PRACTICE
AUSTRIAN ECONOMICS

AUSTRIAN ECONOMICS AND THE INFINITE BANKING CONCEPT

The economy in the United States is at one of the worst stages in history. When the mortgage and real estate markets began to falter in 2007, Americans started asking the question, "What happened and how do we prevent it from happening again?" This line of questioning is still being asked today, some 6 year after the collapse.

The economic theory known as Austrian Economics defines the root of the problem as the "Business Cycle" which is fueled by central bank monetary policy

Austrian Economics has given the best explanation for what happened in 2007-2008 to cause the Great Recession and how to prevent it from happening again. Its recent popularity caused by Presidential candidate Ron Paul has influenced many to investigate its history and precepts at a deeper level than in the past.

Americans have also been looking for a way to dig themselves out of whatever personal financial mess they have found themselves in as well as ensure they do not make the same mistakes.

For some people, it meant securing a second job to keep up with their bills or accepting new employment well below their education level due to a scarcity of jobs. Americans did anything to keep their home and provide for their family.

Many prematurely liquidated 401ks and long term savings suffering massive penalties, taxes and other fees.

For others, it has meant that they have gone into deeper debt by using their credit cards to make ends meet until their situation improved. Regardless of the circumstance, these were not long term solutions, only temporary ones

The awareness of the fact there is a significant underlying problem is greater than ever before because of the technology of communications. Americans realize the system has flaws and they are searching for solutions.

The Infinite Banking Concept conceptualized by R. Nelson Nash is a solution.

The Infinite Banking Concept is Austrian Economics in Practice. The Infinite Banking Concept was developed by R. Nelson Nash in the early 1980's and he subsequently wrote his book in the year 2000 "Becoming Your Own Banker.

Nash is widely considered an Austrian Economist.

Recently another reputable Austrian Economist Dr. Robert Murphy, co-authored a booked with L. Carlos Lara entitled "How Privatized Banking Really Works". This book also makes the tie between Infinite Banking and Austrian Economics.

WHAT IS AUSTRIAN ECONOMICS?

HISTORY

Austrian Economics isn't something that was recently created as a way of fixing the economy. This economic school of thought is almost 150 years old and originated in the country of Austria by an economist name Carl Menger. It is something that has been getting more steam as of recent because of Ron Paul. After he finished in third place in the Iowa primaries in 2012, he said, "We are Austrians now," which puzzled just about everyone watching.

Austrian Economics is considered a form of free market capitalism. The basic philosophy calls for free market interest rates and the avoidance of a central bank and fractional reserve banking. If such economic policies were instituted in the United States during the past 15 years, the current economic situation would be different.

Austrian economics has several popular points in its philosophy, here are a few examples:

SUBJECTIVE VALUE THEORY

The original Austrian Economist Carl Menger developed the subjective value theory which determined the price of something. It plain English it meant that what a person is willing to pay determines the price of a good or service. This was during the late 19th century when most economists felt that the cost to produce a good determined its value.

CREATIVE DESTRUCTION

Another popular Austrian named Joseph Schumpeter developed what is known as Creative Destruction. Creative destruction is a theory that contradicted

Karl Marx in that failure of an economy, business or good allowed for a lesson to be learned and a solution to be created. Marx primarily felt that a centrally planned economy could prevent failure. Schumpeter's point was that this would inhibit the most fertile ground for growth.

SUPPLY SIDE ECONOMICS

Jean Baptiste Say was another economist though not Austrian, is considered such. His general theory that supply creates demand leads to most popular of the Austrian theories which is the business cycle. Say believed that the supply of goods, created by individuals is done so to turn a profit. These individuals must determine in advance the viability of the good and what someone would pay for it which in turn would produce a profit. If the good did not turn a profit it would be replaced by another good that did. This theory is contrary to Keynesian theory which states that demand creates supply. In basic English, the more money people have the more they will buy which in turn will create growth. *Here lays the underlying idea behind the business cycle.*

THE AUSTRIAN BUSINESS CYCLE THEORY

When the government wants to stimulate growth, they do so by believing that demand creates supply or in other words, the more money people have the more they will spend. The government, through a central bank (In the US The Federal Reserve), increases demand by increasing the money supply. There are several ways to do this. One way is by lowering interest rates. The theory shows that the lower interest rates are the more people and businesses will borrow and spend. This spending will create jobs and growth.

So where does the money come from that creates this demand? The Federal Reserve simply creates it. There is no underlying value; it is simply printed.

An example of this is the Housing Market that led up to the 2008 crash. From the early to mid-2000's until the crash of 2008, low interest rates and excessive credit allowed individuals to purchase homes who otherwise could not afford to buy a home. This created a massive demand for real estate. The lower the interest rates the more people borrowed and spent.

Alan Greenspan as a result of 9/11 and the dot com bust of 2001 and 2002 lowered interest rates to spur economic growth.

The economic signal of a large pool of newly qualified homebuyers told builders to build more homes. It also told home sellers that it was a sellers-market and they could raise their selling price because many people wanted to buy. Suddenly there was a bidding war of sorts and property values went up. Americans felt richer because they had home equity.

This economic euphoria caused a spending spree by banks encouraging the use of home equity. *It all came crashing down. The bubble burst.*

THE AUSTRIAN PERSPECTIVE

The general thought and feeling of Austrian Economists is that the government can do nothing to correct the current downward trend of the economy and are only band-aiding over the true problem only to ensure a graver scenario down the road. The Austrian view basically disagrees with anything the federal government has ever done in the effort to boost the economy.

The Austrian point of view on economics is a bit different than what is considered the norm in the United States. The existing predominant economic philosophies call for intervention and assistance by the government or quasi government agencies to set interest rates and provide relief in times of crises and then restriction in times of prosperity which in the most of our leader's eyes balances out economic indicators. History has shown that this high level of control creates false indicators which ultimately lead people to make poor financial decisions.

Austrian Economics is different from mainstream economics as it relies on the free market to set interest rates, not a quasi-government entity. It encourages static benchmarks such as a gold standard to ensure a stable money supply. Fractional reserve banking for the most part should not exists and banks should operate on a high percentage reserve basis close to if not 100%

If these principles were followed, the excessive credit would not have been issued. The home buyers that could afford homes would have been the only pool which would have signaled a true demand not a false one.

HOW IS AUSTRIAN ECONOMICS RELEVANT TO THE MODERN ECONOMY?

Austrian economics is something that is quite relevant to the in the United States and around the world. Its precepts allow accurate economic signals which will lead to better decisions. It advocates limited government and central bank intervention. It also opposed fractional reserve banking.

Austrian Economists have a diametrically different opinion and perspective on our financial state of affairs but believe the institution of their ideas would also produce diametrically different results.

Insanity is defined by doing the same thing and expecting different results. The predominant practices of the United States have failed and will never result in true growth and prosperity.

WHAT IS THE INFINITE BANKING CONCEPT?

This concept is a process in which you can pay for large expenses using a dividend paying life insurance policy. This process is an alternative to how most families make big purchases which is by using credit and financing or by saving up and paying cash. In the end the goal is to eliminate the need for banks and finance companies.

Most people don't realize that there is a unique way to structure life insurance that accelerates the build-up of cash or account value. The accumulated cash account earns interest which is paid by the insurance company. In addition, you can purchase one of these policies from a mutual insurance company which means that in doing so you take an ownership interest in the company thereby being paid a dividend based on how much cash value you have. *An insurance policy set up this way can be one of the best financial vehicles a family can own.*

Most of the insurance policies have a built in loan provision where the respective insurance company will guarantee a loan against the accumulated cash. This loan is the medium by which someone can finance the purchases they will make throughout their life, thus eliminating the need for 3rd party finance companies.

In our modern time, permanent life insurance has been branded as a poor and expensive savings strategy, and it is if not structured properly. Although it was once the preferred savings vehicle of families it has been replaced by government sponsored plans such as 401k's and IRA's which consist of mutual funds and market based securities. As the government and Wall Street continue to collude and subsequently promote and advocate these popular plans, high cash value insurance is making a comeback.

High Cash Value life insurance is the choice savings vehicle of the wealthy as it is one of the only financial vehicles left that accumulates without any form of tax and is then transferred to beneficiaries up death without any tax.

Banks and Major Corporations own billions of dollars high cash value life insurance, mainly on their employees.[1]

By setting up insurance this way you create the ideal savings vehicle as well as ensure your need for financing regardless of credit score, employment and other factors that 3rd parties typically use to determine your credibility to borrow. *Infinite Banking will help you eliminate the need for traditional banks.*

HOW IS INFINITE BANKING AUSTRIAN ECONOMICS IN PRACTICE??

- The Austrian theory of economics makes a sound argument that the United States' current monetary policy is inherently flawed and is the source of many of our current economic problems.

  Although central banks continue to prop up the metrics that measure our economic health and wellbeing, the crutch of artificial stimulus will not allow the true problem to work itself out.

- The commercial banks are still operating on a fractional reserve basis and with the assistance of the Federal Reserve have become financial powerhouses and now more than ever "Too Big to Fail."

  The market needs to be left to its time tested devices to weed out the inefficiency and problems by itself without government intervention so to grow unheeded.

- **Life insurance companies are not part of commercial banking**. Life Insurance companies are private institutions and not influenced by the Federal Government but are regulated by the states.

- Life Insurance companies operate on a 100% reserve basis and therefore do not devalue the currency. By saving your valuable earnings in life insurance policies that operate on a 100% reserve basis you eliminate the ability for banks to lend it on a 10% reserve basis.

- By using the loan provision of the insurance policy to purchase items that would otherwise been financed by 3rd party banks you also mitigate the power of our current monetary system.

In summary, The Infinite Banking Concept is Austrian Economics in practice because you save your money in a private institution that does not manipulate the currency through fractional reserve lending.

This time tested system has proven itself over 30 years and set thousands of families financially free. It can do the same for you.

To register for a free five phase eLearning system visit: **lms.paradigmlife.net**

Click here to meet with an experienced Infinite Banking consultant about your personal situation.

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