Pay Cash Or Use a Policy Loan?
by L. Carlos Lara

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Individuals who own one or several dividend-paying Whole Life insurance policies that are designed in the special way advocated by Nelson Nash’s Infinite Banking Concept (IBC) are often faced with a perplexing question and a decision they must make whenever the need arises to purchase or pay for something.

It’s a puzzling dilemma because they have cash set aside (probably in a conventional bank checking account) to make the purchase, but knowing how an IBC policy works they hesitate, wondering if they might be better off purchasing the item using cash from a policy loan instead. The entirety of their question can be worded something like this: “Should I pay for this expenditure with the cash I already have sitting in my bank account, or should I first put that cash in my IBC policy and then use the cash from a policy loan to purchase the needed item?”

Since this is one of the most often asked questions by listeners of the Lara-Murphy Show podcasts, readers of the LMR, and also by many attendees at our IBC Seminars For The General Public, I thought that a stand-alone article addressing this one topic in particular might prove beneficial for all of us who practice IBC.

The more people discover and learn how these nifty cash flow instruments work the more they want to know the full extent of their potential. So I am not at all surprised to see this particular question come up so frequently.

Setting The Table For Our Discussion

Before going any further let’s make sure we all recognize some of the very unique distinctions of the people asking this important question. As we have already stated, these people have the cash available at their disposal. This fact by itself tells us a lot about these inquirers. They are obviously not cash-strapped individuals. These are people that have the ability to accumulate and save money. That does not say that these people are necessarily wealthy, but the cash they have in their possession speaks to their established discipline. Plus, we can’t fail to notice that these people already own an IBC policy.
which is yet another sign of an individual with elements of financial maturity.

In observing these simple facts we can now consider their question in a better light. The primary reason these people ask this important question is because they already know that the special calibration of their IBC policy (i.e. its special design) has the ability to produce more cash value, more dividends, and more death benefit every time money is injected into the policy’s PUA Rider. So what these inquirers are really asking is if there are any special conditions or guidelines they should take into account before deciding whether to use cash or a policy loan for their expenditure.

They also know, especially if they have implemented their Whole Life insurance contract using one of our graduates found on the IBC Practitioner Finder https://infinitebanking.org/finder/, that a policy loan is still a debt. Once that policy loan is taken, the policy owner now owes the debt to the life insurance company and it carries with it a rolling interest charge. In other words, these practitioners are well aware that there is no free money that comes with a policy loan. A loan is a loan, and until it’s paid off the insurance company holds a security interest in the policy owner’s available cash value, limited, of course, to the amount of the loan and any accrued interest.

At this point it’s worth emphasizing that when you take out a policy loan, you are not taking money “out” of your IBC Whole Life insurance policy. Rather, the life insurance company is granting you a loan out of its funds “on the side,” as it were, with your life insurance policy chugging along. (For purists, there is a complication of direct vs. indirect recognition, but newcomers shouldn’t worry about that for my present point.) In this respect, it’s analogous to a mortgage on a house: When you borrow money “against the property,” that act by itself doesn’t reduce the market value of your house, and it doesn’t directly affect the sale price of your house, as the real estate market goes up or down. Of course, the equity you have in your house takes into account the mortgage, because that is a lien against your asset. In a similar fashion, even though we casually sometimes may loosely speak of “borrowing out of your IBC policy” or ask “how much cash value do you have left in your policy,” make sure you realize the underlying mechanics: When you take out a policy loan, the life insurance company is using its money to give you the loan, and your cash surrender value in the policy serves as the collateral.

Now back to our central dilemma that is the focus of this article, namely, people who must make a purchase and who have enough “cash in the bank” but also have a properly designed IBC policy: The essence of the question is regarding the appropriateness of their expenditure and also under what special circumstances should they first inject the available cash they have in their bank account into their policy’s PUA Rider and then use the cash from a policy loan to pay or purchase the wanted item. They want to know what superior benefits, if any, they will receive using the policy loan method as opposed to simply paying with cash and not going into debt with the insurance company (by taking out a policy loan)? Even though ultimately this decision is left entirely to the discretion of the policy owner, this inquiry really gets to the crux of the matter and why I consider it to be so relevant.

Not All Expenditures Are The Same

There are several things to consider at the outset before deciding whether to use cash or a policy loan, the first of which is the nature of the expenditure itself. We should begin by asking ourselves if the expenditure we have in mind is a lifestyle “necessity,” a reduction of debt, or an investment. If it is any of these types of expenditures my personal preference is to use a policy loan after I have first put the cash in the PUA Rider of my policy, simply because these types of expenditures, given the mechanics of IBC policies, serve to conserve and grow the wealth I already own.

This wealth that I already own actually exists inside and outside my IBC policy. So in effect the triggering of this wealth increase generated by the
injection of the cash into my policy’s PUA Rider will partially offset the interest charges on the loan. But in certain situations (mostly in the future), the expenditures I have selected to pay for using my policy loan will have the potential to completely offset the entire loan balance when they are sold for a profit.

Let me explain. Lifestyle necessities, as I see them, can be thought of as repairs, maintenance, and replacement costs of facilities and infrastructures that serve to increase my future production, and/or future revenue. Debt reductions serve to increase net worth. Investments appreciate and then can be sold for a profit. Hence all three of those types of expenditures contribute to building my estate in the long run and are appropriate expenditures for using a policy loan.

There are other reasons why this approach is superior to using cash and I will cover them as we proceed deeper into our discussion. But just to clarify, I think you know what I mean when I point to investments and reduction of debt as good expenditure options for policy loans. But I should spell out once again what I mean by a lifestyle necessity. There are a lot of things we can buy and spend money on, but not all expenditures have the same end result.

For example: A car that is used up and needs replacing is, in my opinion, a lifestyle necessity. So is the replacement of a major home appliance that has reached the end of its usable life such as a central heat and air unit in your home or office. Or, it could be the roof over your head, or any expense that can easily be classified as an ongoing lifestyle essential that needs fixing or replacing to keep it operational and help maintain the market value of its underlying asset that can be sold at a profit or at least converted to cash.

On the other hand, living expenses such as food, gasoline, utilities, clothing, and similar consumption costs are completely different types of expenditures. They should be paid for with cash, not policy loans. Now there is certainly nothing in writing that says you can’t use policy loans to pay for these types of bills, or any type expenditure of your choice. But if you are truly attempting to manage your money well and grow an estate you should draw the line between certain expenses, especially between lifestyle necessities that affect the growth and value of your estate and those that don’t. Otherwise you would wind up using your IBC policy as though it were an ATM machine practically every month, which is a gross misinterpretation of IBC.

Windfalls

Windfalls also play a major role when considering taking out policy loans versus paying with one’s base working capital (the cash in our checking accounts). We should never forget that we are “banking” with these policies, which involves the full scope of cash management and finance. Although a windfall is often thought of as a piece of unexpected good fortune, typically one that involves a large amount of money, sound money management can actually create windfalls. As IBC “bankers” we should manage our money with expected windfalls in mind. In fact, all of our efforts should strive to create windfalls and policy loans can be used for that specific purpose.

For example: Let’s take the case of an expected, or even an unexpected, family inheritance. This event can certainly be described as a windfall, actually more like a gift from heaven—an expression of love in the form of money from a deceased family member. A bonanza such as this can take care of a lot of previous money mistakes for some lucky person or family.

Yet an IBC Practitioner, by the mere fact that he has taken out an insurance policy and has assigned a beneficiary to it, has already taken a very first important step toward establishing an estate. If he or she now begins to take out policy loans in the manner prescribed above, over time this privatized banking system will create living benefits for the policy owner while alive, and an inheritance (windfall) for the beneficiary upon death.

Keep in mind that what we are doing is practicing IBC while “thinking long range” as Nelson Nash
advocates. Also, with everything that I have stated up to this point in our exploration, I have been addressing it to salaried individuals and managers of households. What I am trying to make clear is that when practicing IBC you must learn how to start thinking like a business owner because, whether you realize this or not, an IBC policy has placed you squarely in the managerial role of a business—a banking business.

Business owners reading this analysis are more naturally inclined to understand the points I have made thus far in this report in addition to understanding the value of creating windfalls because this is their modus operandi. Business owners use business profits (after taxes) to deliberately invest in hard assets that they hope to sell in the future at a profit. Since they generally think of their business enterprise as their chief asset, they tend to reinvest these profits into their businesses in order to increase their wealth and eventually sell the business in the future—the final windfall.

In the meantime, and at great risk to themselves, business owners will not hesitate to take out loans and borrow from lines of credit from commercial banks in order to create those windfalls. But once they become their own bankers using IBC, policy loans take preeminence over commercial bank loans.

Space constraints prevent me from unpacking each of the steps business owners use to wean themselves away from commercial banks using IBC, but for a complete treatment of how they make the switch, please read our newest book co-authored by Nelson Nash and Robert Murphy, The Case for IBC. https://infinitebanking.org/product/the-case-for-ibc-2/

The Power of Whole Life

Let’s also not forget that dividend-paying Whole Life not only has multi-dimensional benefits unlike any other financial instrument, but it also has three very important characteristics that are foundational to this particular discussion. Briefly summarized, the first of these is the legal right every policy owner has in his policy contract to take out policy loans so long as he or she has cash value in the policy.

Second, although an outstanding policy loan rolls over at interest, you can pay the loan back on your own terms and schedule, or not at all, if you wish. This is extraordinary! That kind of payment flexibility on any kind of loans exists nowhere else in the financial world, but obviously with that kind of freedom also comes responsibility. With regards to this I have a suggestion. My August 2017 LMR article, “An IBC Tax Strategy: Part III,” contains a thorough treatment of the most important discretionary guidelines on policy loans that every policy owner should know. The 2017 article is a great companion to this article because it breaks down the functions of practicing IBC correctly and responsibly and will eliminate the worry of a 1099 surprise or the worry of the IBC policy ever being underwater. https://s3.amazonaws.com/Greatest-HIts/An+IBC+Tax+Strategy+Part+III.pdf

The third foundational characteristic of Whole Life is that no matter what amount of money you borrow from the life insurance company with the cash value serving as collateral, that very same amount of money continues to earn interest, dividends, and a growing death benefit in your policy for as long as you live and for as long as your policy remains in force. But when additional cash is injected into the policy’s PUA Rider it grows even more and it grows even faster. For that reason all three of these elements of a specially designed Whole Life policy when used in combination make it the ideal financing system that every household and business owner should own.

Conclusion

In this article we have examined all sides of a perplexing conundrum that IBC practitioners often face, which is deciding whether or not they should make a necessary expenditure with cash or with a policy loan. In order to condense the thoughts in this commentary into a final summary and answer this important question I am providing a personal case study for your consideration.

Several years ago I was confronted with having to
make a $25,000 expenditure. I had the cash sitting in my checking account, but as I began the process of examining the nature of the expenditure and weighing the options of paying for it with cash or using a policy loan I was suddenly struck with an amazing revelation. This spectacular insight came to me after taking the time to calculate the actual costs of saving just one dollar. If you have never done this analysis, you should. It’s a staggering amount! No wonder the savings rate for U.S. households is a mere 5% or less. This is definitely one powerful way to discover that the financial system is rigged and works against us. I highly recommend this exercise in your decision-making.

First of all realize that every saved dollar is the “residual” of profit. This means that it is the money left over after paying taxes on it. But even before that profit is earned you have to consider the total revenue you first had to generate (in income or paychecks) and then account for all the expenses you had to pay to arrive at that profit (your taxable income). After you calculate the numbers you finally wind up with the residual—the saved dollar.

Since everyone has their own tax bracket and their own expense structures the calculations will vary from person to person, but the numbers will alarm you and it will teach you a vital lesson. That lesson is that you should not easily let go of a saved dollar, because that saved dollar cost you a whole heck of a lot! In my case I have to generate $145,000 in revenue in order to be left with $25,000 free and clear after taxes! That’s a lot of work.

Realizing this, I moved my $25,000 savings into my IBC policy and locked in my savings and their future growth and then did not hesitate to request a $25,000 policy loan from my insurance carrier, which arrived in a matter of a week. Since it’s a loan to me, it arrived expense and tax-free. What I gave up, however, for the policy loan amount was a security interest in my cash value to the extent of that loan. But my insurance policy portfolio was kept intact and continued to earn interest, dividends, and a growing death benefit regardless. The lent money I used to purchase an investment that I believe will yield a profit sometime in the future—a sound expenditure.

When I moved the saved $25,000 that was originally in my checking account into my IBC policy it was injected directly into my PUA Rider, creating an immediate increase in cash value, also in dividends, and purchasing for me additional life insurance, all in one fell swoop. The additional increase boost in cash value and dividends bought me approximately $50,000, of additional death benefit in my policy. (These increases will vary from person to person depending on the age of the insured.)

Of course, I now had a loan of $25,000 with a rolling interest charge, but the new assets generated partially offset the interest charge. So long as I continue to pay at least the interest on this loan each year I will keep the loan from snowballing. So in effect I was left managing an interest-only loan with absolutely no time pressures from the insurance company to pay off the indebtedness. The sale of assets in the future that I originally purchased using my IBC policy will create the necessary windfalls to pay off my policy loans. I will want to pay off this loan and other loans because in doing so it will open up my credit lines, increase my net worth and enhance my overall estate.

What happens if I die the day after executing this one transaction? If we examine only this one financial move under the scenario of my premature death, the life insurance company would simply subtract the $25,000 loan from the $50,000 death benefit and my beneficiary (my spouse, in my case), would still receive a windfall of $25,000. She would not be shortchanged at all by my decision.

Yes, I realize that at first glance it may first appear as though I am playing fast and loose managing money in this way, but if you will simply do the math for yourself you too will discover why Nelson Nash says that this is the most peaceful way to live. And, you will never have the need of a commercial bank ever again.
How Timber Subsidies Became Like “Crack for the Agricultural Community”

by Craig Eyermann

The US government’s Conservation Reserve subsidy program started with the best of intentions.

The Consequences of Market Intervention

Responding to a short-term plunge in crop prices in the mid-1980s, the US government offered distressed farmers a temporary subsidy payment if they would take some of their cropland out of production and plant trees, instead. Farmers would benefit from the income from the subsidy and from higher crop prices as a result of the reduced supply of crops they continued to grow. Then, after the planted trees matured, the farmers who also became foresters would be able to harvest the timber they had grown and would have a new source of income. Meanwhile, taking the cropland out of production in this way would benefit the environment by reducing erosion in ecologically sensitive areas.

It seems like a winning scenario. Unfortunately, the program became a boondoggle where the farmers who went along with it are now facing a plunge in prices for their timber crop, echoing the very problem that launched them onto their subsidy-dependent path. The Wall Street Journal reports:

One of the architects of a federal program that pays farmers to plant cropland with trees or grasses says the decades-old subsidy is his “biggest professional regret,” partly for the way it has distorted markets for Southern timber.

Trees planted in the late 1980s and early 1990s with help from the program are now ready to harvest and flooding the market, adding to a glut and depressing prices for Southern yellow pine.…

“How was meant to be only a temporary reset turned into a boondoggle,” said Mr. Gunn, who went on to be a state legislator in Mississippi and is now a real-estate investor. “Like everything else in government that starts out with honorable intent, the CRP gained entrenched political support; then turned into a crony capitalist welfare system for well-heeled farmers.”…

“I should have added to the legislation a sunset provision that caused the program to expire,” he said. “It turned into crack for the agricultural community.”

A Predictable Outcome

This outcome is not a surprise. Economists have long recognized the negative economic distortions that come from government-provided socialist subsidies to producers, which arise whenever a centralized group of planners substitutes their “expert” judgment for that of the free market’s millions of participants.

Here, Gunn’s regret in creating the program is misguided in that he assumes the “well-heeled” farmers who became its main beneficiaries would not have used their political influence over politicians seeking office to make the program permanent, even if he had put a sunset provision into the subsidy law.

Gunn’s real error lies in having opened the US government’s Pandora’s box of subsidies to try to fix what he believed was a temporary problem in the first place. Over thirty years later, we find that the original problem meant to be solved by the federal subsidy program hasn’t been fixed so much as transformed from affecting food crops to timber crops.

Does anyone want to take odds on how the government will seek to fix the problem today?

This article was reprinted from the Independent Institute.

The following article - Pattern For Federal Takeover of Your Business, first appeared in the June 1961 issue of Nation’s Business. This article is important for us because the subject was uncovered and campaigned against by R. Nelson Nash. In hindsight, it’s easy to see Nelson’s passion about eliminating “top-down” thinking. Needless to say, the program never got out of committee because of the negative press!
PATTERN FOR FEDERAL TAKEOVER OF YOUR BUSINESS

Here's formula planners follow to gain control

A massive new program of federally forced growth is being prepared in Washington.

Government planners have set long-range production goals for one of the nation's most vital natural resources. Officials are now detailing specific methods by which extensive subsidies and complicated controls could be applied to spur citizens throughout the country to meet a supposed need in the far away year 2000.

It is a classic proposal for centralized planning and regimentation of a sector of our economy. It shows the bureaucratic approach to a real or imagined national problem. Just as in such fields as education, medical care, unemployment or housing, subsidies to buy solutions inevitably carry with them certain controls over those subsidized.

Involved in the new proposal for forced growth are about 4.5 million owners of 260 million acres of farm woodlots and other small, privately owned forest lands. According to the federal plan, these private woodland owners are supposed to help close a timber gap that federal officials believe may be upon us in a generation or two unless Uncle Sam steps in.

Forest industry people insist a crash federal program for growth is unnecessary and would discourage private forestry progress now under way free of subsidies and controls.

Typical of the independent and progressive businessmen who oppose the federal proposals is R. Nelson Nash, who heads Carolina Timber Management Co., Inc., a small consulting firm which manages about 25,000 acres of woodlands in eastern North Carolina.

Mr. Nash, a graduate forester, realizes that better forestry practices are needed on small woodlots. But, as he told Nation's Business:

"My objection to government assistance programs is that they are impersonal and national in scope. The uniform standards and regulations cannot possibly take into account the many individual needs, preferences and circumstances of forest owners.

Our country has proved time and time again that free enterprise is the best attack on problems. When government aid is used, commensurate authority must be given in return. This is an imposition on the freedom of the individual."

Kennedy backs program

President Kennedy, however, has told Congress the small private woodlands "must be managed to produce a larger share of our future timber needs." He said that if our grandchildren are to have "a continuous supply of timber products. . . growth of timber on these farm woodlots and other small holdings will have to be doubled within the next 40 years."

Warnings of timber famines have been sounded in America periodically for nearly a century and a half. In 1832, for instance, a leading conservationist, J. D. Brown, wrote that in 50 years there would be no building materials left for naval vessels. In 1908, Gifford Pinchot, first chief forester of the U. S., saw our timber supply ending in a generation. In recent times many experts have predicted early exhaustion of this resource unless tax money and government regimentation were brought to bear.

Gradually a number of federal, state and local laws have been drawn to encourage conservation and good forestry practices. Traditionally, government programs have been locally administered. The Federal Agricultural Conservation Program, for example, uses committees of local people to run forest improvement activities on private woodlands whose owners apply for planting, thinning and other aids.

The new program the U. S. Forest Service is now pulling into final shape includes direct payments for production, federally sponsored cooperatives, government credit operations, purchase of private lands, and implies complex controls and standards for private owners to meet.

The planners envision a 20-year program, which study reports estimate would cost more than $400 million a year in federal, local and private money for the first 10 years.

"We are definitely committed to a new program now," one Forest Service official working on the overall plan told Nation's Business. "We have got to come up with it by Sept. 1."

Why the new rush for a massive federal plan for increased production from small woodlands?

The latest wave of concern began to well up in 1958 when the Forest Service Timber Resources Review was released. This was a report on a comprehensive appraisal of the timber situation in the United
States. The survey was made in 1952. Now, nearly 10 years later, the federal crash program is being drawn based on these findings, many of which are now obsolete.

A major conclusion of the Timber Resources Review was that the nation cannot meet the demands of the year 2000 with the quality of forest land management being practiced in 1952 and that the small forests which comprise more than half of U. S. commercial forest lands were the poorest managed.

A 12-part federal program to prod the 4.5 million small forest owners to practice improved forestry was developed by a working group in the Forest Service and made public last year.

Though this was a preliminary and unofficial outline, Forest Service officials now say that no part of this program has been eliminated and that it is the aim of the Service to push for these types of federal subsidies and controls a little at a time if Congress won't approve an over-all crash project.

No one denies that many of the small private woodlands are not being managed as productively as they could be. There are many reasons for this.

Though the average farm woodlot is about 50 acres and the average nonfarm forest holding is about 118 acres, many woodlots are much smaller and hold little prospect for substantial timber income on a sustained basis. Some of the 3.4 million farmers with small forest lots often foresee more profitable use of their time, skills and capital in annual crops rather than investing in new timber growing stock. Where tiny, scattered tracts predominate, consolidating the timber for marketing may be difficult or the cost of logging equipment may not be justified for a single owner.

The owner of small woodlands whose primary interest is hunting, mineral exploration, or future residential or industrial land development certainly has a subordinate interest in maximum timber production.

So it is no wonder that these wooded properties of up to 2,500 acres that are classed as small woodlands include many low output producers, especially among the smallest tracts.

However, forest industry spokesmen point out that where owners can see a satisfactory financial return—the traditional incentive of our American system—they will take steps to make their holdings efficient and productive.

Increased appreciation of the potential of small woodlots has been fostered at a quickening rate by wood-using industries, forest organizations and consulting foresters in recent years.

The upgraded forestry practices promoted by private organizations and businesses have helped alter the dire picture drawn by the government's Timber Resources Review.

Headed by the American Forest Products Industries, Inc., an organization of wood-using industries, three nationwide education-action programs are in operation to improve forest management and timber protection and production on private lands.

The largest of these private programs—the Tree Farm System—is a project designed to show the landowner and the public that trees can and should be grown as a continuing crop. Many individual companies have sponsored Tree Farm families to increase timber production in their operating areas. Today some 55 million acres—mainly small forest lands—are being used as tree farms.

Another American Forest Products Industries program—Keep America Green—is administered at state and local levels to alert citizens to the dangers of forest fires. A third program—Busy Acres—is an educational plan providing guides to help woodlot owners with forestry management, production and marketing problems on a do-it-yourself basis.

For years industrial forest land owners have made their professional foresters available to advise and help small timber producers get the most from their properties.

More recently, firms of consulti-

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FEDERAL TAKEOVER

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1. Cost sharing. This would incorporate a changed and expanded Agricultural Conservation Program open only to owners of from 80 to 2,500 acres. It would leave out the smallest woodland owners. Eligibility also would be based on the owner's dedicating a specific area to permanent forest production. Payments to stimulate improved cutting practices would be based on commitments by the owner to follow government-dictated levels of intensive forest management practices.

2. Technical services. This would provide a greatly increased number of federal forestry employees for planning, supervising and contracting for services with small owners. This tax-supported service would compete with private consulting services.

3. Education. This would include expanded information to owners, loggers and processors. It would include money for vocational education and hiring specialists to assist county forest employees.

4. Local committees. Planning teams of laymen representing major interests in a community would set goals, report to state foresters, and be paid mainly with federal funds for time spent at meetings.

5. Protection. Large sums would be available for fire and pest control based on federal standards and goals.

6. Consolidation and rehabilitation. This would permit a state to take title to private lands to rehabilitate depleted forests. The land would be returned in "units of economic size," apparently in what the government would determine to be efficient units for timber production. Owners of rehabilitated lands apparently would be made to adhere to government standardized forestry management practices.

7. Production of nursery stock. This calls for government seed orchards and seed and plant supplies.

8. Research. Projects are proposed for a variety of purposes. One project calls for devising and testing methods for motivating owners to undertake forest activity.

9. Forest credit. This is to provide loan capital, apparently at lower-than-market interest rates. It would be administered by the federal government. Borrowers would have to agree to manage their properties according to government instructions. Loan applicants would have to show financial responsibility and managerial ability, though normally, if they could show these qualifications, they should be able to get private loans.

10. Forest insurance. This is directed primarily at small forest owners but proposes that acreage not be limited, so as to spread risks and reduce premiums. Forest management requirements would have to be met to qualify.

11. Marketing cooperatives. Federally subsidized cooperatives would be set up for managing and marketing timber. Among other things, the federal government would provide financial help to hire managerial and technical people to run the cooperatives.

12. Tax improvements. The aim would be to improve forest taxation through the investigation of foresters in assessments and legislative changes.

This proposed intricate program of government stimulants and standards is causing considerable worry among forest industry people.

Mr. Nash, for example, feels that existing government programs have impeded rather than improved forestry practices in many cases. He says that publicity given to the Agricultural Conservation Program has given the false impression that the government will handle all forest problems without cost to the owner.

He reports that in Johnston County, N. C., last year some $5,000 was spent in such ACP forestry activities as clearing and restocking to improve 350 acres. In the same year, in the same county, Mr. Nash's farm processed 1,800 acres. This didn't cost the general taxpayers a cent. In fact, taxes on returns from the improved woodlands as well as the profits from Mr. Nash's business provide revenues to the state and federal treasuries.

Mr. Nash feels the government has made significant contributions in research. But he says its attempts to promote conservation have been misinterpreted by laymen to mean "hold on to all the present trees," when clearing and restocking is often more beneficial practice.

Ponderous government procedures sometimes fall behind technological developments and new techniques, he notes. Government still uses injections for each tree to get rid of unwanted growth, for example, while private foresters accomplish the job quicker and more easily with a spray apparatus.

In reforestation, nursery transplanted stocks are encouraged by the federal government, he points out, though new experiments on pines have found that nursery seedlings (not transplanted while in the nursery) grow faster and tend to be freer of disease.

Many forest industry experts maintain that the Forest Service's future timber demand estimates on which they base the need for a vast federal program are badly warped. Technological advances have been made even since the timber resources study was completed.

Today about 70 per cent of the trees go into commercially useful products, as compared to only 35 per cent a few years ago. Forest geneticists have produced scores of hybrid trees that are improvements over their ancestors. Scientists have discovered tree strains that resists diseases and insect attacks, that grow faster and with better shape.

New means have been devised for reducing mortality and protecting the trees to produce maximum yields per acre. New machinery has been invented for planting and controlling undesirable brush. New ways of managing woodlands promise better natural reproduction and provide improved inventory control and marketing procedures.

Researchers are breaking down wood's elements and coming up with new chemical by-products that can be used to make very many of the products needed. The results, he says, will lead to a higher demand for wood in the future.

There can be no freedom to try new and different ways if all forestry operations must meet government regulations, Mr. Nash says. "If all woodlands were made alike, competition would be destroyed and we would become little more than goats with government as master."
Misesian Destructionism: Then and Now

By Thomas DiLorenzo

In his classic 1922 book Socialism: An Economic and Sociological Analysis (first English edition published in 1936) Ludwig von Mises wrote of how the object of socialists everywhere had always been the destruction of existing society. After that is accomplished, then they can begin making vague promises of their “utopian” society. “Socialism is not . . . the pioneer of a better and finer world,” Mises wrote, “but the spoiler of what thousands of years of civilization have created. It does not build; it destroys. For destruction is the essence of it. It produces nothing, it only consumes what the social order based on private ownership in the means of production has created . . . each step leading towards socialism must exhaust itself in the destruction of what already exists” (p. 414).

This scenario has been played out in country after country that adopted socialism, from the Soviet Union to Venezuela. The Soviets lived off the capital accumulated by previous generations (and by property stolen from other countries through military conquest); British “Fabian” socialism consumed capital until it all imploded with the “British Disease” of the 1970s; Capitalist Sweden adopted socialism in the 1950s with the result that not a single net new job was created for the ensuing 55 years, 500 percent interest rates in the 1980s, and a struggle to de-socialize ever since. And of course once-prosperous Venezuela completely destroyed itself in a mere decade after Hugo Chavez, the latest in a long line of Castro-loving communist presidents, nationalized virtually all of industry and imposed universal price controls.

“Progressive capital formation” is “the only means by which the position of the great masses can be permanently improved,” wrote Mises. “Socialism and destructionism . . . propose to use up capital so as to achieve present wealth at the expense of the future . . . . The policy of destructionism is the policy of the spendthrift who dissipates his inheritance regardless of the future” (p. 415).

For Karl Marx and his followers, “all politics was only the continuation of war by other means . . . . The socialist parties . . . who have taken the Marxist parties for their model . . . have elaborated the technique of agitation, the cadging for votes and for souls, the stirring up of electoral excitement, the street demonstrations, and the terrorism” (p. 417). Some things never change: this brings to mind the violent and thuggish behavior of today’s “Antifa” socialists; of campus “protesters” setting fire to buildings, destroying property, and terrorizing conservative or libertarian campus speakers; Black Lives Matter advocating the murder of police officers and organizing riots (while completely ignoring the thousands of black-on-black drug-gang murders in all American large cities each year); and the uncivilized, Bolshevik nature of today’s Democratic Party, which is now virtually indistinguishable from the Democratic Socialists of America or the Communist Party USA.

Mises also commented on the “fake news” of his day. The “literati” were essentially “recruiting agents for socialism, since socialism must destroy society [and] are . . . paving the way for destructionism” (p. 422). The attack on Western culture, by the way, is not exactly new. “People which have hailed with great enthusiasm . . . writings which call for the destruction of all cultural values are themselves on the verge of a great social catastrophe,” Mises wrote in 1922 (p. 423). “Our whole life is so given over to destructionism that one can name hardly a field into which it has not penetrated. ‘Social’ art preaches it, schools teach it, the churches disseminate it” (p. 425).

Mises then discussed some of the “methods of destructionism” that had already done great harm: labor legislation, compulsory social insurance; unemployment insurance, nationalization, taxation, inflationism. Of course, The Communist Manifesto is even more comprehensive in its recipe for societal destruction. This included “Abolition of private property in land”; “A heavy progressive or graduated
income tax”; “Abolition of all rights of inheritance”; “Confiscation of the Property” of anyone who criticized the government”; “Centralization of credit in the hands of the state . . .”; Centralization of the means of communication and transportation in the hands of the state”; the operation of factories and farms under “a common plan” of the state”; forced labor; “abolition of the distinction between town and country” with coerced migration; and “free education for all children in government schools.”

Misesian Destructionism Today

After the worldwide collapse of socialism in the late 1980s/early 1990s socialist propagandists splintered into two main camps: the “watermelons” (green on the outside, red on the inside) who proposed destroying capitalism though regulatory and tax strangulation in the name of “saving the planet”; and the “Cultural Marxists” who embraced the ideology of a gang of early twentieth-century Marxists whose main targets of destructionism were Western culture and Christianity.

Led by Marxist theorists like the Italian communist Antonio Gramsci and Hungarian communist Gyorgy Lukacs, these “cultural Marxists” were upset and surprised that “the working class” in Europe had not embraced violent revolution to overthrow the capitalist order. The so-called working class only wanted better pay and working conditions, not to take over the factories after a bloody revolution. They blamed this “failure” on Western culture and Christianity, which they theorized had blinded the working class to “Marxist Truth.” Therefore, Western culture and Christianity must be destroyed if there is to be a Marxist revolution. They plotted to do this via “a long march through the institutions” of schools, media, churches, the entertainment industries, etc. (Mussolini smelled a rat and imprisoned Gramsci).

When communists took control of the Hungarian government in 1918 Lukacs became the “Commissar of Culture” and introduced sex education into the government schools as part of a plan to destroy traditional sexual morals along with the rest of Christianity. The Hungarians hated this and kicked out the communists.

A “think tank” was established under the title of “Institute for Marxism,” but was relabeled “The Frankfurt School” because of the growing reputation of Marxists as one big gang of mass-murdering tyrants and criminals who had destroyed the economies of country after country. The ostensible goal of “The Frankfurt School” was to “liberate” people from the “repression” of Western culture (hence the lionization and idolization of such things in America today as Bruce Jenner in a miniskirt and high heels). The new class struggle invented by The Frankfurt School would replace the old Marxian theory of a struggle between the capitalist and working “classes.” The new class struggle, they theorized, was between an “oppressor” class — basically all white heterosexual males — and everyone else. Their strategy was to ditch the working class and instead create an “army” of students, minorities, feminists, and gays. This list of “the oppressed” has now expanded far beyond that initial categorization.

Traditional morality is denounced as “fascist.” If you are a religious person who believes that it is a good idea to try to live by The Ten Commandments, then by definition you are a Nazi according to cultural Marxist dogma. The role of education is not to educate but to instill “the right [cultural Marxist] values in children. (This reminds me of how one of the television networks interviewed the valedictorian of a large New Jersey high school and asked him what was the most important thing he learned in school. “The value of diversity” said the pathetic, clueless, un-educated child).

The Marxist Herbert Marcuse became somewhat of a cultural Marxist celebrity in the 1960s for his book, Eros and Civilization, in which he championed “polymorphous perversity” and advised American youth, “Don’t work, have sex.” It was Marcuse who invented a theory of “liberating tolerance” that has been used to “justify” all the campus attacks – often very violent attacks – on free speech. Only “the oppressed” (a.k.a. fellow cultural Marxists)
deserve free speech, said the German communist, for free speech, like all the rest of the ideas of the U.S. Constitution, is supposedly just another tool of the oppressor class. Thus, when we observe such spectacles as an angry, violent mob of “students” screaming obscenities at political scientist Charles Murray, an invited speaker at his daughter’s alma mater, Middlebury College, calling him a “Fascist! Racist! White Supremacist!!” and literally chasing him off the campus and through the town by car (!), these little brainwashed moronic communists are convinced that they are taking the high moral road in doing so. (The female faculty member who invited Murray was grabbed by the hair by one of the Middlebury College Hitler Youth and jerked so hard that she injured her neck and had to be rushed to a hospital). Violent spectacles of extraordinary ignorance and narcissism such as this are result of several decades of cultural Marxist indoctrination at all levels of schooling in America.

One of my first observances of such idiocy was in the mid-1980s when that great intellectual giant Jesse Jackson led mob of Stanford University students chanting “Hey, Hey, Ho, Ho, Western Civ Has Got to Go.” They wanted the university to drop its courses on Western Civilization and replace them with courses on “race, class, and gender studies.” The Stanford administration dutifully complied. Then over on the east coast at around the same time, a wealth oil-industry family from Texas, the Bass family, gave the family alma mater, Yale University, $20 million for endowed professorships teaching courses in Western Civilization. It was the largest gift ever given to Yale at the time. A large segment of the Yale faculty angrily denounced the gift as part of a “dead, white, European male academic agenda” and called for more “multicultural studies” instead. (For those not too familiar with the academic world, “multiculturalism” does not mean learning about other cultures. It means hiring only socialists as faculty members, but from various cultures – an Asian socialist, a Hispanic socialist, an Indian socialist, etc., etc.). Yale returned the $20 million to the Bass family rather than being portrayed as yet another tool of the “oppressor class.” (If any members of the Bass family happen to be reading this, I recommend that you give the money to the Mises Institute instead).

Compulsory Schooling Laws: What if We Didn’t Have Them?

Eliminating compulsory schooling laws would break the century-and-a-half stranglehold of schooling on education.

Kerry McDonald

We should always be leery of laws passed “for our own good,” as if the state knows better. The history of compulsory schooling statutes is rife with paternalism, triggered by anti-immigrant sentiments in the mid-nineteenth century and fueled by a desire to shape people into a standard mold.

History books detailing the “common school movement” and the push for universal, compulsory schooling perpetuate the myths that Americans were illiterate prior to mass schooling, that there were limited education options available, and that mandating school attendance under a legal threat of force was the surest way toward equality.

In truth, literacy rates were quite high, particularly in Massachusetts, where the first compulsory schooling statute was passed in 1852. Historians Boles and Gintis report that approximately three-quarters of the total U.S. population, including slaves, was literate¹. There was a panoply of education options prior to mass compulsory schooling, that there were limited education options available, and that mandating school attendance under a legal threat of force was the surest way toward equality.

In truth, literacy rates were quite high, particularly in Massachusetts, where the first compulsory schooling statute was passed in 1852. Historians Boles and Gintis report that approximately three-quarters of the total U.S. population, including slaves, was literate¹. There was a panoply of education options prior to mass compulsory schooling, including an array of public and private schooling options, charity schools for the poor, robust apprenticeship models, and homeschooling—this latter approach being the preferred method of Massachusetts education reformer Horace Mann, who homeschooled his own
three children while mandating common school attendance for others.

The primary catalyst for compulsory schooling was a wave of massive immigration in the early to mid-1800s that made lawmakers fearful. Many of these immigrants were Irish Catholics escaping the deadly potato famine, and they threatened the predominantly Anglo-Saxon Protestant social order of the time. In 1851, the editor of The Massachusetts Teacher, William Swan, wrote:

“In too many instances the parents are unfit guardians of their own children. If left to their direction the young will be brought up in idle, dissolute, vagrant habits, which will make them worse members of society than their parents are; instead of filling our public schools, they will find their way into our prisons, houses of correction and almshouses. Nothing can operate effectually here but stringent legislation, thoroughly carried out by an efficient police; the children must be gathered up and forced into school, and those who resist or impede this plan, whether parents or priests, must be held accountable and punished.”

This is the true history of compulsory schooling that rarely emerges behind the veil of social magnanimity.

So what would happen if these inherently flawed compulsory schooling laws were eliminated?

A Power Shift

First, power would tilt away from the state and toward the family. Without legal force compelling school attendance, parents would have the freedom and flexibility to assume full responsibility for their child’s education. They would not need government permission to homeschool, as is currently required in the majority of U.S. states. Private schools would not need to submit their attendance records to the state to show compliance. Public schools could still be available to those who wanted them, as they were prior to the 1852 law; but government schooling would no longer be the default education option.

More Choices

Because the state would no longer need to bless the creation of various private schools and ratify their curriculum and attendance protocols, an assortment of education options would emerge. Entrepreneurial educators would seize the opportunity to create new and varied products and services, and parents would be the ones responsible for determining quality and effectiveness—not the state. With less government red tape, current trends in education would gain more momentum. Virtual schooling, part-time school options, hybrid homeschooling models, and an array of private schools with diverse education approaches would emerge. As more education choices sprouted, competition would lower prices, making access to these new choices more widespread.

More Pathways to Adulthood

Without the state mandating school attendance for most of childhood, in some states up to age 18, there would be new pathways to adulthood that wouldn’t rely so heavily on state-issued high school diplomas. Innovative apprenticeship models would be created, community colleges would cater more toward independent teenage learners, and career preparation programs would expand. As the social reformer Paul Goodman wrote in his book New Reformation: “Our aim should be to multiply the paths of growing up, instead of narrowing the one existing school path.”

A Broader Definition of Education

In his biography of Horace Mann, historian Jonathan Messerli explains how compulsory schooling contracted a once expansive definition of education into the singular definition of schooling. Indeed, today education is almost universally associated with schooling. Messerli writes: “That in enlarging the European concept of schooling, [Mann] might narrow the real parameters of education by enclosing it within the four walls of the public school classroom.” Eliminating compulsory schooling laws would break the century-and-a-half stranglehold of schooling on education. It would help to disentangle education from schooling and reveal many other ways to be educated, such as through non-coercive, self-directed education, or “unschooling.”
Even the most adamant education reformers often stop short of advocating for abolishing compulsory schooling statutes, arguing that it wouldn’t make much difference. But stripping the state of its power to define, control, and monitor something as beautifully broad as education would have a large and lasting impact on re-empowering families, encouraging educational entrepreneurs, and creating more choice and opportunity for all learners.


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**Bastiat’s “The Law” Is a Symphony of Ideas That Can Teach Us Justice**

Frederic Bastiat's "The Law," written near the end of his life in 1850 France, is a symphony of ideas.

Stanton Skerjanec

My high school economic students are reading their first book of the year, one that is close to the hearts of liberty lovers: Frederic Bastiat's The Law, written near the end of his life in 1850 France. This is my third year teaching it to freshmen, and I find it more and more excellent every time I read it. The words and arguments come off the pages like notes and melodies, and it feels like a symphony of ideas.

**Natural Law**

Its first movement is powerful and audacious, beginning with a blasting fanfare of our natural, God-given rights. From nature we are granted life—physical, intellectual, and moral. Life alone cannot sustain itself, so we must apply the talents and faculties given to us by nature to develop, preserve, and perfect our lives. The efforts and work we do must be ours; not all can work in the same way at the same capacity for the same purpose. So, we must have the liberty to choose our desired and proper labor. From our labor, this free application of our faculties, we create that which supports and develops our existence. Whether it be food, shelter, tools, music, art… the fruits of our labor, our property, are ours to keep in order to sustain our lives. We hold this triumvirate of rights from our Creator; that is, they exist before and above any man-made institution.

This trumpeting of human dignity is nevertheless accompanied by the strong, ominously beating rhythm of fallen human nature. Our reason is what makes us human, and it is the natural law that clarifies truth and tells us we ought not violate the rights of others. But free will also comprises our human nature and gives us the ability to ignore our reason, to ignore natural law.

We must then protect our rights, but since we must also labor and enjoy our property, it becomes increasingly difficult to do it all. So, we form communities to more easily defend ourselves and voluntarily exchange with one another to provide for ourselves. Over time, these communities become too large for people to just agree on how things should be, and they require written rules to outline what we can and cannot do. Thus, the law is born.

The law, Bastiat says, is force that prevents us from hurting one another. It is collective force because its power (that of self-defense) comes from our own individual right of self-defense. The law is, then, the collective force of self-defense with the purpose of protecting our rights.

The implications of this thesis have the sound of a
bow drawn over a somber chord of strings. The law in its true meaning is not a force to compel us to do certain things. It is meant only to arrest our baser nature from acting upon others. Our liberty, the freedom to act upon ourselves or our property as we deem fit, is not license or freedom to act upon others and their property. The law is meant to ensure that our liberty is preserved and our desire to rule over others is prevented. The law does not compel your involvement with others but repels your invasion of others. With the deep clarity of a solo cellist, Bastiat affirms that justice, in terms of man dealing with man in society and government, cannot have its own existence. If it did, then we must actively do something to be just, and if we do not, then the law would be empowered to force our action, to strip us of liberty. The law would, in effect, defeat itself. Justice is the absence of injustice, and the law must create the absence of injustice. It must prevent crimes, not enforce virtue.

It is the perversion of the law, the use of collective force for plunderous ends, that destabilizes society. The stupid greed of cronies and the false philanthropy of coerced fraternity bring about a law that takes what is ours without our consent. Whether it be the methods of protectionism that shield certain people or businesses from the difficulties of life at the expense of others or the idea of using force to enact "charity" among man, our pleas and petitions for justice are ignored. Who are the proponents of a system that advocates for such abuse?

**Exploitors of the Law**

We then come to the second movement of The Law, filled with unnerving individuals Bastiat calls socialists and ignorant legislators. He takes a considerable amount of time lambasting specific individuals, contemporary and past, whom he identifies as enemies of the law—the people who pervert the law for their own purposes.

The socialist view of man, Bastiat says, is that of an unmolded, inert, passive lump of life that must be formed and organized. Man is devoid of free will and reason, and only through the infallible wisdom of the Übermensch legislator can society hope to achieve greatness. Bastiat brings our attention to the dangers of these men with quiet but tense sounds of tyranny. The socialists desire to establish a dictatorship for themselves, like that of ancient Rome. But instead of the goal of repelling a known and visible foreign invader, they seek to remove human vice and instill virtue as defined by them—a goal, Bastiat reminds us, that is impossible to obtain because of our free will. More than mere Caesars, socialists desire to be gods.

Our conductor relieves our sense of doom and arrives at the finale, which begins with the soft but firm notion that man, though fallen, is not without hope. Man is capable of great evil, yes, but also of supreme good. It is not by the edicts of dynasties that societies become great but the time and experience of a people that fail, make mistakes, learn, and grow. When people are free, the people are prosperous—in wealth but also in virtue.

Law is justice. Over and over, time again, like the cannons in Tchaikovsky's overture, Bastiat rings our ears with the sound of "Law is Justice." Let people have the power to choose poorly so they may then choose wisely! People can be good, and a law that protects the rights of man to be good and free from tyranny creates peace. Let us, he concludes, try liberty.

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**Nelson’s Book Recommendations**

https://infinitebanking.org/books/

**The Anglo-American Establishment**

by Carroll Quigley
5 Lucrative Jobs That Don’t Require a College Degree

Get with the times, think for yourself, and realize: you don’t have to go to college to be successful.

by Rebecca Zeines

When I was still in school, I remember thinking about college as an automatic next step in furthering my education. What I didn’t think about were the actual professional outcomes I’d have with a degree in English literature and history from a foreign university.

My situation was not unique. Too often, I’ve seen young adults think about their careers and thoughtlessly include college as the means to get there, even if the degree they choose has little or nothing to do with the career to which they aspire.

I was fortunate to find a route that made me question the true value of my Bachelor’s degree and find my career on my own terms. Going through Praxis, a for-profit apprenticeship program, taught me a lot about myself and the kind of work I excel in.

The Fetishization of Higher Education

We’ve all heard phrases like this: “Without a college degree, you’ll never find a lucrative career.” And this: “You’ll never be able to choose what you want to do if you don’t go to college.”

Both of those statements are inaccurate—and that’s not a matter of opinion.

The job market of 2018 is drastically different than 30 years ago. At that time, college was still mostly for the elite, and a degree often meant you had undergone a thoroughly specialized learning track that suited you for a thoroughly specialized job. Things have changed a lot since then—the gig economy is a pretty recent phenomenon—and the landscape continues to change every day.

There are at least three clear downsides in the current career paradigm:

- In the US, college is exorbitantly expensive ($35,000 per year for private school, on average; $10,000 for in-state public schools). As a result, many college graduates find themselves immersed in debt for decades after they’ve earned their degree. The college learning process is too drawn-out for today’s job market. Students who have gone for a degree in marketing, for example, will generally have no understanding of current marketing tactics, nor are they likely to be taught how to identify and master them as fast as modern markets demand.

Many well-paid, high-demand careers are sneered at because they don’t require a college degree.

Let’s talk about that third point a bit more; even if you don’t believe that college is basically dead, just think of this: You don’t need a college degree to make it in the “real world.” You don’t need to spend thousands—if not hundreds of thousands—of dollars and many years of your life to make it professionally.

You don’t need to sit in a class and listen to someone talk to you for hours on end.

No, if you want to find a profitable job, you don’t need to go to college.

In fact, many profitable careers don’t ask for any special qualifications—some employers will teach you the job themselves, and often, businesses will even pay for you to get trained. To name a few:

**Truck Drivers**

A recent Washington Post article states that there are upwards of 50,000 job openings for truckers, with businesses offering higher salary incentives to try to fill the ever-increasing openings.

Although the trucking industry can be a hard one, it’s a career that can earn you as much as $80,000 annually in the first few years of work—with no degree required.

**Elevator Installers & Repairers**

Glamorous, this job is not. Fulfilling and in-demand, however? Very much so.

The Bureau of Labor Statistics states that this trade is experiencing an increasing amount of demand for workers while paying almost $40 per hour, or a median $79,000 per year, without requiring any kind
of higher education besides on-the-job training and apprenticing.

**Boilermakers**

A physically demanding career, boilermaking is one of those jobs that, yet again, is desperately searching for staff.

As reported by the Bureau of Labor Statistics, boilermaking can easily generate $30 per hour, or $62,000 per year, with no need to go to school—and that’s only starting out.

**Plumber**

For being a “dying” job, being a plumber is surprisingly lucrative. If you choose to go the self-directed route, you’ll be able to benefit from on-the-job training or apprenticing, which means that even as you’re learning, you’re getting paid.

Salaries can vary anywhere between $52,000 and $90,000 a year—much more than you can expect working as an overqualified college intern.

**Web Developer**

I could even go more general with this job title. Basically, if you like working on computers—especially the mechanics behind a working machine or website—you can launch a very prosperous career without going through school to gain the skills.

Web developers can earn a median salary of $62,000 and as much as $122,000 per year with a very low down payment on their education. Just like many non-trade and non-academic careers, this is a job you can essentially teach yourself thanks to the numerous tutorials and online courses you can find on the Internet today. (I’m a living example of that, although my trade is as an editor and a writer.)

**Lessons to Be Learned**

What I hope you’ll take away from this short list is that you don’t need to go to school to find well-paying work. Many jobs still require (or, more precisely, say they require) a degree from a four-year accredited college. But the truth is you don’t need to go the college route to make a lot of money or even find an interesting and challenging career.

In fact, choosing to go an alternative route rather than college might just offer you the freedom to change jobs as your interests evolve with time. You don’t have to lock yourself down professionally anymore.

Get with the times, think for yourself, and realize: you don’t have to go to college to be successful.

Rebecca is a freelance editor and ghostwriter. After two years of traveling the world, she recently settled in Atlanta, Georgia, where she works for FEE and for MoneyCrashers.com as an associate editor, and for Thanet publishing as a ghostwriter.

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**When Sears Used the Market to Combat Jim Crow**

As we eulogize this beacon of American capitalism, we should also celebrate one of its lesser-known achievements: using markets to combat Jim Crow laws.

by Brittany Hunter

After 125 years in business, Sears has filed for bankruptcy and may soon be closing its doors forever. This has elicited strong emotions, as Sears has been an integral part of America’s commercial history. But just like Blockbuster and Toys R Us, it’s time for Sears to embrace creative destruction and pave the way for newer and better services.

Sears will not soon be forgotten. But as we eulogize this beacon of American capitalism, we should also celebrate one of its lesser-known achievements: using markets to combat Jim Crow laws.

**After the War**

Since the late 1800s, Sears has made a name for itself as a staple of the middle class. For the first time, a new class of people was able to enjoy modern household appliances and furniture at an affordable price. And even better, these goods were shipped right to their door. While it is widely recognized that
the Sears catalog made the middle-class American dream more accessible to a wider range of people, there is one piece of history that is often overlooked.

At the end of the 19th century, the South had been completely devastated, not only by the Civil War but also by the Reconstruction policies put into place thereafter. As is their specialty, the federal government’s meddling in the aftermath of the war had left the South more divided than ever. Slavery may have been abolished, but the era of Jim Crow ushered in widespread segregation, creating a vast divide between black and white Americans.

History tells us of the brutality and overt racism that spread through the “separate but equal” South at this time. Lynchings, beatings, and other atrocities terrorized the black population, leaving many scared to leave their homes to do simple tasks such as buying groceries or walking alone in unwelcoming neighborhoods.

As the Washington Post reports:

“Before the advent of the mail-order catalogue, rural black Southerners typically only had the option of shopping at white-owned general stores — often run by the owner of the same farm where they worked as sharecroppers. Those store owners frequently determined what African Americans could buy by limiting how much credit they would extend.”

In many instances, store owners would refuse to sell items to their black customers until they were sure that the white consumers had completed their shopping. And often, black customers only had access to lower-quality items. In historian Grace Elizabeth Hale’s essay, "Jumpin’ Jim Crow: Southern Politics from Civil War to Civil Rights,” she writes:

“A black man who needed clothing received a shirt ‘good enough for a darky to wear’ while a black family low on provisions could have only the lowest grade of flour.”

The Southern market was desperate for alternatives to their discriminatory local general stores, and luckily, the Sears Roebuck catalog filled that void.

In those days, mail order catalogs were as revolutionary as Amazon Prime’s two-day shipping is today. And not only did Sears provide all the basic household necessities, but it also provided an alternative for black consumers who feared being mistreated in public—a rather radical notion in the era of Jim Crow.

**Capitalism: The Great Equalizer**

Prior to 1893, rural households could not receive mail directly at their homes. Instead, farm families were forced to travel long distances to pick up their mail from the post office. This obviously presented a problem for many black families, as going to these central locations came with the potential for humiliation and danger. Of course, this may not have been such a huge problem had the federal government allowed for competition over the post. But since the US Postal Service had a monopoly over the transportation of the mail, there was little that could be done to remedy this problem without the federal government enacting a law.

After Congress passed the Rural Free Delivery Act, this all changed. The Chicago-based company was finally able to send Sears catalogs to the homes of rural southerners with ease. And this made all the difference in the world.

As Louis Hyman, an associate professor of history at Cornell University tweeted last week, “In my history of consumption class, I teach about #Sears, but what most people don't know is just how radical the catalogue was in the era of #Jim Crow.”

Sears had a policy that it would accept any order it received, regardless of the format. This meant that customers were not strictly limited to the use of an official order slip. And since many black southerners could not read or write at the time, this was especially helpful. So long as you could scribble on a piece of scrap paper that you needed a pair of overalls in size large, and paid the required amount, Sears would send you what you needed. The Bitter Southerner commented on this policy, saying, “... even if it was written in broken English or nearly illegible, the overalls would be shipped.”
Since ordering through the post offered consumers anonymity, Sears had almost no idea which of its customers were black and which were white, ensuring that each customer was treated equally. So long as you had the money to pay for an item, the item would be shipped to you. But this helped with more than just clothing and household goods.

Few people remember that Sears used to sell actual homes, as well. After sending the materials via mail, the buyers would then assemble these homes on their own. And for black families looking to own homes in the segregated South, this helped bypass the scrutiny of those who refused to sell or build homes for anyone who wasn’t white.

The Threat of Competition

Even though many Southern store owners treated their black customers appallingly during this time, they still relied on their business to provide for their own livelihoods. And with more consumers now choosing to buy their items from Sears instead, the store owners were livid. But rather than change their behavior and attempt to compete with Sears, they took a different approach.

Rumors began circulating, claiming that both Sears and its new competitor, Montgomery Ward, were owned by black men. This was a blatant attempt to dissuade consumers from ordering from the catalog. Eventually, the outrage got so out of hand that business owners began hosting “book burnings” of the catalogs each weekend. They even went so far as to offer $50 to the person who brought the most catalogs to these bonfires—no small sum in the early 1900s.

The situation quickly escalated. According to the Washington Post, “In response, Sears published photos of its founders to prove that they were white, while Ward offered a $100 reward in exchange for the name of the person who had started a rumor that he had mixed black and white ancestry.”

Not only was Sears providing options to those who wanted to avoid racist store owners, it was also making a direct hit at racism by creating competition. If smalltown shops wanted to continue to practice blatant racism, consumers who disagreed with this now had better options.

To be completely fair to history, Sears did still capitulate to some aspects of Jim Crow after it opened a department store in Atlanta, Georgia. In this store, black employees were limited to janitorial, warehouse, or food service positions. However, unlike most stores in the South, Sears did not segregate its shoppers. Both black and white consumers were allowed to shop together, further helping to break down the barriers that stood so strongly during this time.

So as we bid adieu to Sears, let us not forget the role the company played in combating Jim Crow laws during such a tumultuous time in our country’s history. By offering dignity and a certain degree of normalcy to black Southerners, the company helped rebuild the South into a more tolerant and accepting society.

Brittany is a writer and editor for the Foundation for Economic Education. Additionally, she is a co-host of Beltway Banthas, a podcast that combines Star Wars and politics. Brittany believes that the most effective way to promote individual liberty and free-market economics is by telling timely stories that highlight timeless principles.

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Nelson’s Favorite Quotes

Leni Riefenstahl, Hitler’s film-maker:
“Propaganda always wins, if you allow it.”

Propaganda: the spreading of ideas, information, or rumor for the purpose of helping or injuring an institution, a cause, or a person.

Ideas, facts, or allegations spread deliberately to further one’s cause or to damage an opposing cause.

When too much emphasis is placed on the how of an action then the why of it is easily lost.

— R. Nelson Nash
The following financial professionals joined or renewed their membership to our Authorized Infinite Banking Concepts Practitioners team this month:

- Robert Zuniga - Davidson, North Carolina
- Russ Bragg - Jamison, Pennsylvania
- Jim Kindred - Saint George, Utah
- Kenneth Lester - Smyrna, Georgia
- Dave Cheatham - St Charles, Illinois
- Patrick Eddins - St. Louis, Missouri
- Glen Akin Jr - Lubbock, Texas
- Karen Powell - Atlanta, Georgia
- Steve Perrmann - St. Louis, Missouri
- Dwayne Beagle - Mesa, Arizona
- Ryan Griggs - Lubbock, Texas
- Bruce Wehner - St. Louis, Missouri
- George Bryant - Altoona, Florida
- Kenneth Johnson - Columbia, South Carolina
- John Stewart - Salt Lake City, Utah

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.

Save the date
February 6-7, 2019
2019 IBC Think Tank Symposium

The IBC Think Tank returns as the premier event for those individuals that are passionate about Infinite Banking. This is where financial paradigm thinkers come to share, learn and celebrate our movement.

The think tank is scheduled for February 6-7 (Wednesday-Thursday), 2019, and will be held in Birmingham Alabama.

This event is invitation only for IBC Practitioner members, IBC Practitioner-Students, and invited guests.

Invited Guests? Yes, the Think Tank is open so that our membership can bring guests. A guest can be a client, an employee, a business associate, or interested financial professional. Caveat, if the guest is a financial professional, they are only allowed to come in a guest status one time.

If you are interested in attending, feel free to contact me.

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