

LMR

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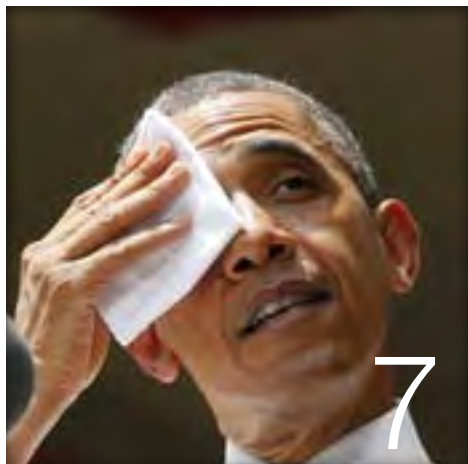
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ABOUT LARA & MURPHY



L. CARLOS LARA manages a consulting firm specializing in corporate trust services, business consulting and debtor-creditor relations. The firm's primary service is working with companies in financial crisis. Serving business

clients nationwide over a period of three decades, these engagements have involved companies in most major industries including, manufacturing, distribution and retail. Lara incorporated his consulting company in 1976 and is headquartered in Nashville, Tennessee.

He married Anne H. Browning in 1970. Together they have three children and five grandchildren.



DR. ROBERT P. "BOB" MURPHY received his Ph.D. in economics from New York University. After teaching for three years at Hillsdale College, Murphy left academia to work for Arthur Laffer's investment firm. Murphy now runs his own consulting business

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**“IT IS THE MASSES THAT DETERMINE THE COURSE OF
HISTORY, BUT ITS INITIAL MOVEMENT MUST START WITH THE INDIVIDUAL.”
— HOW PRIVATIZED BANKING REALLY WORKS**

Dear Readers,

Not every organization of coercion is called a State. However, the State is that institution which claims a monopoly to decide on the legitimate use of force, and which derives its funding in a non-voluntary process. (If taxes were truly voluntary, we would have a club, not a State.) Because they perceive its tremendous power, many people align themselves with the State.

As Rothbard explained in several of his books on money and banking, business owners or producers can choose to be an advocate of free market principles in their dealings, or they can seek special privileges from the State. If they choose the latter, they are statist.

But bankers are altogether different. By their very nature they are predisposed to statism. In the case of commercial bankers, their *modus operandi* in using fractional reserve banking keeps them illiquid and dependent on government aid and bailouts. Investment bankers, on the other hand, underwrite government bonds for the most part. Their profitability is based on selling deficits and forcing taxpayers to support government debt. Consequently both types of bankers—at least in the modern world as we know it—are tied to government monetary policy, and they manipulate government actions in world affairs.

The origin of the modern financial markets in the early years of the 19th century was predominately the buying and selling of government bonds. Most businesses and manufacturers were partnerships. Only the biggest industry—the railroads—issued shares. Therefore, the first investment banks concentrated all their efforts in railroad securities and government debt.

During President Lincoln’s Administration in the midst of the Civil War, Jay Cooke, a business promoter from Ohio and his brother, both close friends of Ohio U.S. Senator Salmon P. Chase, managed to secure Chase the appointment of Secretary of the Treasury. That appointment awarded the Cooke brothers the ability to set up an investment banking operation and a virtual monopoly for underwriting the entire federal debt. The American free market commercial banking system of that day could only expand credit in relationship to its bond ownership purchased exclusively from the Cooke operation. This same form of government, commercial banks, and Wall Street coziness still exists today.

Clearly, the source of our money problem stems from our current flawed monetary policy. Only a change in public opinion can alter that. Now, because of the newly formed Authorized IBC Practitioner Program, *Privatized Banking* as described by R. Nelson Nash’s Infinite Banking Concept is empowering the financial professional with the proper education to peacefully mobilize the masses in order to stem this tide. One individual at a time, the 10% is growing. The future is ours.

Sincerely,
Carlos and Bob

PULSE ON THE MARKET

RECENT DEVELOPMENTS THAT MAY BE OF INTEREST TO READERS OF THE LARA-MURPHY REPORT...



REDEFINING GDP

THE FEDS HAVE REWRITTEN ECONOMIC HISTORY

The Bureau of Economic Analysis (BEA) apparently heard about the Night of Clarity in Nashville, in which our guest speakers demolished the Fed's legacy after 100 years. According to FT (quoted in ZeroHedge), the BEA will make methodological changes to its calculation of Gross Domestic Product (GDP) to include for the first time spending on research, development, and copyrights as "investment," and it will reflect pension deficits for the first time. These revisions of 84 years of economic history (because they will apply the changes to the historical series going back to 1929) will mean that current GDP will increase by about \$500 billion. The issue here isn't whether the proposed changes are sensible or not—one always has to make judgment calls when trying to measure economic events in the real world. The problem is that economics is, in practice, such a loosey-goosey field that the government can get whatever result it wants—whether it's lower price inflation through the use of "hedonic adjustments" and only including "core" prices, or higher output by including various new categories of spending. To give an example, it would be pretty obvious to include unfunded Social Security and Medicare liabilities in the figures of the "national debt," since that's what standard accounting rules would mean for a private firm. Yet the "federal debt" only counts explicit Treasury bonds, since inclusion of the other liabilities would let Americans realize just how broke Uncle Sam is.

BERNANKE'S BUSTING BONDS

FED'S BOND LOSSES ALMOST \$200 BILLION

Exactly as we (and others) have been warning, the increase in yields on Treasuries (which was inevitable) has led to massive losses on the Fed's balance sheet. In an "etfguide" article by Ron DeLegge that is making the rounds on the Internet, Scott Miner, the Global Chief Investment Officer at Guggenheim Partners, claims that from the first quarter through early August, the Fed's holdings would have suffered a \$192 billion loss if they were marked to market. From a legal perspective, this is irrelevant; the Fed doesn't mark to market, and a subtle change in the accounting rules a few years ago means that even if it did, the Fed could never be insolvent. This is because a capital loss on the Asset side would be matched by a negative entry on the Liability side, in the category of what the Fed owes to the Treasury. However, the mere legality is not the only issue. One of Bernanke's alleged "exit strategies" is that he can unwind the Fed's bond purchases if price inflation starts getting out of hand. Yet he literally won't be able to do this if the market value of the bonds has plummeted while the Fed held them; Bernanke won't be able to suck all of the reserves out of the system that he originally pumped in. Actually, Bernanke is probably eager to get out of his position and hand the keys over to his successor.

PULSE ON THE MARKET

RECENT DEVELOPMENTS THAT MAY BE OF INTEREST TO READERS OF THE LARA-MURPHY REPORT...

MAN OUTWITS BANKERS

RUSSIAN MAN REWRITES CREDIT CARD CONTRACT BY HAND

According to an amusing story on RT, a Russian man wrote in changes to his credit card contract, and the company didn't object. A court has upheld the contract, as the man (Dmitry Agarkov) sues the company for about \$727,000 (in rubles) of compensation for their violation of his terms, which included 0 percent interest and no fees. According to Agarkov and his lawyer, they are simply playing the same game as the credit card companies: The bankers should've read the fine print before signing the contract.

RON PAUL IN NASHVILLE

RON PAUL SPEAKS AT "NIGHT OF CLARITY" IN MUSIC CITY

Many LMR readers were able to attend our Night of Clarity on August 23 and 24, which featured excellent talks from Larry Reed, Tom Woods, and of course Nelson Nash. The headline speaker on Friday night was Dr. Ron Paul. For those who missed the event, we provide the following summary of his talk—titled "My History With Austrian Economics and Fighting the Fed"—taken from a news story by Alex Harris (available at: <http://tnreport.com/2013/08/27/ron-paul-speaks-in-nashville/>):

Issues such as excessive spending, rising debt, foreign interventionism and perpetual war, NSA surveillance and the loss of civil liberties are directly linked with the Federal Reserve and ever-expanding government, Paul said.

...

"So you have the economic consequence of government spending too much, and the two parties like it," Paul said. "Because Republicans like spending for one reason, the Democrats like it for another reason. This whole idea that they're different, I think, has done us a lot of harm."

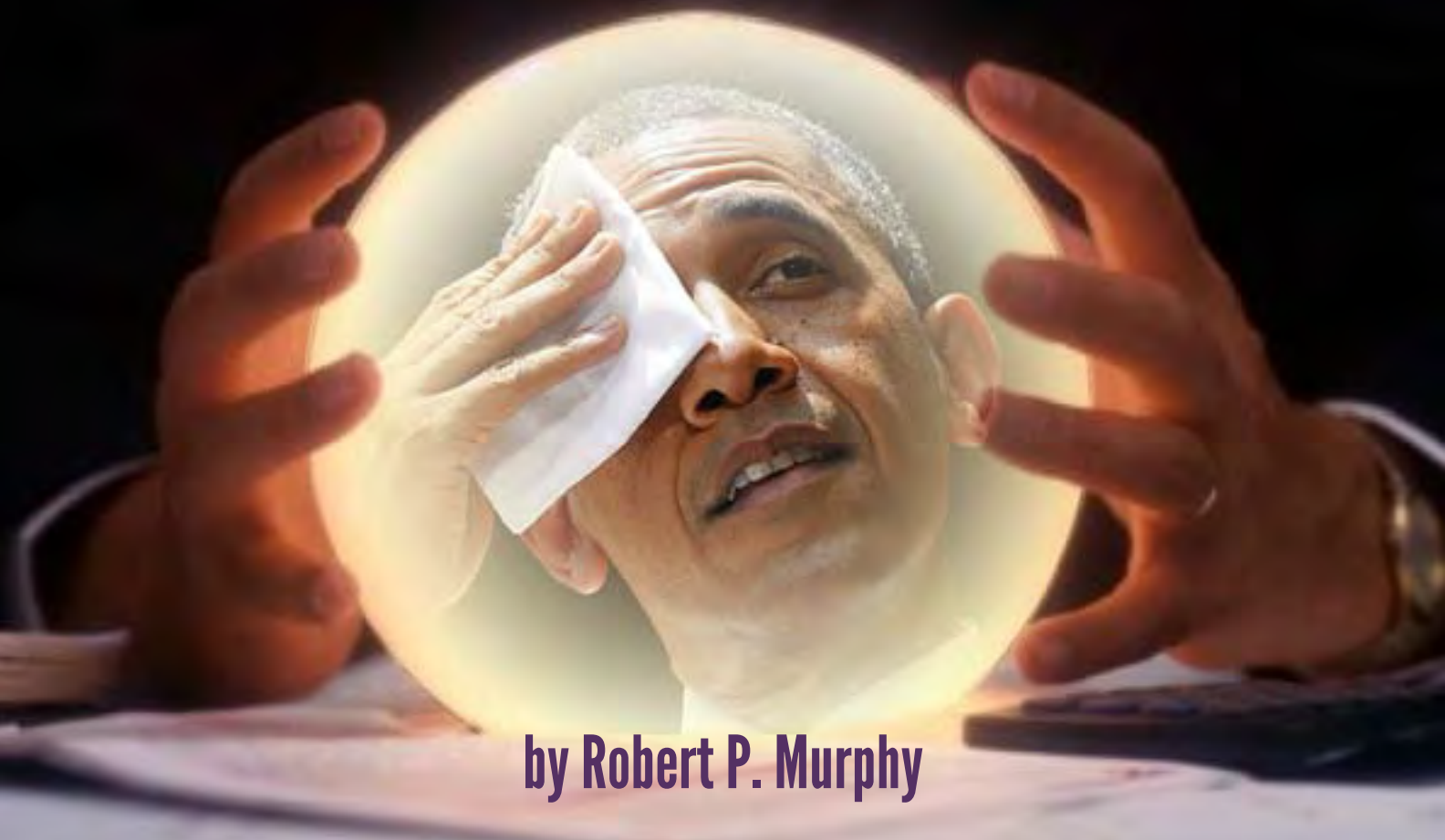
One example of an important issue on which the most powerful Washington politicians tend to take a shared stance regardless of party affiliation is the recent amendment to restrain the NSA's abilities to monitor the activities of Americans not being investigated for crimes that was proposed by U.S. Rep. Justin Amash, R-Mich., Paul said.

...

He closed his lecture by advocating for the need to protect the right to opt out of the established government system or program whenever possible, such as in medical care, education and the monetary system.

"Just legalize freedom," Paul said. "That's what we need, that's our job. Help us do it, and thank you very much."

The
PREDICTABLE EFFECTS
of
“OBAMACARE”



by Robert P. Murphy

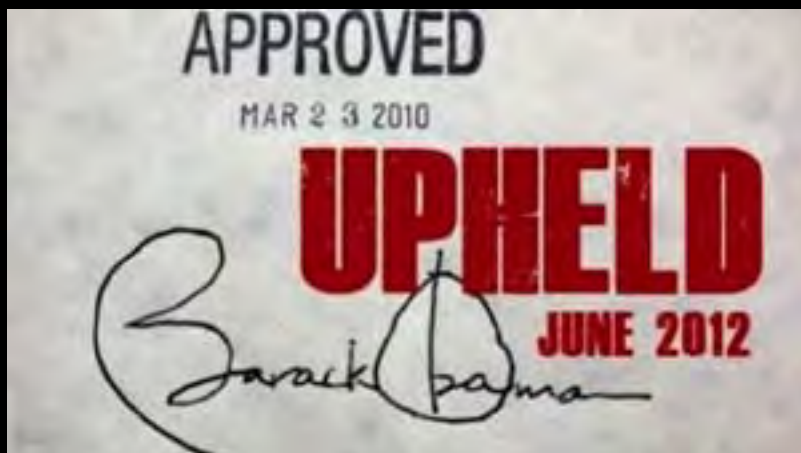
The chickens from the Patient Protection and Affordable Care Act—popularly known as “ObamaCare”—are coming home to roost. The new mandates are leading to huge increases in premiums, and are causing businesses across the country to cut workers’ hours.

The media and other sympathetic critics are referring to these outcomes as “unintended consequences,” yet they were entirely predictable—and in fact *were* predicted by free-market economists before the ACA was passed. This whole episode serves as a great reminder of why it’s so crucial to educate the public on basic economic principles. If more Americans had understood that “there’s no such thing as a free lunch,” this unfolding disaster would not have occurred.

The Basic Structure of “ObamaCare”

The Affordable Care Act (ACA) was formally signed into law on March 23, 2010. There are numerous provisions that kick in at various stages, through 2020. (For a good summary of the details, the Wikipedia entry is a great place to start.i) For our purposes in this article, there are four key elements of the ACA that merit our attention:

- ➔ Insurers are legally required to provide coverage to all applicants, regardless of medical history, with a partial “community rating” system for premiums, which means that insurers must set premiums based (mostly) on geography and age, rather than sex and (most) pre-existing conditions.
- ➔ Health insurance policies must meet minimum standards (called “essential health benefits”), including no caps on annual or lifetime payments from the insurance companies for an individual policy.
- ➔ Everyone is required to obtain health insurance, except for waivers granted for certain religious groups and those deemed to be unable to afford coverage. Government subsidies and state-based “health exchange markets” will be provided to assist individuals.
- ➔ An “employer mandate” penalizes firms with 50 or more employees if they do not offer coverage for their full-time employees, defined as those working 30 or more hours per week.



THIS WHOLE EPISODE serves as a great reminder of why it’s so crucial to educate the public on basic economic principles.

GIVEN THAT THE GOVERNMENT is going to mandate that health insurers provide coverage to all applicants, there had to be specific rules on what premiums they could charge, and minimums on the type of policies offered.

Intended Consequences

There are reasons for the particular provisions above, which sound superficially sensible (at least if you don't know much about economics). Obviously, before the passage of the new law, there were millions of people without health insurance coverage. Although many of them were young and healthy—thinking they could risk going without coverage—many of them wanted coverage but couldn't obtain it, either because of the price or an outright refusal of coverage because of a pre-existing condition.

(Incidentally, this was a real problem; I am not trying to minimize the frustration and helplessness many people faced in the pre-ACA environment. For example, I know of a family where the young child had a very mild diagnosis of a heart murmur, and his self-employed father had to go through several insurance companies to find one that would offer coverage *at all*. The father had offered to sign riders excluding heart-related treatments from the policy, to no avail; these insurance companies didn't want to touch his son with a ten-foot pole.)

Now, *given* that the government is going to mandate that health insurers provide coverage to all applicants, there had to be specific rules on what premiums they could charge, and minimums on the type of policies offered. Otherwise, the health insurers could say, "Fair enough, President Obama, we will indeed give a policy to any applicant—even someone with brain cancer. It's just that the annual premium for people with brain cancer will be \$2 million, and we will cap our total payment at \$100 per year. Who wants to sign up? We're more than happy to comply with the new mandate."

Moving down the list, let's consider the *individual* mandate, which requires that (just





about) every American carries health insurance. The reason for this provision is to avoid what's known as *adverse selection*. If health insurers were required to provide coverage to all applicants, with (partial) community rating, *and* if individuals retained the freedom to buy coverage or not, then the private health insurance companies would quickly go out of business. Healthy people could drop their coverage, saving on the hefty premiums each year, and then apply for health insurance whenever they got sick. This would be analogous to people buying car insurance only *after* they'd gotten in an accident; it clearly wouldn't work for any firm to offer insurance in this environment.

But, *given* that the government is going to

mandate that (virtually) all individuals obtain health insurance, it was necessary to offer subsidies and other mechanisms to make sure this mandate was feasible.

Finally, the employer mandate was ostensibly included, in order to minimize the disruption to the existing system. In the absence of an employer mandate, people feared that employers would drop their original health insurance plans, telling their employees to sign up at the state-based "health exchanges." The reason for limiting the employer mandate to large firms (50 or more full-time employees) and their full-time employees (those working 30 or more hours) is that it would be unreasonable and counterproductive to impose such expensive require-

IF HEALTH INSURERS WERE REQUIRED to provide coverage to all applicants, with (partial) community rating, and if individuals retained the freedom to buy coverage or not, then the private health insurance companies would quickly go out of business.

ments—which could be thousands of dollars annually, per worker—on small businesses or even a large firm concerning only its part-time workers.

The “Unintended” But Entirely Predictable Effects

As I said in the beginning of this article, we are now seeing many of the undesirable effects of the ACA. These are typically being described as “unintended.” However, this adjective is a bit of a misnomer, since these outcomes were entirely predictable, and in fact *were* predicted by many free-market economists in the debate leading up to the passage of the ACA. Cynics can justifiably speculate that at least some of the proponents of the ACA knew full well the outcome would be untenable, leading the public to embrace even more federal intervention in health care down the road.

The most obvious result is a large spike in premiums for many people, once the mandates on health coverage are fully phased in. The biggest hit will occur in places that right now offer

bare-bones catastrophic policies with large deductibles and low caps. For example, according to a recent CNN article:²

*In Florida...officials constructed a hypothetical silver-level plan based on the offerings available today. Then they looked at how the cost of that plan compares to the average silver plan that will be available on the [state-based health] exchange. **Florida found premiums will rise between 7.6% and 58.8%, depending on the insurer. The average increase would be 35%.***

...

*Ohio, meanwhile, said there would be an average increase of **41%** by comparing a trade association’s report of premiums for all plans available today with the average premium expected on the exchange.*

...

So why aren’t there such big premium increases in other states? New York, for example, already required that insurers provide comprehensive coverage to all who apply. Rates there could fall by half since the



THESE OUTCOMES WERE entirely predictable, and in fact were predicted by many free-market economists in the debate leading up to the passage of the ACA.

THERE'S NOTHING IN THE NEW LAW that will magically create more doctors, hospitals, or MRI machines.

pool will expand to include many younger, healthier residents under Obamacare. But New York is more the exception than the rule, experts said. [Bold added.]

Incidentally, I included the line about New York premiums falling in half just out of intellectual honesty, since I was quoting from that article. In practice, I will be stunned if people in New York State see their insurance premiums go down significantly, let alone “by half” as apparently “experts” predict.

Now even if the official amount that certain individuals pay for their health insurance goes

down, the real question is whether this is more than offset by the increase in taxes necessary to cover all of the new subsidies to poor individuals who cannot afford to meet the individual mandate. Step back and look at the big picture: Under the ACA, suddenly millions of new people are going to be seeking more medical care than they did before. There's nothing in the new law that will magically create more doctors, hospitals, or MRI machines. Americans in general are going to pay for this, one way or another. (Indeed, the huge increase in government responsibility for health spending will provide the justification for government-imposed rationing down the road.)



“But the President Said I Could Keep My Plan...”

Another predictable outcome is that many Americans will not be able to keep their previous plan. For example, on July 15, 2013 I received a letter from BlueCross telling me:

*Starting in 2014, the health care law requires plans to offer standardized benefits and more coverage. Your current plan does not include these added benefits. This means **you will need to switch to a new plan** with benefits and coverage that meet the law’s requirements. [Bold added.]*

My current plan has a very high deductible (since I barely ever spend money on health care and wanted to keep my premium down). I am quite sure that I’m going to get hit with a massive premium hike when they update my plan. The anxiety almost makes me want to take up smoking...

Job Losses

Besides rate hikes (and ultimately, government rationing of medical care), another major downside of the ACA is the job losses it will cause. For example, here is an email that a fellow economist sent to Greg Mankiw of Harvard:³

I have been teaching multiple sections of economics for four years now at several Colleges and Universities in the State of In-



diana. I have also been a frequent user of your texts in the classes that I teach.

With the implementation of the ACA (Affordable Care Act) these institutions are giving notification to their part-time faculty that their individual teaching schedules will now be limited to three sections. At the college this will likely result in the cancellation of 20-25% of the class sections in economics, and I would assume other areas will have a similar result. The students are not fully aware of the situation and many will be surprised that their desire to get a college education is now being impacted by the need to avoid the full implementation of the ACA.

Regardless if you are a Republican or a Democrat I would hope full-time faculty would voice their concern regarding the impact the implementation of the ACA could have on the attainment of higher education for the current student population and upon

WE SHOULDN'T BE SHOCKED, shocked to discover firms not growing past 49 employees, and/or limiting people to 29 hours per week.

DO NOT BE SURPRISED when the politicians begin discussing the “necessity” of a federal single-payer system.

the lives of the dedicated part-time faculty that have been devoted to serving this student population. [Bold added.]

For another example, consider what a labor leader said in response to White House claims that the ACA wouldn't have a big impact on workers being limited to 29 hours per week:

“It IS happening,” insisted Joseph Hansen, president of the United Food and Commer-

cial Workers union, which has 1.2 million members. “Wait a year. You’ll see tremendous impact as workers have their hours reduced and their incomes reduced. The facts are already starting to show up. [The White House] statistics, I think, are a little behind the time.”

*In a letter to Democratic leaders on Capitol Hill, **Hansen joined other labor chieftains in warning that the ACA as presently writ-***



ten could “destroy the foundation of the 40-hour work week that is the backbone of the middle class.”⁴ [Bold added.]

This isn't rocket science, as they say. If the government has to force employers to provide a benefit to their employees, it means it's unprofitable; otherwise the employers would have already done it as part of their compensation package in order to attract quality workers. So if this costly, unprofitable employer mandate only applies to firms with 50 or more employees, and even then only applies to those employees who work 30 or more hours, then we shouldn't be shocked, shocked to discover firms not growing past 49 employees, and/or limiting people to 29 hours per week.

Conclusion

The supporters of the Affordable Care Act—a.k.a. “ObamaCare”—are trying to have it both ways. On the one hand, they rail against the greedy health insurance companies and employers, who are being brought to heel by the magnificent new mandates that provide such relief to millions of downtrodden Americans. Yet when critics point out the obvious reaction of these “greedy” entities—namely to jack up premiums and cut back on hours—suddenly the supporters of the ACA act as if these are just modest tweaks to the existing system, or that these companies no longer follow the money.



As the negative and predictable effects of ObamaCare pile up, do not be surprised when the politicians begin discussing the “necessity” of a federal single-payer system, because clearly “private health insurance” is not viable in the United States. Let's not forget Senator Harry Reid who recently said, “What we've done with ObamaCare is have a step in the right direction, but we're far from having something that's going to work forever.” When asked whether he meant that our health care system would have to abandon private health insurance in favor of government provision, Reid answered, “Yes, yes. Absolutely, yes.”⁵



References

1. See: http://en.wikipedia.org/wiki/Patient_Protection_and_Affordable_Care_Act.
2. See: <http://money.cnn.com/2013/08/06/news/economy/obamacare-premiums/index.html>.
3. See: <http://gregmankiw.blogspot.com/2013/08/obamacare-versus-faculty.html>.
4. See: <http://www.cnn.com/id/100962203>.
5. See: <http://www.lasvegassun.com/news/2013/aug/10/reid-says-obamacare-just-step-toward-eventual-sing/>.

A black and white close-up portrait of John F. Kennedy, looking slightly upwards and to the right. The image is the background for the entire page.

WHO RUNS THE WORLD?

PART 1

BY L. CARLOS LARA

WHO OWNS AND RUNS THE WORLD?

If you have ever thought deeply on this question, or one similar to it, you most likely became dispirited rather quickly during the exercise. The reason for this is that you found yourself losing all hope in the prospects of a happy future. That's right. It didn't take you long in your investigation for your thoughts to travel down dark corridors and open doors you wished you hadn't. And, if you used the Internet to help you connect certain missing pieces to the puzzle, you may have gotten even more disturbing insights than you bargained for. This topic can

me over the edge to go ahead and start this series in the *LMR*: As simplistic as it may sound, I happen to be one of those few who believe we can actually do something about this disturbing situation. It is not too late. There are a few others that feel exactly the same way as I do, and we have good news. This series of articles, divided into several parts, attempts to make a case for the solution. But first, what exactly is the problem and from where does it originate?

When I was in high school in Dallas, Texas I had a friend who lived two streets up from me

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YOUR THOUGHTS TO TRAVEL
DOWN DARK CORRIDORS AND
OPEN DOORS YOU WISHED
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easily become frightening and there are wide ranges of opinions on what is factual and what is fiction. Even so, what we do not fail to sense is that something has gone terribly wrong in the world. Far too many of us have already given up even attempting to resolve the vastness of our societal problems. So why, you may ask, would I choose at this time to write about a subject that is so overwhelmingly discouraging? Believe me, I am fully aware of how even writing on such a topic may put off certain readers; I grappled with whether to even “go down this road” at all.

There was one overriding reason that pushed

who owned a hot rod car that I was crazy about. It was my dream car and I was sixteen. Usually on Sunday afternoons, when days seemed like they lasted forever, I would pay him a visit. I knew he would be out under his carport tinkering with that car so I would go there just to be able to see it. His next-door neighbor was married to a young woman from Russia (at that time it was known as the Soviet Union). Occasionally she would be out in her yard and would greet us from across the fence in her broken English. I never thought much about those instances until President Kennedy was assassinated and later learned that my friend's neighbor was Harvey

I NEVER THOUGHT MUCH ABOUT THOSE INSTANCES UNTIL PRESIDENT KENNEDY WAS ASSASSINATED.



Oswald¹, the man accused of assassinating the President. His wife was that Russian girl. Suddenly and unexpectedly the dark side of life came very near to me. After that event, America was never the same for me again.

I start here with my own personal account only because the question of who assassinated President Kennedy is a prime example of a cauldron of debate that has been brewing for more than fifty years. How much is true and how much is unfounded “conspiracy theory” is anyone’s guess. There have been movies and books galore written on this subject and yet it still remains one of the most controversial events in American history. But keep in mind that this is only one of hundreds of such conspiratorial-type occur-

rences in which belief remains questionable. This happens because separating fact from fiction is not easy. It takes effort to discover the truth. The problem is that truth revealed can many times remain grim. Somebody still killed Kennedy, but who—and more importantly, why?

It’s important, for the proper reading of this present article, to know what we mean by “*conspiracy*.” The dictionary on my desktop computer defines a conspiracy as “*a secret plan by a group to do something unlawful or harmful. An agreement of silence, to say nothing about an issue that should be generally known.*” In essence, a conspiracy is a contract to lie.

In 1987 Bill Moyer,² who is best known as



HE INTERVIEWS SEVERAL HIGH-RANKING MILITARY OFFICERS THAT ATTEST TO THE EXISTENCE OF A SECRET GLOBAL WAR, CARRIED ON WITHOUT ACCOUNTABILITY.

an American journalist and frequent voice of PBS, came out with a scathing documentary entitled, *The Secret Government: The Constitution in Crisis* in which Moyer spelled out how the Cold War (which began after WWII) had enticed Americans to relinquish the control of government to the National Security State. In it he interviews several high-ranking military officers that attest to the existence of a secret global war, carried on without accountability. The documentary was so critically rebuked by the establishment that Republicans attempted to use it as a way to cut the funding of the

Corporation for Public Broadcasting and PBS. Moyer, who was also the White House Press Secretary (1965-1968) under the Johnson Administration, cast the spotlight directly on the covert actions of the CIA. In Moyer's interview with Admiral Gene LaRocque, LaRocque stated that The National Security Act of 1947, which was signed into law by President Truman, "***changed the direction of this great nation and established the framework for a National Security State which gave us the National Security Council, which gave us the Central Intelligence Agency (CIA).***"³ In effect, Moyer

THE CIA, UNDER COVERT OPERATIONS, WAGES ITS OWN WARS—"OFF THE BOOKS"—THAT INCLUDES ASSASSINATIONS, INSTIGATION OF RIOTS, AND THE REMOVAL OF FOREIGN LEADERS FROM OFFICE WHEN THEY POSE A THREAT TO THE UNITED STATES.



set out to prove that our democratic system had been corrupted and had established a new secret form of government with a new morality that is always looking for threats and organizing society to oppose those threats. Under this paradigm the CIA, under covert operations, wages its own wars—“*off the books*”—that includes assassinations, instigation of riots, and the removal of foreign leaders from office when they pose a threat to the United States. In 1953 it was Iran, where the issue was oil. In 1954 it was Guatemala, where the issue was land. In 1954 it was Viet Nam, where the issue was Ho Chi Minh and the spread of communism. And it was Cuba in 1961. When Kennedy refused to

hearing about them on the news at that time, I wonder if I would be able to take seriously how far astray our world has gone just in my own lifetime. Bill Moyer has summarized the matter in this way:

“We’ve turned the war powers of the United States over to...well, we never really know for sure, who, or even what we are doing, or what it cost, or who is paying for it. The only thing we are sure of is that this largely secret global war is carried on with less and less accountability to democratic institutions and has become a way of life.”⁴

PEOPLE OF CHRISTIAN FAITH, LIKE ME, REST IN THE SOVEREIGNTY OF GOD.

give military support to the CIA for the assassination of Castro, the CIA floated the idea of a Castro “hit” to the Mafia.

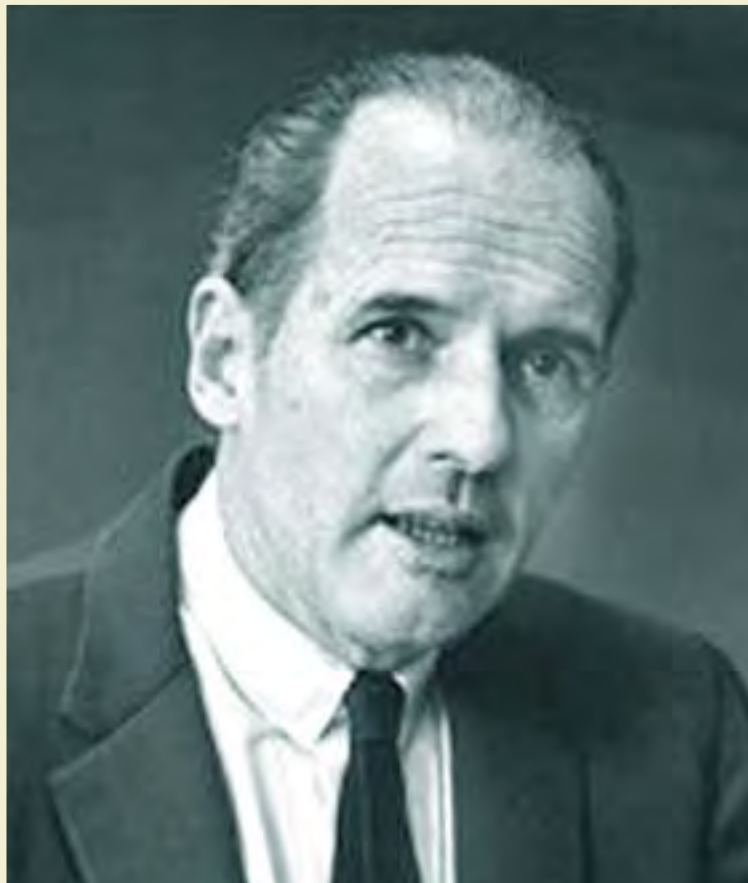
If I had not lived through all these events that Moyer describes in his documentary and remember experiencing them by seeing and

WHO’S REALLY IN CONTROL?

People of Christian faith, like me, rest in the sovereignty of God, the Creator, whose will for mankind and the world will be ultimately fulfilled according to His eternal plan. In essence, we believe God runs the world and everything in it. This typically encompasses the Judeo-Christian belief and the spread of Western Civilization. With this belief also comes an assurance that we are all given some measure of freedom, within His will, of *choice*. Therefore, human action is a force in the world. This is what makes ideas of the mind and the actions that follow so powerful. Ultimately ideas move the direction of world events. The unfortunate aspect of this power is that men possess it and men are not angels.



THE MAN MOST CLOSELY ASSOCIATED WITH THE SPREAD OF THESE TYPES OF CONSPIRACY THEORIES WAS CARROLL QUIGLEY (1910-1977), AN AMERICAN HARVARD-EDUCATED HISTORIAN.



There are such things as evil ideas. History is glutted with examples of ideas that perpetuate deception, theft, and tyranny. But do powerful men with evil ideas actually come together in secret to organize the control of the world?

The man most closely associated with the spread of these types of conspiracy theories was Carroll Quigley (1910-1977),⁵ an American Harvard-educated historian and theorist of the evolution of civilizations. Quigley himself did not spread these theories, but rather authors interested in conspiracies often cite Quigley's book, *Tragedy and Hope: A History of the World In Our Time*, as an authoritative source on conspiracies. Quigley had impeccable credentials and trappings of respectability. He was a legendary professor at Georgetown University, and a former instructor at Princeton and Harvard. President Bill Clinton credited Quigley during his acceptance speech to the 1992 Democratic National Convention as being his mentor while a student at Georgetown, and for providing him (Clinton) the blueprint of how the world really worked. The Washington Post, in an article published shortly after his death in 1977, referred to

Quigley as "*the professor who knew too much.*" Even so, his 1,336-page tome published in 1966 lied virtually dormant until W. Cleon Skousen discovered the implications of it and published *The Naked Capitalist*,⁶ which became a national best seller. Skousen was followed by Gary Allen, a spokesman for The John Birch Society, who wrote *None Dare Call It Conspiracy*,⁷ which had sales of over five million copies in 1972. The contents of these books provided the massive paradigm shift of grassroots conservatives from mere anti-communism to a much larger anti-elitist worldview. What did Quigley write about that was so profoundly fascinating? His book details a twenty-year study of an elaborate structure of the prestigious scholarship program at Oxford, banks, foundations, trusts, think tanks, and publishing entities, the initiates of which are described as the Round Table Groups

(Council of Foreign Affairs). These groups have come to dominate the financial and political affairs of the world—a secret plan with a set objective conceived by one man in 1891, a man whom we shall identify in a subsequent article.

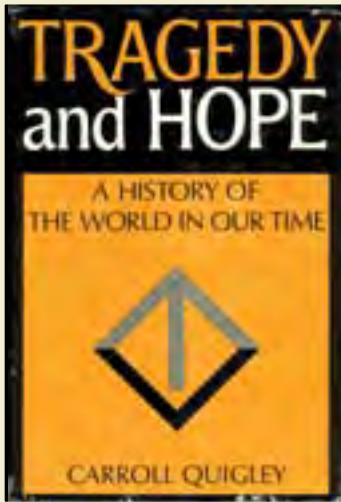
More importantly, Quigley wrote his book as an insider to the worldwide organization, with permission and direct access to its secret documents and records for more than two years in the 1960s. Quigley's entire work, which spans Western Civilization in its world setting, highlights WWI, WWII, and the Cold War until 1967. By his own admission, Quigley had no aversion to most of the group's aims, regretting

only that the group wished to remain unknown. G. Edward Griffin, author of *The Creature From Jekyll Island*,⁸ relied heavily on Quigley for information about the Federal Reserve and the individuals who played a large part in its formation. Dr. Gary North,⁹ the famous economic commentator and historian, also has interesting discussions of these curious facts in his book *Conspiracy: A Biblical View*, stating that Quigley at the end of his life eventually referred to the group he profiled as a malevolent influence in political affairs.

In addition, I recently discovered that Murray N. Rothbard, one of our most famous scholars

HIS BOOK DETAILS A TWENTY-YEAR STUDY OF AN ELABORATE STRUCTURE OF THE PRESTIGIOUS SCHOLARSHIP PROGRAM AT OXFORD, BANKS, FOUNDATIONS, TRUSTS, THINK TANKS, AND PUBLISHING ENTITIES, THE INITIATES OF WHICH ARE DESCRIBED AS THE ROUND TABLE GROUPS (COUNCIL OF FOREIGN AFFAIRS).





BY HIS OWN ADMISSION, QUIGLEY HAD NO AVERSION TO MOST OF THE GROUP'S AIMS, REGRETTING ONLY THAT THE GROUP WISHED TO REMAIN UNKNOWN.

from the Austrian School and one of Mises's star disciples, directly referenced this secret group in a monograph he wrote entitled, "Wall Street, Banks, and American Foreign Policy,"¹⁰ written in 1984. It was Rothbard's work that emboldened us (the writers of *The Lara-Murphy Report*) to pursue our research into the workings of this group described by Quigley. The initial findings are alarming, giving credence to Mises' emphasis that we all have a moral obligation to fight what he called an evil idea. Rothbard has in fact been very prolific in writing about the specific individuals intimately connected with this group from its inception. He has exposed this idea's tentacles tracing them all the way to the various seats of power. In many of his writings, Rothbard made clear why wealthy elites are only able to profit from wars and control world affairs by their connection to State power.

Consequently, it is in their best interest to continue to perpetuate the lie.

"Banking was conceived in iniquity and was born in sin. The bankers own the earth. Take it away from them, but leave them the power to create money, and with the flick of the pen they will create enough deposits to buy it back again. However, take away from them the power to create money, and all the great fortunes like mine will disappear, and they ought to disappear, for this would be a happier and better world to live in. But, if you wish to remain the slaves of bankers and pay the cost of your own slavery, let them continue to create money."

~ Josiah Stamp – Bank of England Chairman, 1920s

Next month in the *LMR*, Part II of "Who Runs the World?"



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Not A BLACK SWAN If You SEE THE CRASH COMING



Mark Spitznagel is the founder and president of Universa Investments, an investment advisor that specializes in equity tail-hedging—or profiting from extreme stock market losses as a means to enhancing

investment returns. In addition to hedge fund investing, Spitznagel's 20-year investment career has ranged from independent pit trader at the Chicago Board of Trade to proprietary trading head at Morgan Stanley. Spitznagel also owns and operates *Idyll Farms* in northern Michigan. His new book is *The Dao of Capital: Austrian Investing in a Distorted World* (for which Robert Murphy was a consultant), with details at: <http://daoofcapital.com>.

Lara-Murphy Report: You are probably one of a handful of hedge fund managers on planet Earth who has read the pioneering but dense work of Eugen von Böhm-Bawerk—Mises’ predecessor—on capital theory. Can you explain how you delved so deeply into intricate Austrian theory without coming from an academic background?

“scientism”? That goes a long way toward explaining why the Austrian tradition is so rarely taught in colleges and universities today—a fact that I hope soon changes.

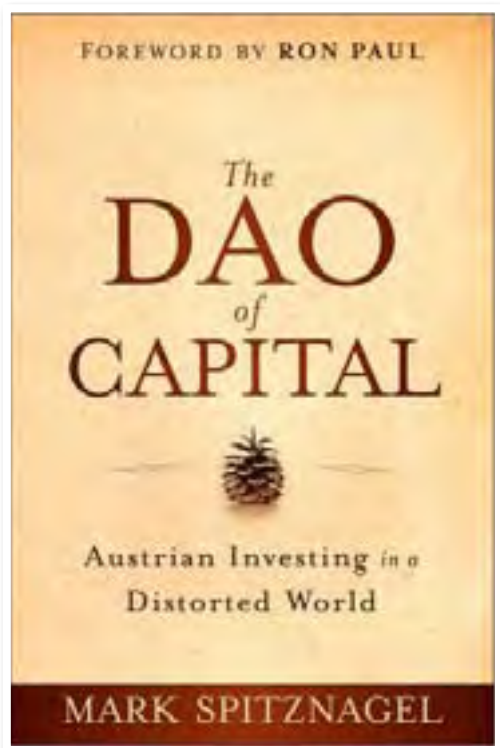
I was very fortunate to be introduced to Austrian economics while I was a college student, in an economics course at Georgetown Univer-



“For someone who engages in the competitive marketplace as I do, and the trading pit was the best example of that, it would be only natural to gravitate toward the Austrian School.”

Mark Spitznagel: Actually, I would suggest the opposite: For someone who engages in the competitive marketplace as I do, and the trading pit was the best example of that, it would be only natural to gravitate toward the Austrian School because of its insights into the way humans act in the real world and the inferences that can be drawn from that understanding. So, to turn your question around, how in the world does someone who comes from a purely academic background ever find the Austrians, given the tendency in academia toward

sity taught by Professor George Viksnins. After that, I read Hazlitt’s *Economics in One Lesson* and heeded the advice at the end of that book to read Mises’s *Human Action*. By the time I started trading in the bond pit at the Chicago Board of Trade, I was listening to *Human Action* on tape while riding the train to and from downtown Chicago each day. I went on to read Böhm-Bawerk, among others, gathering insight into the roundaboutness of capital, an understanding of which, as I explain in my book [*The Dao of Capital*], is essential to investing.



"I draw a parallel between the roundabout of the Austrians and a Daoist concept from the great military strategists of ancient China known as *shi*.

[...]

Rothbard, don't forget, called the Daoist philosopher Laozi the first libertarian."

LMR: Suppose there are financial professionals out there who think the Austrian School is great, but feel they don't have the time to personally delve into technical economic treatises. What advice do you have for such readers?

MS: Read Hazlitt—and, of course, *The Dao of Capital*. But seriously, these financial professionals should ask themselves: What is the cost of ignoring what the Austrians have to say and/or accepting the presumptions of other schools of economics or financial theories that are antithetical to what the Austrians believe? That cost is very significant, as I show rigorously in my book. I assure you, that cost is or will be far greater than the cost in time of a little introspective study. Not doing so is penny-wise and pound foolish.

LMR: In addition to Austrian insights, in your new book you draw heavily on ancient Chinese wisdom. Can you summarize for our readers?

MS: In *The Dao of Capital* I draw a parallel between the roundabout of the Austrians and a Daoist concept from the great military strate-

gists of ancient China known as *shi*. *Shi*, which is best described as "strategic positional advantage," requires one to aim at the intermediate means rather than going for the direct ends, which the Daoists call *li*. Victory comes not from waging the one decisive battle, but from the roundabout approach of waiting and preparing now in order to gain a greater advantage later. By embracing *shi* and avoiding *li*—until, of course, the opportunistic moment to act—we require what I call an intertemporal view, or depth of field, that allows us to see and exploit forward slices of time. It is very difficult, contrary to our natural subjective time preference, as it requires an immediate setback as payment for a future advantage. One thus gains by losing, and loses by gaining. This roundabout approach is essentially the same Böhm-Bawerkian notion of roundaboutness, of amassing intermediate means or tools to achieve ultimate ends. Rothbard, don't forget, called the Daoist philosopher Laozi the first libertarian, but in *shi* and roundabout, there are far more connections between ancient China and nineteenth century Austria.

LMR: Many of our readers are probably familiar with your former partner, Nassim Taleb, and his notion of the “black swan.” Yet you argue in your new book that the black swan is an inappropriate metaphor for the recent financial crisis, at least for those armed with Austrian business cycle theory. Can you explain?

MS: System-wide financial calamities or crashes that have occurred look like random shocks to people who don’t understand Austrian Business Cycle Theory (ABCT). With ABCT, you grasp what is really happening behind the curtain, so to speak, from monetary distortions in the economy and the creation of malinvestment. In *The Dao of Capital*, I spend a lot of time explaining how to recognize when and where the distortion and malinvestment exist and how the crashes that follow are not random at all. They are a straightforward effect of a straightforward

cause. I’ve really structured my investment career, and the concept of “tail-hedging,” around this. Call it a nice out of sample test of ABCT. Surprising that I’m pretty much alone in this focus. But the term “black swan,” and even “tail” for that matter, is something of a misnomer, because these events are not unexpected or even rare when the distortion is present, and can, in fact, be anticipated. But because the market prices these events in the options markets in a way entirely inconsistent with ABCT, as if such crashes are indeed black swans, I have a business. It’s incredible to me, for instance, in the world today, that the market is pricing-in an increasingly lower probability of a large stock market selloff.

LMR: What general scenario do you anticipate over the next decade? Are we currently in the throes of the second worldwide Depression? Or

*“In *The Dao of Capital*, I spend a lot of time explaining how to recognize when and where the distortion and malinvestment exist and how the crashes that follow are not random at all.”*



will we gradually climb out of this mess within a few years? Any views on the fortunes of the dollar?

MS: Much will depend on how the government responds to the failure of our monetary policy and the liquidation of malinvestment. Look at what happened in the 1930s, when the actions of the government prolonged what should have been a quick purge. Instead, the government prevented the natural rebuilding process from working, which made matters so much worse. I draw a parallel to forest wildfires, which is a central metaphor in my book. Fire suppression prevents small, naturally occurring wildfires from error-correcting the inappropriate growth, and thus prevents the system from seeking its natural homeostatic balance—its natural temporal structure of production, if you will. Instead, everything is allowed to grow at once, as if more resources exist than actually do, and the forest actually gradually consumes itself. When fire inevitably does break out, it is catastrophic. This is a near perfect analogy for the

market process. We simply do not understand the great homeostasis at work in markets that are allowed to correct their mistakes. Looking ahead, if we recognize this benevolent force and let the purge happen, it will lead to great opportunities in newly-fertile “land” and for reinvestment into a healthy, natural system. If we prevent that cathartic process, as we did in the 1930s and in 2009, then we’ll make it far more painful. Either way, it will happen. Nature finds a way.

Of course the dollar is being systematically inflated and destroyed. No news there. But there are interesting crosscurrents, which Mises notably recognized as the great failure of empiricism. The tremendous inflation from the creation of more and more dollars is partially and unevenly offset by the lack of investment and the eventual liquidation and significant destruction of debt, which means destruction of dollars. Here is another instance of a homeostatic system ultimately seeking balance. I suspect the Fed will fight this all the way down.



“If we prevent that cathartic process, as we did in the 1930s and in 2009, then we’ll make it far more painful. Either way, it will happen. Nature finds a way.”

EVENTS AND ENGAGEMENTS

2013

AUGUST 23-24 • NASHVILLE, TN

Lara and Murphy present at the Night of Clarity along with Ron Paul, Nelson Nash,
Larry Reed and Tom Woods.

•

SEPTEMBER 10 • LAS VEGAS, NV

Lara presents with Nelson Nash at Canadian Conference for Financial Professionals

•

SEPTEMBER 28 • SAN JOSE, CA

Murphy gives keynote address at celebration of the birth of Ludwig von Mises.

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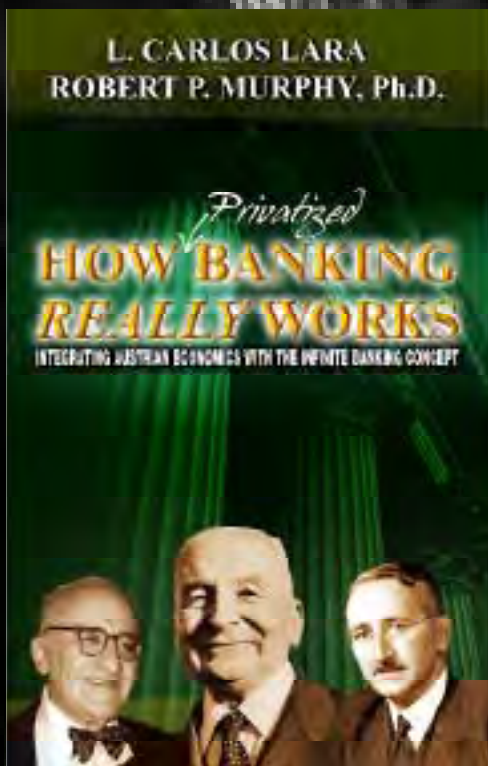
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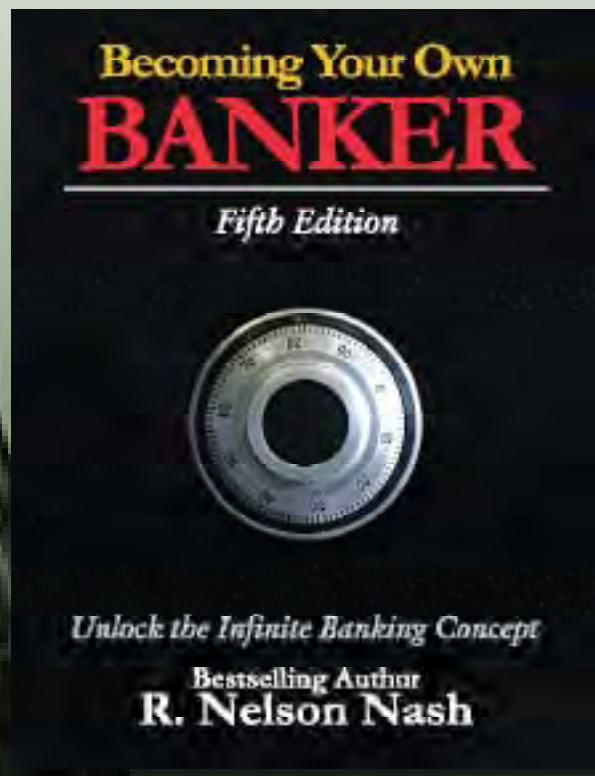


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