this way:

*If everyone enjoyed the unrestricted use of his faculties and the free disposition of the fruits of his labor, social progress would be ceaseless, uninterrupted and unending.*<sup>3</sup>

### The Fatal Tendency of Man

But no sooner has Bastiat laid out what would be the ideal government structure than he reminds us of

man's fallen nature and his inclination to break the law.

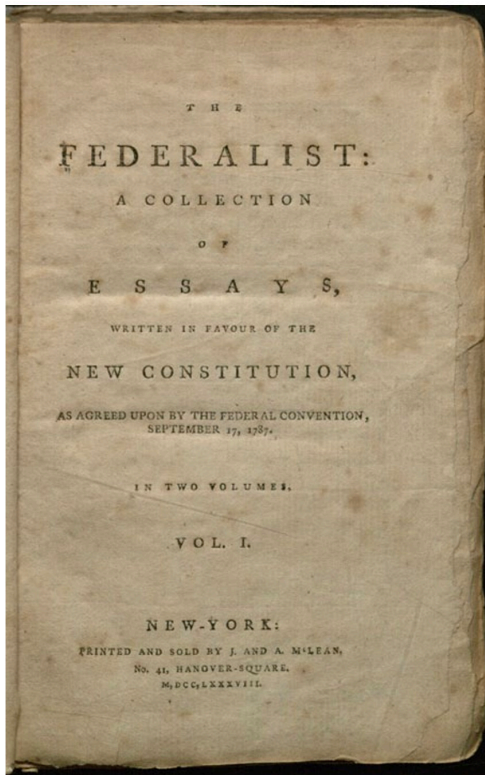
*But there is also another tendency that is common among people. When they can, they wish to live and prosper at the expense of others. This is no rash accusation. Nor does it come from a gloomy and uncharitable spirit. The annals of history bear witness to the truth of it: the incessant wars, mass migrations, religious persecutions, universal slavery, dishonesty in commerce, and monopolies. This fatal desire has its origin in the very nature of man—in that primitive, universal, and insuppressible instinct that impels him to satisfy his desires with the least possible pain.*<sup>4</sup>

We are now getting to the heart of our universal problem. Though we live in a world that contains natural resources, they are scarce. Man must constantly produce to satisfy his wants, but just as surely as that, he must also economize. He must save back a portion of his production in order to invest in tools that will help facilitate and increase his products. It's hard work and it is never-ending. Since man is naturally inclined to avoid pain and since work is painful, some men steal in order to avoid it. This is the problem that neither religion nor morality can stop. Only when stealing becomes more dangerous and more painful than working does it end. The force of law, therefore, must be made to protect private property and punish stealing in order for society to function and prosper. However, Bastiat is quick to admit that the great difficulty in formalizing this structure and orchestrating its proper performance of duty is that man is inherently tainted. No matter what institution he becomes a part of, he soon tarnishes it.

James Madison, writing in the *Federalist Papers* (1787-1788), described it this way:

*Ambition must be made to counter ambition. It may be a reflection on human nature, that such devices should be necessary to control the abuses of government. If men were angels, no government would be necessary. If angels*

were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself.<sup>5</sup>



This is what ultimately perverts the law. Man is incapable of obeying it! But now here comes the real essence of Bastiat's message: *the law, instead of checking injustice, becomes the invincible weapon of injustice.* With it, the legislator can destroy personal independence and man's freedom, and confiscate his property using legal means. In the beginning, only a few practiced this perversion because the making of the law is limited to a small group. But soon thereafter the victimized rebel against the injustice. When they notice that the law is organized for the profit of those who make the law, they too try to get into law-making. They either wish to stop legal theft or share in it themselves. When this latter purpose

prevails among the masses of a nation, they, in turn, seize the power to make the laws. Woe to the nation that reaches this point.

*Instead of rooting out the injustices found in society, they make these injustices general. As soon as the plundered classes gain political power, they establish a system of reprisals against other classes. They do not abolish legal plunder. (This objective would demand more enlightenment than they possess.) Instead, they emulate their evil predecessors by participating in this legal plunder, even though it is against their own interests.*

*It is as if it were necessary, before a reign of justice appears, for everyone to suffer a cruel retribution—some for their evilness, and some for their lack of understanding.<sup>6</sup>*

Is this not our situation today? Granted, we may need to pause here and take a deep breath. The truth can sometimes be unnerving. But what we really need to do is call upon our belief in God's providence. **R.C. Sproul**, commenting on **Adam Smith's** famous book, *The Wealth of Nations*, points out that Smith tried to discern the normal laws governing economic affairs, such as the law of supply and demand. He was attempting to detect, in the history of economic action and reaction, *the invisible hand of God*. He concluded that the affairs of men and the world are ultimately ordered and governed by God, whose rule is invisible.<sup>7</sup> We can become more alert to the invisible hand when we look to the past and see how God has worked in our own lives. There, we find critical turning points that often took place in ways we were unaware of at the time. According to God's providence, which is at the core of the Judeo-Christian faith, there are no accidents or chance meetings of people; God guides all of our footsteps.

This in no way is meant to imply that we are mere puppets. We have freedom and power, but we have no freedom or power beyond the freedom and power given to us by God. He remains sovereign over all things in bringing his will to pass. In this life drama,

it is clear that there is a *mixing* or a *flowing together* of events where God has one holy purpose and man has another. Biblical history proves this point time and time again. The story of Joseph and his brothers is a prime example of this mystery. Joseph's brothers meant his suffering for evil, but God had ordained that through their free choices, he would bring Joseph to Egypt and ultimately save the people of Israel.

It is in that great mystery and promise that our hope ultimately rests. Even though we find injustice all around us, God can bring good out of evil. Without the concept of divine providence, we would miss the comfort, consolation, and the joy of knowing that God stands above and beyond all things. As the great Hebrew writer pointed out:

*All things work together for good to those who love God, to those who are the called according to His purpose.*<sup>8</sup>

And again,

*No temptation has seized you except what is common to man. And God is faithful; he will not let you be tempted beyond what you can bear. But when you are tempted, he will also provide a way out so that you can stand up to it.*<sup>9</sup>

## References

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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 professionals listed below renewed their membership as an *Authorized Infinite Banking Concepts Practitioner* in May.

**MEMBERSHIP RENEWALS**

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