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BANKNOTES

NELSON NASH MONTHLY NEWSLETTER

A Closer Look At Businesses Part II

By L. Carlos Lara

[Reprinted from the December 2018 edition of the *Lara-Murphy-Report*, **LMR**]

A Business Credit survey¹ conducted and published in March 2016 by the Federal Reserve Banks of New York, Atlanta, Boston, Cleveland, Philadelphia, Richmond, and St. Louis reports that “cash flow” is the number one problem facing small businesses with fewer than 500 employees. At the same time a *Financial Stability Report* dated November 2018 by the Board of Governors of the Federal Reserve cites that business-sector debt relative to GDP is historically high and “debt has been growing fastest at firms with weaker earnings and higher leverage.”² In essence this report insinuates that the very same cash flow difficulty also exists among the larger companies, that is, those businesses with more than 500 employees.

The solution for this cash flow dilemma is of course adequate *financing* of the type that can be accessed when needed and in sufficient amounts to help smooth out the ups and downs of cash flow irregularities. But since financing entails the taking on of debt it is here that we see how small businesses and large businesses differ with the main contrast between the two being their choice of financing options. We will look closer at some of these options in this article but will also drive home the point that I have always maintained, which is that *cash flow management* is by far the most important activity in any business regardless of size.

RISK CAPITAL

If you will recall in *Part I* [republished in February 2019 *BankNotes*] of this article, we came face to face with the fact that entrepreneurship is not necessarily for everyone for the simple reason that approximately half of business startups fail within the first five years in operation. A large percentage of those businesses fail in the second year, so the odds for entrepreneurial success are not that promising. And, since business failure is associated with financial losses considerable time should be spent examining the potential profits versus the startup costs of the new business idea prior to launching it. The first and foremost consideration is to realize that whatever amount of *risk capital* will be used to set the new venture in motion it will immediately require cash flow management the minute it's put to work in the

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new enterprise and will continue *ad infinitum*.

To get an idea of what's in store for the new entrepreneur going into business for the very first time, recall your own first-time childhood experience of attempting to ride a bicycle with only two wheels. Once you pushed off you had to keep peddling to keep the bike rolling and we all remember that it was not easy to do. The good part about that exercise was that we could fall and try again as many times as we wanted. Eventually, it was a combination of momentum, agility, balance, and what we might call *skill* that kept the bicycle upright and moving. In a sense cash flow management is somewhat similar to that experience except you are not allowed to fall. Business ownership requires continuous peddling (cash flow management) while steering the enterprise forward with absolutely no guarantee of success.

But besides these management skills an entrepreneur must also know how to sell (market) its products (or services) effectively because *sales* (fees, revenues, margins, or commissions) must continually pour into the enterprise to cover outgoing expenses or the business will not make it. When cash flow problems surface, as they are sure to do, *a loan or a line of credit* can come in mighty handy to either help with cash flow volatility, rescue the business from demise, or assist it in growing it and expanding it even further.

It is for these reasons that businesses very early on in their life cycle and also as they mature will seek out lenders that can provide the much-needed additional capital. What businesses soon discover is that credit is readily available in the marketplace provided the business can meet the lender's credit requirements in order to qualify for it. It is this credit qualification

TOP BUSINESS CHALLENGE BY TYPE OF FIRM, Past 12 Months¹ (% of employer firms)
In order of importance

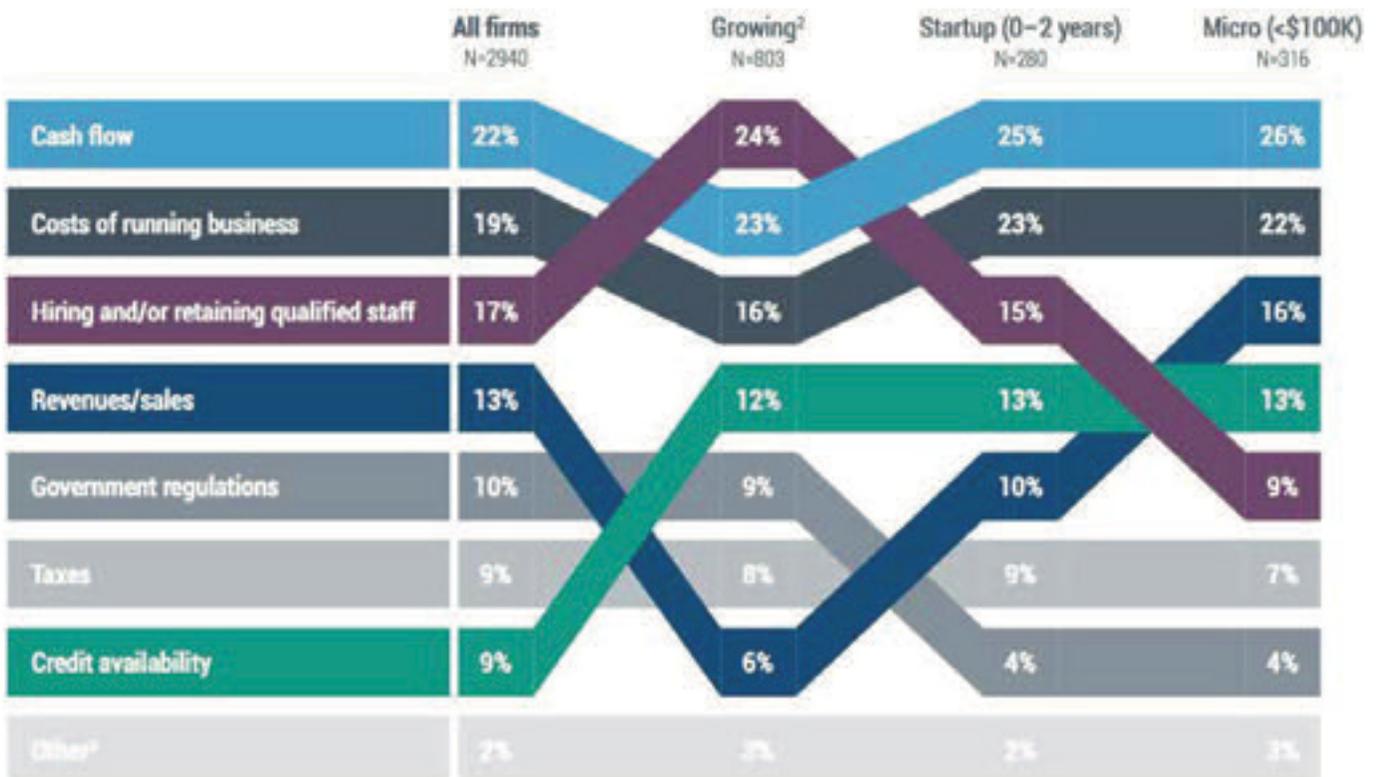


Chart A Source: 2015 Small Business Credit Summary-Report On Employer Firms, Federal Reserve Banks of New York, Atlanta, Boston, Cleveland, Philadelphia, Richmond and St. Louis, March 2016

process that can become a huge stumbling block for many businesses. It is both difficult (time consuming) and intimidating, especially for new businesses, because it involves putting up collateral and providing personal/business guarantees. This is one of the main points we stressed in our latest book, *The Case for IBC*, co-authored with Nelson Nash.

SEPARATING LARGE BUSINESSES FROM SMALL BUSINESSES

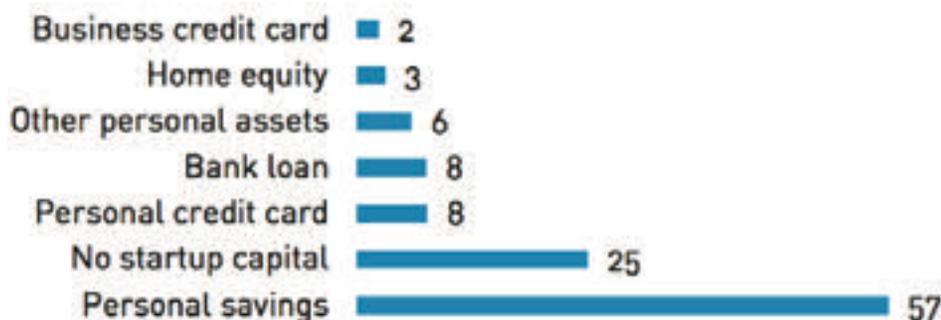
To probe further into the nature of financing options we need to properly divide the entire U.S. business sector in terms of size. A business with over 500 employees is considered a large business and there are only 18,600 such firms in the U.S. and approximately 5,000 of them are publicly traded companies. Alternatively, there are 5.8 million small businesses that have at least one employee, but fewer than 500 employees. So, some of these businesses, while considered small, can be rather large

enterprises. Interestingly, the remaining 23 million small businesses in the U.S. have no employees at all and are referred to as “nonemployer” firms. Obviously, the financing needs of each of these groups will vary significantly especially for a startup company or a nonemployer firm whose initial capitalization needs will be much smaller and financing options much more limited.

As a case in point, according to the *Small Business Office of Advocacy*³ the primary source of startup capital to start a business comes from personal savings and second to that is actually “no startup capital” at all, which can only mean a business that is launched by strictly generating sales in order to fund its operations. After that option the next best source of capital for startups, believe it or not, are *personal credit cards*.

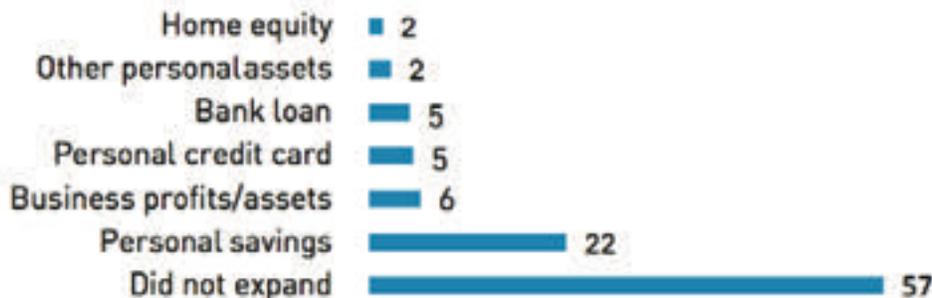
When it comes to “*expansion capital*” for an operating going concern

Figure 2. Top Sources of Startup Capital (Percent)



Source: SBA Office of Advocacy from U.S. Census Bureau, Survey of Business Owners 2012.

Figure 3. Top Sources of Expansion Capital (Percent)



Source: SBA Office of Advocacy from U.S. Census Bureau, Survey of Business Owners 2012.

Chart B Source: SBA Office of Advocacy from U.S. Census Bureau, Survey of Business Owners 2012. Released July 2016

(not a startup) the primary source of capital is, once again, personal savings. Chart B, however, shows that after personal savings the next major source of capital for expansions are from *business profits*. That's because most business owners view their business as their main investment and therefore tend to re-invest all their profits back into their business.

Another 2016 report released by the SBA entitled *Frequently Asked Questions About Small Business Finance*⁴ says that the amount of actual capital needed to start a small business can be less than \$5,000, which is surprising yet quite encouraging. In fact, 22.5 percent of the nation's small employer enterprises are recorded as having done exactly that. Only 7.3 percent of the 5.8 million small employer businesses required between \$250,000 and up to \$1

million to get their businesses up and running.

NON-TRADITIONAL FORMS OF FINANCING

In addition to traditional lending sources such as *banks, home equity loans, and personal credit cards*, there are a variety of other non-traditional financing options small employer businesses can and do use. For example, there is *leasing, trade credit, equity investment* (exchanging a portion of ownership of the business in return for capital), *factoring*, and more recently, *online lending platforms*, which is one of the newest and fastest growing non-traditional lending sources today.

According to a special report entitled, *Opportunities and Challenges in Online Marketplace Lending*, issued in May 2016 by the *U.S. Department of the*

Table 1. Amount of Capital Needed to Start a Business (Percent of Firms)

	Firms with Employees	Nonemployer firms
Less than \$5,000	22.5	39.5
\$10,000 to \$24,999	14.2	7.1
\$50,000 to \$99,999	11.5	2.8
\$250,000 to \$999,999	7.3	1.8

Note: Figures recalculated to account for "don't know" responses. Source: SBA Office of Advocacy from U.S. Census Bureau, Survey of Business Owners 2012.

Chart C Source: SBA Office of Advocacy from U.S. Census Bureau, Survey of Business Owners 2012. Released July 2016

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*Treasury*⁵ it predicts that loan origination volumes for these types of online lending sources could reach \$90 billion by 2020 especially as small businesses increasingly turn to these online marketplace lenders as financing sources in the same way the general consumer market has done.

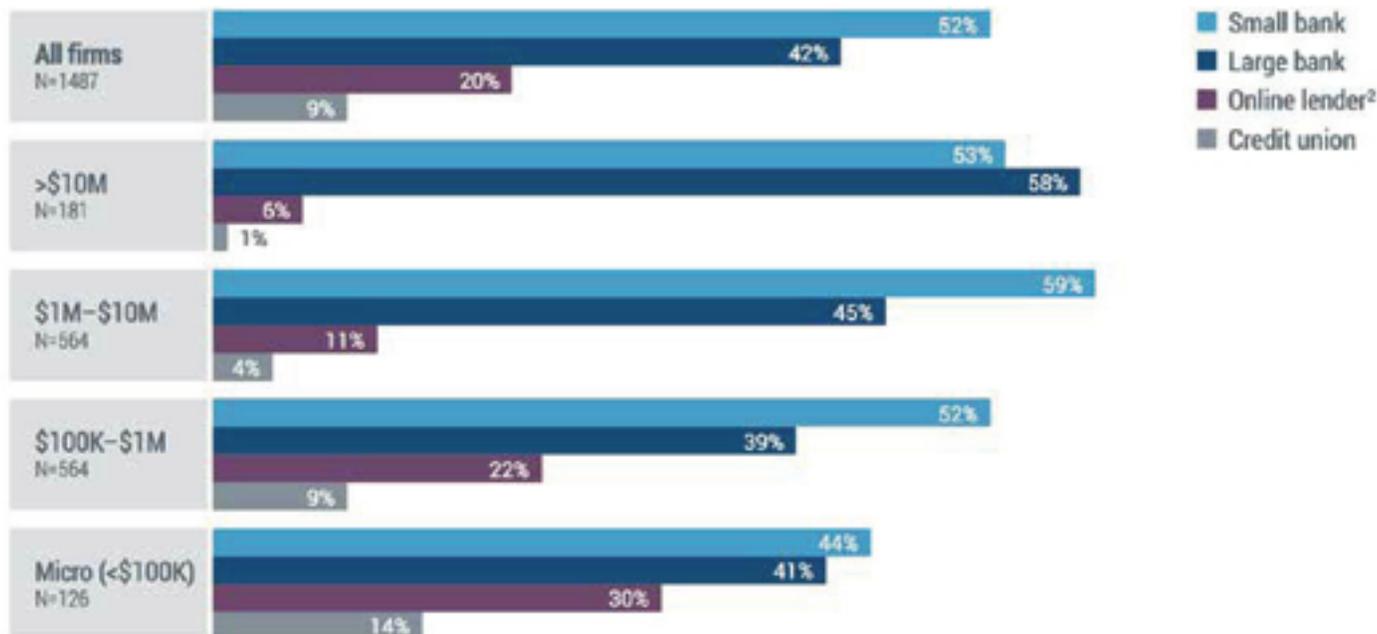
Online marketplace lenders have become formidable challengers to their traditional lending competitors because they can make a funding decision in 48 to 72 hours. They can also make small loans with short maturities with daily remittances processed immediately by direct withdrawals from the borrower's bank account. In other words, they provide immediate cash flow relief in exchange for repayment terms that tap directly into the client's business flow of money. Since online lenders have no branch offices there is never a face-to-face interaction, which gets rid of the intimidation factor

and everything else, from credit checks to actual funding, is all automated and online.

The online lending sector has developed two primary business models, the "direct lenders," which originate loans to hold in their own portfolios. Then there is the "platform lenders," which generally partner with a depository institution (a bank) to originate the loans, but afterwards the online lender will sell the loan obligation to investors. This provides for various management fees for the different investment partners in addition to the interest payments on the loan, all at the expense of the borrower. In other words, the cost of capital when using online lending is not cheap.

The recent entry of online lenders into the securitization market and the strong interest from institutional investors, venture capital firms, and hedge funds has also increased the concept's investor

CREDIT SOURCES¹ APPLIED TO BY REVENUE SIZE OF FIRM (% of loan/line of credit applicants)



1 Select answer choices shown. See appendix for more detail. Respondents could select multiple options.

2 "Online lenders" are defined as nonbank alternative and marketplace lenders, including Lending Club, OnDeck, CAN Capital, and PayPal Working Capital.

2015 SMALL BUSINESS CREDIT SURVEY | REPORT ON EMPLOYER FIRMS

Chart D Source: 2015 Small Business Credit Summary-Report On Employer Firms, Federal Reserve Banks of New York, Atlanta, Boston, Cleveland, Philadelphia, Richmond and St. Louis, March 2016

base that is providing the necessary monetary fuel for online lenders to continue to expand in their markets.

Looking at this from an Austrian perspective the Fed's low interest rate environment coupled with the strong demand from cash strapped consumers and businesses after the 2008 financial crisis has been a significant contributing catalyst to this idea's growth. Plus, investors starved for income yield have also provided growth synergy and together all of it has given rise to what now appears as a very successful new financing source in the marketplace.

Then again, it could be nothing more than another huge malinvestment, (a bubble) caused by the Fed's cheap money policy. We have to keep in mind that this is still a very new credit source that is totally untested in a credit cycle downturn having just

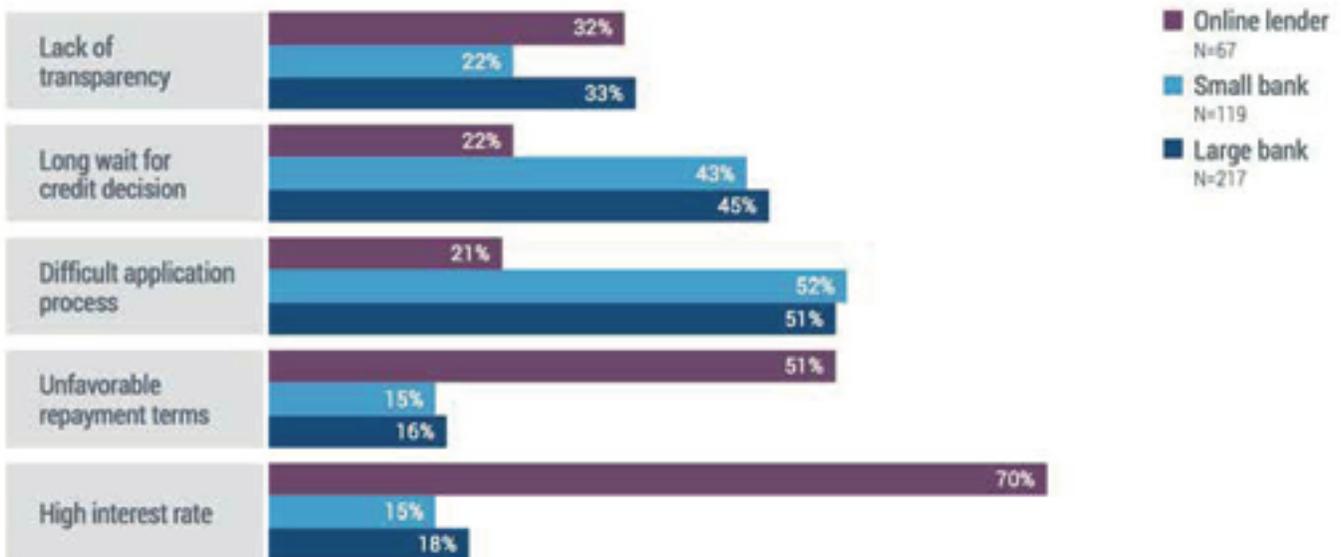
barely entered the lending field in 2006.

Notice that Chart E indicates that successful loan applicants' reasons for dissatisfaction from online lenders were three-fold: *lack of transparency, unfavorable repayment terms and high fees and interest rates*—"rates that can go up to 45% for a four month institutionally backed loan," according to the SBA Office of Advocacy. As interest rates continue to rise this lending source could be impacted very negatively. We will need to keep close watch and see.

Finally, we should not leave this section on non-traditional forms of financing without mentioning the *Infinite Banking Concept (IBC)*, which is a concept that makes use of a specially designed life insurance contract as a means of providing borrowers with necessary capital with superior

SUCCESSFUL APPLICANTS' REASON(S) FOR DISSATISFACTION,⁴ Select Lenders⁵

(% of employer firms dissatisfied with lender)



1 Satisfaction score is the share satisfied with lender minus the share dissatisfied.

2 "Online lenders" are defined as alternative and marketplace lenders, including Lending Club, OnDeck, CAN Capital, and PayPal Working Capital.

3 "Other" includes government loan funds and community development financial institutions.

4 Respondents could select multiple options.

5 Select answer choices shown due to low observation count.

2015 SMALL BUSINESS CREDIT SURVEY | REPORT ON EMPLOYER FIRMS

Chart E Source: 2015 Small Business Credit Summary-Report On Employer Firms, Federal Reserve Banks of New York, Atlanta, Boston, Cleveland, Philadelphia, Richmond and St. Louis, March 2016

flexibility with regards to its repayment terms. Since it is derived from the insurance sector and not from commercial banking and Wall Street its very conservative multi-dimensional benefits are incomparable.

As to whether it can survive a credit cycle downturn like the 2008 financial crisis—in other words, is it tried and tested? The answer is yes, and it even survived the Great Depression of the 1930s! Although understanding its unique characteristics and benefits takes a rather bold shift in thinking it is a financing system Bob and I fully endorse. It's ideal for business startups but works well for the larger more established businesses too. To learn more about IBC the *LMR* continuously provides numerous articles about the concept, but make sure you also read the original source book, *Becoming Your Own Banker* by R. Nelson Nash and his latest book released in February of this year (2018), *The Case for IBC*, co-authored with Bob and me.

You can obtain a copy of *Becoming Your Own Banker* here: <https://infinitebanking.org/product/becoming-your-own-banker/>

The Case for IBC here: <https://thecaseforibc.com>

IPOS, ANGEL MONEY, VENTURE CAPITAL, PRIVATE EQUITY, DEBT FINANCING

According to the latest published data (*2016 SBA Office of Advocacy*)⁶ “angel” capital financing for small employer businesses remains a relatively small part of capital sources making up less than 2% of the market where the average angel investment is only \$330,000 as of 2016. Angels are wealthy investors who are quite often entrepreneurs themselves and are also known as “accredited” investors because they are individuals that can substantiate their net worth and income according to SEC requirements. Angels provide capital and or credit support for businesses by investing individually or as a group where they generally take an equity position in return for their investment.

Venture capital, on the other hand, is sourced from investment firms that specialize in providing

substantial blocks of capital for emerging companies seeking funds for the first time. This differs from *private equity* firms who specialize in funding much larger and more established businesses seeking “*additional*” capital infusions or looking to sell a large portion of the established business. But in either case both types of investor firms, equity and venture capital, will exit the company after they make their initial investment and once they have spearheaded a merger, or an acquisition. Initial public offerings (IPOs) have become less popular in recent years simply because they are too expensive to underwrite and register, plus the ongoing regulation makes the entire process extremely burdensome.

Larger businesses that have a long-standing operating track record and profitability history are choosing to issue their own bonds in order to raise additional capital. As I pointed out in my recent article, “The Wealth Effect,” in the October 2018 issue of the *LMR*, borrowing by major U.S. corporations has grown exponentially since the 2008 financial crises fueled principally by the Fed's prolonged low interest rate environment. What we have seen large businesses do in recent years is use the cash derived from the sale of their own bonds to purchase their own stock while others have used the cash to buy out their competitors. But the problem is that many of these corporate acquisitions are now overly leveraged as the recent 2018 Board of Governor's *Financial Stability Report* pointed out. The concern is that a downturn in the economy could lead to a surge of downgrades for these bonds into junk rating causing weaker companies that have issued them to lose access to capital and spiral into bankruptcy. Once again, the Fed's tightening could have a dramatic effect in this corporate bond arena and is an area that also warrants careful scrutiny.

CONCLUSION

I began this two-part series on businesses by first of all simply answering the question, “*What is a business?*” My sole intent was to take a much closer in-depth look at some of the most important essentials of business ownership by first beginning

with the entrepreneur and his idea in light of the failure rate that takes place with new startups within the first five years in operation.

What I have attempted to do in this second part of the article is provide the reader a more amplified view of businesses in the U.S. economy by focusing primarily on their essential activity, which is cash flow management and also by examining their access to capital (the lifeblood of a business) in the various financing sources available to them in the marketplace depending on their size and maturity.

What I have hopefully been able to impress upon you is that at the higher echelons of government surveillance as recent as November 2018 cash flow was determined to be a significant problem for both small and large businesses, which implies that on a grander scale in the whole of the economy there is a seemingly “*robbing Peter to pay Paul*” scenario building up driving up excessive borrowing on top of already overly leveraged companies. There is a concern that credit markets could seize up abruptly especially as interest rates rise and asset prices continue to fall.

Even so, the need for credit and immediate access to that credit will only increase in demand all the more if what we are seeing is correct and we think we are. More the reason why you must seriously consider without delay implementing your own form of *privatized banking*—the ultimate cash flow system, which is *Nelson Nash's Infinite Banking Concept (IBC)*.

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Leonard E. Read on Why Means Matter More Than Ends

by Gary M. Galles

History has produced an almost endless supply of those who would remake society into the utopia they imagine. But in trying to mold people into what they must be to match dictators' mental images, they forget that the ends actually achieved will not match their imaginations and that the means which they must use are unjust, as well as undermining individuals' potential.

Only moral means can achieve moral advances.

Leonard Read was an astute observer of such coercive political panaceas. And he frequently started his rebuttals by citing Ralph Waldo Emerson: “Cause and effect, means and ends, seed and fruit, cannot be severed; for the effect already blooms in the cause, the end pre-exists in the means, the fruit in the seed.”

Reflecting Emerson, Read argued that the ends that will actually be produced need not match those intended. The ends that will be achieved will actually be implied by the means used. Only moral means can achieve moral advances. Conversely, immoral means will “achieve” moral decline. He made that

argument most clearly in "The Bloom Pre-Exists in the Seed," in his 1969 book *Let Freedom Reign*. On its 50th anniversary, it merits reconsideration:

"[Many] people expect to achieve lofty goals without any thought of the means they use...[but] a hard look at means and ends is appropriate."

"Ends, goals, aims are but the hope for things to come...They are not a part of the reality... from which may safely be taken the standards for right conduct. They are no more to be trusted as bench marks than are day dreams or flights of fancy. Many of the most monstrous deeds in human history have been perpetrated in the name of doing good—in pursuit of some 'noble' goal. They illustrate the fallacy that the end justifies the means."

"Examine carefully the means employed, judging them in terms of right and wrong, and the end will take care of itself."

"[For] an individualist...valued above all else [is] each distinctive individual human being."

"If we would find the distinction between collectivism and individualism... examine the actions—means—that are implicit in achieving the goals."

Collectivism's Means

"Implicit in the collectivistic approach...is the masterminding of the people who make up society...The control of the individual's life is from without."

"The collectivistic view holds that...The individual does not fit himself into place but, instead...is assigned that niche or role which the political priests believe will best serve whatever societal pattern they have formulated."

"Implicit...is that men exist who are competent to form the ways and shape the lives of human beings by the millions...that there are those who not only can rightly decide what is best for all of us but who can prescribe the details as to how the best that is in us can be realized."

"Any conscientious collectivist, if he could... properly evaluate the authoritarian means his system of thought demands, would likely defect."

"However lofty the goals, if the means be depraved, the result must reflect that depravity. Therefore, the eventual outcome of the collectivistic way of life may be accurately predicted by anyone who understands the means which must be employed."

Individualism's Means

"When the individual [is] the ultimate goal...the means implicit in achieving such a goal must be radically different."

"Either I will concentrate on me and my welfare or on others and their welfare... mind my own business or mind other people's business."

"In view of the obstacles to the relatively simple task of self-realization, reflect on the utter absurdity of...undertaking to manage the lives of millions."

"Each individual best promotes his own self-interest by peaceful, social cooperation as in the free market. Indeed, the more I make of myself the more are others served by my existence... The way to assume 'social responsibility' is for the individual to rise...as far as possible."

Private Ownership: Voluntary Means and Beneficial Ends

"The incentive of private ownership is far more powerful than the sentimental thrust of laboring for the-good-of-all."

"If we concede...that man has a right to his life, it follows that he has a right to sustain life, the sustenance being the fruits of one's own labor. Private ownership is as sacred as life itself."

"Private ownership lies at the very root of individual liberty. Without it there can be no freedom; with it freedom is secure. For private ownership presupposes free choice in disposition, that is, freedom to exchange. It is senseless to talk

about freedom if the right of private ownership be denied."

"Can we pronounce a moral judgment on these means implicit in the individualistic goal...

These means serve as a powerful thrust toward the individual's material, intellectual, moral, and spiritual emergence—and that is right! Others—those who comprise society—are the secondary beneficiaries of individual growth. If we would help others, let us first help ourselves by those means which qualify as righteous."

Leonard Read saw that coercive utopian "reforms" by their nature—substituting external dictation for individual choices, which are the only way for individuals to mature or "bloom"—had to be both unsuccessful and unjust.

In contrast, voluntary means that violate no one's rights are the only reliable path to individual growth and social advance. He knew that the bloom of liberty pre-existed in the seed of self-ownership, and the wilting of collectivism pre-existed in its violations of self-ownership. That is a lesson few have ever learned as well as Read, and which we are in desperate need of relearning today.

Gary M. Galles is a professor of economics at Pepperdine University. His recent books include *Faulty Premises, Faulty Policies* (2014) and *Apostle of Peace* (2013). He is a member of the FEE Faculty Network. This article was originally published on FEE.org. [Read the original article.](#)

How the Politics of Fear Manipulates Us to Tribalism

by Arash Javanbakht

The cruel murder of 50 people in New Zealand was another tragic reminder of how humans are capable of heartlessly killing their own kind just based on what they believe, how they worship, and what race or nationality they belong to. There is a long-standing history of the fear of "the others" turning humans into illogical, ruthless weapons in service to an ideology.

Fear is a very strong tool that can blur humans' logic and change their behavior.

Fear is arguably as old as life. It is deeply ingrained in the living organisms that have survived extinction through billions of years of evolution. Its roots are deep in our core psychological and biological being, and it is one of our most intimate feelings. Danger and war are as old as human history, and so are politics and religion.

Demagogues have always used fear for intimidation of the subordinates or enemies and shepherding the tribe by the leaders. Fear is a very strong tool that can blur humans' logic and change their behavior.

I am a psychiatrist and neuroscientist specializing in fear and trauma, and I have some evidence-based thoughts on how fear is abused in politics.

We Learn Fear from Tribe Mates

Like other animals, we humans can learn fear from experience, such as being attacked by a predator. We also learn from observation, such as witnessing a predator attacking another human. And, we learn by instruction, such as being told there is a predator nearby.

Learning from our conspecifics—members of the same species—is an evolutionary advantage that has prevented us from repeating dangerous experiences of other humans. We have a tendency to trust our tribe mates and authorities, especially when it comes to danger. It is adaptive: Parents and wise old men told us not to eat a special plant or not to go to an area in the woods, or we would be hurt. By trusting them, we would not die like a great-grandfather who died eating that plant. This way, we accumulated knowledge.

Tribalism is the biological loophole that many politicians have banked on for a long time: tapping into our fears and tribal instincts.

Tribalism has been an inherent part of human history. There has always been competition between groups of humans in different ways and with different faces, from brutal wartime nationalism to

a strong loyalty to a football team. Evidence from cultural neuroscience shows that our brains even respond differently at an unconscious level simply to the view of faces from other races or cultures.

At a tribal level, people are more emotional and consequently less logical: Fans of both teams pray for their team to win, hoping God will take sides in a game. On the other hand, we regress to tribalism when afraid. This is an evolutionary advantage that would lead to group cohesion and help us fight the other tribes to survive.

Tribalism is the biological loophole that many politicians have banked on for a long time: tapping into our fears and tribal instincts. Some examples are Nazism, the Ku Klux Klan, religious wars, and the Dark Ages. The typical pattern is to give the other humans a different label than us, say they are going to harm us or our resources, and turn the other group into a concept. It does not have to necessarily be race or nationality, which are used very often. It can be any real or imaginary difference: liberals, conservatives, Middle Easterners, white men, the right, the left, Muslims, Jews, Christians, Sikhs. The list goes on and on.

When building tribal boundaries between “us” and “them,” some politicians have managed very well to create virtual groups of people that do not communicate and hate without even knowing each other: this is the human animal in action!

Fear Is Uninformed

A soldier once told me: “It is much easier to kill someone you have never met, from distance. When you look through the scope, you just see a red dot, not a human.” The less you know about them, the easier to fear them and to hate them.

To win us, politicians, with the media’s help, do their best to keep us separated, to keep the real or imaginary “others” just a “concept.”

This human tendency and ability for destruction of what is unknown and unfamiliar is meat to the politicians who want to exploit fear: If you grew up only around people who look like you, only listened

to one media outlet, and heard from the old uncle that those who look or think differently hate you and are dangerous, the inherent fear and hatred toward those unseen people is an understandable (but flawed) result.

To win us, politicians, sometimes with the media’s help, do their best to keep us separated, to keep the real or imaginary “others” just a “concept.” Because if we spend time with others, talk to them and eat with them, we will learn that they are like us: humans with all the strengths and weaknesses that we possess. Some are strong, some are weak, some are funny, some are dumb, some are nice, and some not too nice.

Logic Is Slow; Fear Is Fast

Very often my patients with phobias start with: “I know it is stupid, but I am afraid of spiders.” Or it may be dogs or cats, or something else. And I always reply: “It is not stupid, it is illogical.” We humans have different functions in the brain, and fear oftentimes bypasses logic. There are several reasons. One is that logic is slow; fear is fast. In situations of danger, we ought to be fast: first run or kill, then think.

We do not ask these questions because fear bypasses logic. Politicians and the media very often use fear to circumvent our logic.

I always say the U.S. media are disaster pornographers—they work too much on triggering their audiences’ emotions. They are kind of political reality shows, surprising to many from outside the U.S.

When one person kills a few others in a city of millions, which is, of course, a tragedy, major networks’ coverage could lead one to perceive the whole city is under siege and unsafe. If one undocumented illegal immigrant murders a U.S. citizen, some politicians use fear with the hope that few will ask: “This is terrible, but how many people were murdered in this country by U.S. citizens just today?” Or: “I know several murders happen every week in this town, but why am I so scared now that

this one is being showcased by the media?"

We do not ask these questions because fear bypasses logic.

Fear Can Turn Violent

There is a reason that the response to fear is called the "fight or flight" response. That response has helped us survive the predators and other tribes that have wanted to kill us. But again, it is another loophole in our biology to be abused to turn on our aggression toward "the others," whether in the form of vandalizing their temples or harassing them on the social media.

When ideologies manage to get hold of our fear circuitry, we often regress to illogical, tribal and aggressive human animals, becoming weapons ourselves—weapons that politicians use for their own agenda.

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A College "Education" Has Little to do with Education

by Ryan McMaken

An old friend of mine, who taught political science for 25 years at the University of Colorado, was known to tell his students that the *real* reason they were there was to marry people from the right social class.

While perhaps a *little* overly cynical, this assessment certainly wasn't totally wrong. Few parents have ever

been overly concerned with the supposed education their children receive at a University like CU. The real concern has primarily been the receipt of a degree from a respectable — although not "elite" in the case of CU — university. And, whether they are consciously aware of it or not, an additional benefit has been to ensure that little Susie and little Johnny also become accustomed to the social mores and habits of a certain socio-economic class.

Even if Susie doesn't meet a doctor at college, it's still best to send Susie to a place where she *learns to socialize and interact* with the sorts of people who will *eventually* become doctors and engineers and successful business people. When one is finished with his or her "education," one has a nice degree to show for it, plus a social circle comprised of presumably soon-to-be-successful people.

So, it shouldn't surprise anyone that it turns out rich Hollywood actors with intellectually and academically mediocre children have become obsessed with getting their children into high-status colleges. They employ bribes and fake test scores to purchase what they've always been able to purchase otherwise: a stylish consumer product, which is essentially all a college degree is for most people.

In a certain way, one has to admire these corrupt, cheating parents because they are too savvy to buy the nonsense that the higher education industry has been peddling for decades.

As ridiculous as it sounds, there are *still* people in higher education who spout quaint theories about "liberal education" and how college is a time for self-reflection and becoming "immersed in the great books of the Western Tradition," and so on.

There is surely a tiny minority of college students who actually believe this — many of whom grow up to become professional students and college faculty — but college has long been largely about certification.

While universities were founded in the Christendom of the middle ages with some lofty goals, the vast majority of families who sent their young people to

universities didn't share these goals. They sent their children to universities to attain degrees in subjects like canon law which afforded to the family greater social status and perhaps a coveted job in church or secular government.

Yes, actually teaching certain skills has been important some of the time. Many of today's oldest and most venerated universities, for example, were founded to train clergymen. Harvard University, after all, was created to deal with the problem of "an illiterate ministry," was was thought to be all too common in colonial America. But by the nineteenth century, American universities had been converted to a broader model of education in which specific skills became less important, and the attainment of a degree became more important.

Over time, training in other professions, such as secular legal studies, became important goals for colleges and universities, largely because the middle classes saw this sort of training as a ticket to prosperity. Rarely was a college education sold to the middle classes as an exercise in intellectual self improvement or gaining an appreciation of Virgil and Dante. But even then, the educational aspects of a college "education" weren't the most important part of the experience. Training could often be attained on-the-job in law as in other professions. The college degree, on the other hand, was valuable because it communicated a certain elite status.

And this is what the middle classes really wanted most. After all, it's hard to imagine an 1830s middle-class family patriarch, slaving away at the family shipping business, and scraping together tuition money for junior just so he can go have deep thoughts about the implications of the Peloponnesian War.

On the other hand, there's no doubt that the upper classes could afford more navel-gazing. Indeed, by the mid nineteenth century, American universities had adopted the ideas of the upper classes from England decades before: that universities are there to prepare members of the elite for "leadership" and "service" by making them broad-minded

intellectuals.

That, however, was never more than a boutique sort of education for the sons of the already-established elites.

But if that vision of higher education ever reflected reality, it certainly doesn't now. The idea that students go to college to attain a broad and liberal view of humanity and human history appears almost laughable today. Outside of the college programs that provide real professionally-relevant job skills, such as in engineering and computer science, a college education offers little more than daily recapitulation in learning the ideological views of today's intellectual class. Outside a narrow worldview shared by a tiny elite of humanities and social science professors, very little is taught at all.

Wealthy Hollywood types, being relentless and cynical social climbers, likely figured this out years ago. So they've now zeroed in on getting out of college all that college has to offer to someone who doesn't have the intellectual chops to major in electrical engineering: a piece of paper that helps sustain membership in elite social circles.

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Starting this month, we will begin a series of Nelson Nash's personally written BYOB lessons. Nelson used his best-selling book Becoming Your Own Banker® as the reference; we will continue these lessons until we have gone through the entire book.

Part I, Lesson 1: Becoming Your Own Banker

Content: Page 11, *Becoming Your Own Banker Fifth Edition.*

Perhaps it was that eminent author, “Anonymous,” that made the observation, “*If you take all the money in the world and divide it equally among all the people in the world, within ten years time 97% of the money will be in the control of 3% of the people.*” There is no way to measure the validity of this, but do you suspect that there is a lot of truth to it?

Even if you change the proportions to 75% vs. 25%, it still is an appalling situation. Have you ever wondered why this is happening? I think one strong possibility is that the common man knows next to nothing about the most important business in the world – banking! Without banking we are all back in the caves and dealing with each other by means of barter. Our standard of living would be vastly degraded.

When you go to buy something, money must flow from you to that other party in a relatively short period of time or, otherwise, those narrow-minded folks won't do business with you. They have no sense of humor at all! Similarly, when you sell something, money must flow from that other party to you. The flow of money is absolutely necessary. It is the method of keeping score with one another. Where the money comes from is the subject of this course. It must come from a reservoir – a pool of money – a bank! And it must be adequate to complete the transaction plus all the contingencies of life that we all face. The money in your pocket is all part of the banking system.

Consider this analogy. Look at a globe and it is rather obvious that about 80% of the earth's surface is water. The sun heats it up and causes some of it to evaporate into the atmosphere. That causes wind currents that carry the moisture around the earth and it will precipitate out as rain, sleet, snow, and hail. And, somewhere along the way some of it will flow through you and me – eight glasses per day. After all, we need to acknowledge that most of you is water and that proportion must remain fairly constant. Have we all not heard the phrase, “Don't get dehydrated?” Does it dawn that you are a pool of water? When it flows through us, pray tell, where does it end up? Back in the oceans, of course! It is a system!

There is only one pool of money in the world. The fact that various banks, insurance companies, corporations, and individuals are managing it in various countries and currency denominations is incidental. To argue otherwise would be the equivalent of a person looking at the globe and saying, “Oh, look! There is South America – and look, there is the Amazon River flowing into the South Atlantic Ocean. But, that has nothing to do with the Indian Ocean on the other side of the world!” Nonsense! That is ridiculous! There is only one pool of water on the earth. It is all part of a system – and they are all connected in one way or another through the various forms of water—solid, liquid, or water vapor.

Another analogy – would you agree that everyone needs a heart? Its function is to pump blood to wherever it is needed within your body – so you need one, personally, and it must be functioning to make your blood flow. But, have you ever considered that you can live without one? I did, back in January 1988! The doctors had mine outside the chest cavity and were re-plumbing it in four places. They can't do that without shutting it down for the duration of the surgery. My heart did not work for about two and a half hours! But, here I am talking to you today! What made all this possible?

There is this wonderful machine called a heart-lung machine that performs the functions of the heart. But, as I look back on this event, there is no way that I could classify those 2 ½ hours as “living.” That was

“existing!” I don't remember any of that time – thank God! The other thing I noticed is that the procedure was very expensive – but worth it! I would gladly have paid three times what it cost without objection.

Now, translate these analogies over into terms of money and banking and pay close attention to what is happening in the world of the common man. You will see that he is doing the equivalent of living on a heart-lung machine 35% of the time! Absurd! He should not be living on it at all!

This course is all about building a banking system so that you control 100% of your needs for money at all times. You can recapture that “financial energy” that is now flowing away from you (you will never see it again) and it will accumulate on an income tax-free basis for your benefit.

We live in an age of instant gratification, sound bites, and a pill for every known or imagined malady. This is the “now generation” – looking for immediate gratification for every action. Put on a garment and wear it for a while until something else comes along that looks more attractive – or worse, that is more “in style.” *Becoming Your Own Banker* is not of that nature – it is a major paradigm shift. This is a concept that needs thorough examination so that one can make a life-long decision. It can't be done overnight. It will take a long time and will require patience and complete understanding – but if you absorb its meaning and adopt it as your “new paradigm” it will be worth all the effort!

Exercise: *Try to figure out how much interest you pay per month.*

Authorized IBC Practitioners <https://www.infinitebanking.org/finder/>

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

- Kyle Davis - Orlando, Florida
- Howard Silvermintz - Atlanta, Georgia
- Kaye Lynn Peterson - Rancho Cordova, California
- Diana Burga - Sherwood Park, Alberta
- Debra Lanford - Greer, South Carolina
- Mark Yarbrough - Rogers, Arkansas
- David Gribble - Peyton, Colorado
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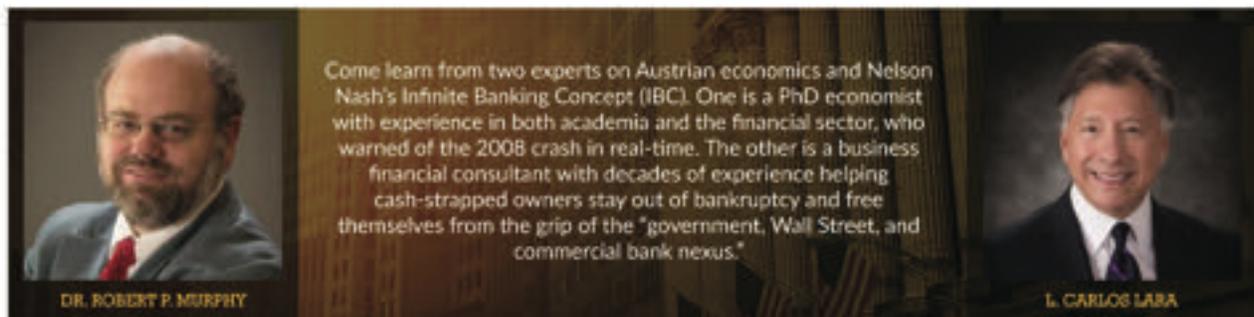
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