Episode 1,326: How to Secede From Our Monetary Regime

Guest: Bob Murphy

WOODS: All right, we're going to talk about something I have been told for years I need to talk to you about by a really, really committed group of people. And yet the vast bulk of people listening will have no idea what it is. So it's everybody's lucky day, right? The folks who've been demanding it, and the folks who don't know anything about it, they're going to learn a little something today. So let's start off with a little bit of your own background, how it is that you came to be involved in this. And you're an academic economist, and you bring that knowledge to your treatment of this. But you know, it's just fortuitous that you happened to come across Nelson Nash and Carlos Lara. So give us the necessary background.

MURPHY: Sure. So I was in Nashville, and at that point, I was technically in the private sector doing consulting work and whatnot. But I had written a bunch of study guides for the Mises Institute, one of which was the study guide to Murray Rothbard's *Man, Economy, and State*. And then I get an email out of the blue from this guy Carlos Lara who's using my study guide to help him understand Rothbard, because he was working on a PowerPoint presentation showing commercial bankers how fractional reserve banking worked. And so he just wanted to make sure he was getting all the details right, and then he said he saw on the back of the study guide that I lived in Nashville. So he goes, "Hey, why don't you come on over?" So that's how it started. And so it was this guy Carlos Lara. He's older than me, a businessman, he'd been consulting for decades. He worked with business owners, particularly ones that were in financial distress and helped them get out of it. But he just had this love of Austrian economics that he discovered in the '80s, when there was the crash in '86, in particular, that Carlos wanted to figure out where did this come from. And he discovered Austrian business cycle theory, and just said, "Yeah, this makes the most sense of it." So we became friends.

And then at one point early on, he hands me this book. And he says, "Bob, take a chance to look at this and tell me what you think." And it was this book *Becoming Your Own Banker* by Nelson Nash. And I looked through it, and my reaction —and what it was, it was showing you how you could use a dividend-paying whole life insurance policy or a system of policies to become your own banker. And what Nash meant by that was cash flow management. So in other words, instead of you being reliant on outside lenders when you have to buy a car or your daughter's getting married or you're sending your kid to college, any of these big-ticket items, instead of doing the conventional American thing where you take your savings out of your paycheck every month and go put it in a 401K or whatever, where it's effectively in prison until you're 55 and a half — Nash was saying, instead of doing that, and then you have to borrow money from outsiders to fund these expenses, he said become your own banker. So build up wealth in one of these dividend-paying whole life policies or a system of them, and then you effectively borrow against those things in order to fund these purchases. So that's what Nash meant by becoming your own banker, so take control your own financial destiny. You're not dependent on outsiders. It's very calm and peaceful and all sorts of things.

So I'm reading it, and my initial reaction was to say, yeah, this guy sounds like a great guy, this Nelson Nash, and he's got all sorts of quotes from Bible in there, and he's a fan of Austrian economics. Nelson Nash had actually been mentored personally by Leonard Read back in the day, like that's how Nelson came to know Austrian economics, big fan of the Mises Institute, and the Foundation for Economic Education. So just a great guy, salt-of-the-earth kind of guy, but I just thought, no, there's like five things wrong with this book, *Becoming Your Own Banker*, I thought. But I didn't just give up on it, because Carlos really thought highly of it, and I didn't want to offend him or anything, so I was just kind of real gentle in my initial feedback.

And then just over time, the more I was talking to Carlos and the more I was reading about it, I realized a lot of my initial doubts or skepticism came from the fact that I actually didn't understand how whole life policies worked that I really just knew it what term insurance was. So a term policy, you pay money for insurance for a given term, five years, ten years, what have you. Whereas a whole life policy means the thing's in force as long, as you keep making the premium payments, for your whole life. So they're a different animal. I didn't really understand how they worked. So a lot of what Nelson was doing in his book to me was a black box, I didn't really get it. So that was part of it. And so when I originally thought there was like five things just totally wrong with this, after a while I was like, *Oh, that one thing I misunderstood, but still, there's four things just that are fatal to this guy's thesis*. And then of course, *Well, there's three things. Okay, now two things*. And then by the end of it, I was like, *Man, this thing is obvious. How come everybody's not doing this? Just a bunch of idiots*. So it was that kind of progression.

And ultimately, I went down to Birmingham, Alabama, where Nelson and his son-in-law David Stearns are, presented — I just got more and more into it. And where we are at this point is the four of us are the board of what's called the Nelson Nash Institute. I helped design a training program for financial professionals. Carlos and I have written two books together, including this latest one, *The Case for IBC*. So that's the quick version of how I as a sort of academic economist got sucked into this world: just because it made a lot of sense, and I think people from an Austrian perspective, this resonates with them, with their views on the what the banking system does in terms of the boom-bust cycle or whatever. This is a really great thing that hits on all cylinders.

WOODS: When I first looked into this, I didn't really take the time to concentrate and focus as much as you did, because you clearly were captivated by it and the arguments just began, as you say: okay, there are four problems, then three, then two, then one. All right, but with me, it was okay, I don't immediately understand this, and I just haven't got the time right now. I'll come back to it later. Because what it sounded like the system was saying was, if you're ever in the need for credit, or let's say you want to buy, whatever, any large item, you could go to the bank, and then you'll have to pay a lot of interest, or you could use this system and you're going to be saving yourself a lot of money. But what it sounded like it was saying was, if you have saved up enough money to go buy a car, then yeah, you can borrow from what you've saved and buy that car and then repay yourself, and it'll be much better. And I thought, I guess I'm just not following this, that, well, yeah, obviously, if I had all that money saved, I could go take it out. I could think of that as being like a bank. But I just didn't get — I said, eh, I don't have the time. And it was my own blockheadedness as to why I wasn't getting it was. It was not the fault of the presentation. I was a blockhead. I'm just going to tell people that right now, okay?

So what I want you to do is explain basically how this works. Now, in order to do that, you're going to have to talk about a whole life policy and what that's all about. But why is the system not what I just said it was? *Well, if you just go ahead and save the money in advance, then you can be your own banker*. Well, yeah, I guess I could, but it seems like that's not practical. So what was I not getting in my blockhead days?

MURPHY: Okay, sure. And that's not terrible of a reaction for you to have. I mean, you probably could have persisted with it, but yeah, your initial reaction, you're right. And that is part of it. So some of Nelson Nash's wisdom, he talks in his book about the importance of capitalization. He says if you're going to start a new business, some businesses, you capitalize for many years before you take off, and that kind of thing. So, yeah, part of what is going on here is, if you first save up for something before you buy it, then you're going to have more wealth than if you buy it ahead of time — so living within your means. So that is part of it, but that's not all it's saying. So I'll give you that. It's not that what you were putting your finger on, Tom, was wrong; it's just that wasn't the end of the story.

So you're right, in order to then really get into it more, I'll have to take a minute to explain to the listener what exactly is a whole life policy, just so they understand the mechanics of this. So what happens is that the nature of the contractual relationship between the customer and the life insurance company, like with a term policy, let's say you have a 10-year term life insurance policy. So that's saying there's a given death benefit, let's say it's $500,000. And so the life insurance company charges you a fixed premium. Let's say every month, you make the same monthly payment, and then if you happen to die within that 10-year span, the life insurance company sends $500,000 to whoever your beneficiary is that you named. If you go the full 10 years, though, and you don't happen to die, you're still alive at the end of that, then the policy falls away, and that's it. And so effectively, you paid your premiums that whole time, and then you have nothing to show for it and you move on. And that's fine. There's nothing wrong with that. So it's sort of analogous to like renting an apartment. You make your monthly rental payments to the landlord, and you get a flow of shelter services, but then once the contract's over, you go your separate way, and you don't have any ownership stake or equity in the apartment unit. You were just renting the flow of housing services or shelter services. So that's kind of like what a term insurance policy is.

A whole life policy, in contrast, what the contract says is: this is in force for your whole life, hence the name. And so it is always renewable, if that's the way you want to think about it. There's no fixed term after which it expires. Strictly speaking, what happens now in ones that are designed in the US, at age 121, if you're still alive, they just go ahead and give you what the "death benefit" is, even though you're still alive. So that's the way they build these things actuarially, is they assume the thing completes at age 121, if you still happen to be alive. So imagine like a 30-year-old who takes out a 10-year term policy. That's in force until age 40. But if he takes out a whole life policy, that's effectively in force for the next 91 years. So it's like a 91-year term policy from the point of view of the 30-year-old.

And so that's partly, by the way, why the premium, which is the same month after month or year after year on one of these things, is going to be a lot higher for a whole life policy of a given death benefit than for a term policy for the same person of the same death benefit, just because, just like you could see a 5-year term policy versus a 10-year versus a 15 verses

20, the premiums are going to keep going up, because the older you get, the greater the mortality risk that you're going to die. So likewise, if it's going to be enforced up through age 121, the insurance company knows it's paying out on a whole life policy. So that's why the premiums are higher. There's nothing shady going on there; that's just actuarial common sense.

Okay, so you've got this whole life policy. So from the life insurance company's point of view, they're taking premium payments from you, and they know that this thing is like a ticking time bomb to them in terms of the liability on their balance sheet, because at some point, you're going to die. Or even if you last to 121, they're going to have to pay out. So to them, it's just a matter of when. And so they start taking your premium payments, and they go and invest those payments and assets that are accumulating on their books. And so that's the way maybe to think about what's going on from the life insurance company's point of view. And so one element of this is, suppose you get 10, 20 years into one of these whole life policies, you've been making your premium payments faithfully, the life insurance company has this growing stockpile of assets that are in effect backing up your policy. I mean, that's not the perfect way to think about it, but it's okay for our purposes here, just to give the general idea.

And then what if you need money? So one thing you could do is you could just surrender the policy. You could go up to them and say, "Look, you know at some point, I'm going to die and you're going to owe me a big amount, like 500,000. What if we just forget that. You're not on the hook for that anymore, but I need cash right now. Can you give me 80,000?" It's like depending on how old you are, that might be the actuarially correct thing to do, like a spot payment to get you to walk away. So that's what the cash surrender value is. So unlike a term policy, which doesn't have this equity building up, a whole life policy does. So going back to the real estate analogy, this would be like you own a house that you initially had a mortgage on, and every monthly mortgage payment, your equity in the house is growing. So that's maybe one way to think about a whole life policy, is every premium payment you're making, your equity in the policy goes up. Whereas again, with a term policy, that's more like renting an apartment. So the cash surrender value grows with every payment you're making as time passes, and so that's one feature of the policy. So that's the sense in which people might say "cash builds up in the policy." That's what they're talking about.

But then the last curve ball I'll throw you — don't worry, folks. Hang in there, if you've been with me this far. This is the last step you need to understand Nelson Nash's idea. Well, what happens if the policyholder needs cash, but he really likes having this life insurance policy in force, right? He doesn't want to have to surrender this policy he might have been building up for 20 years just because he happens to have a cash crunch. And so another feature of these policies — and this is all contractually spelled out. This is all guaranteed contractually in the terms — is the life insurance company can say: we will give you a loan with your cash surrender value of your policy serving as the collateral on that loan.

And so the terms are very generous. The interest rate is modest, and the payback schedule is completely flexible. And they don't check your credit, and they don't care what your income is. They don't ask you what are you going to use the money for. All you do is call them up and say, "How much do I have available to borrow?" and they check what your cash surrender value is, and say, "Oh, you can borrow up to this amount if you want." And that's it. That's all they ask you, because again, the reason for that, the reason they're so "generous" and they don't mind giving you a policy loan and they don't ask any questions, run your credit or anything, is that they themselves are guaranteeing the collateral. Because again, it's your life insurance policy's cash surrender value that's the collateral for the loan.

And so the life insurance company, from their point of view, making a policy loan to a customer is the safest possible investment, even safer than treasuries, because Uncle Sam could default, in theory, but the policyholder can't avoid repaying the loan, because they can surrender the policy, in which case the life insurance company pays itself back first, or the person could die. And so like if the company owes $500,000 to his beneficiary, oh, wait a minute, there's an $80,000 policy loan. So they first pay themselves back, and then they send the 420,000 net out to the beneficiary. So those are the mechanics of it.

And that's been around for more than a century, just a real conservative, stodgy old financial product, whole life, real boring. And what Nelson Nash realized, he had this epiphany, was to say that, if you built up a sizable cash surrender value, then whenever you needed cash, you just borrow against that thing. And so this is the asset that serves as like the headquarters for your money, if you want to think of it that way. Or Nelson has another book called *The Warehouse for Your Wealth*, and that's what he means. So you're still allowed to go out and make investments, buy real estate, buy gold, buy silver, invest in a small business, do whatever you want, buy stocks; it's just Nelson thinks you should flow everything through one or more of these properly-designed whole life policies to be like the headquarters for your money. So that's what he means by "becoming your own banker."

So way back now, Tom, to your question about buying the car. One quick example: so even for somebody who is smart and saves first — in other words, who has the wealth to be able to just write a check for the car, Nelson just shows in his book why there's advantages to doing it the IBC way, the infinite banking concept way, rather than like having a sinking fund with bank CDs, certificates of deposit. In his examples, partly it's interest rates that drive that, but for our purposes here, let me just mention the control factor, because I don't want to overwhelm people. I know it's a fire hose of information.

Last thing I'll say on this is: when you're buying a car, if you do it the conventional way — so you have plenty of assets like in your 401K or your IRA or whatever, 403(b) if you're a teacher, what have you — you've got plenty of wealth, but it's locked up in these so-called tax-qualified plans that you can't really touch until you retire. And so your money's in prison, so then, if you want to go buy a car, you go to like some outside lender. So they finance the car, and you're making your payments, but if something happens — you lose your job or you get sick or whatever — and you fall behind on your car payments, ultimately, the repo man comes and takes your car. So the car was the collateral on that loan they were giving you. And so there's this stress there. Always in the back your mind, you know if you fall behind, there goes your car. Whereas when you finance it the way Nelson Nash recommends, among the other benefits is you're technically borrowing money from the life insurance company. It's your life insurance policy that's the collateral, and you're paying cash for the car from the dealer's perspective. And so in addition to possibly getting a better deal because you're "paying cash" is the fact that your car's not the collateral. So if you fall behind on your "car payments" — because really, you're just sending money to the life insurance company to knock out that policy loan — nothing happens. It just means your loan stays on the books longer than it otherwise would have. But nobody comes and takes your car. So to the extent that you can wean yourself from these outside lenders and have a growing one or more policies designed in this proper way for use as IBC policies, it's just a very peaceful way of life.

So I'll stop there, because I know you've probably got follow-up questions, but that's the main elements of it. I know from Nelson's point of view, for him, it's more an issue of you're in charge of your own destiny and you're controlling your cash flow. But other people, CPAs and whatever can look at it more in terms of cost-benefit analysis. It works on those metrics, too, but I'm just saying the spirit of Nelson saying "becoming your own banker," I think that's the way he's looking at it.

WOODS: All right, well, even after for that explanation, I think some people may be inclined to have the reaction that I think is probably somewhat common, which is: this sounds like a great idea, if only I had more money to put into it. If only I had more money, I could start doing this, but I don't, so I can't. Is there a response to that?

MURPHY: Well, yeah, one response is: go get another job, you know?

WOODS: [laughing]

MURPHY: [laughing] Go get a side hustle. Listen to *The Tom Woods Show*.

WOODS: [laughing] Okay, what's part two?

MURPHY: Yeah, I mean, I'm partly trying to be funny, but also, it's like, yeah, hey, get up, bucko. Go clean your room and — I'm trying to be Jordan Peterson. I forget his other catchphrases. Go slay the dragon.

Oh, yeah, so what's funny is — and you're right. I have heard that. I hear two different types of responses for people who want to explain why: oh, yeah, I can't see anything that's really wrong with that, but it doesn't work for me, and so I don't need to go do anything about my life. I hear young people saying, "Well, yeah, I'm living paycheck to paycheck right now, Bob, and I don't have any extra money to go buy one of these big policies," or, "The amount of money I could devote to this right now is so little, it would be years before this thing even made a difference, so I'm not going to bother starting." Or I hear older people who encounter this, and they'll slap their heads and say, "Oh, my gosh, I wish I had heard about this 30 years ago, back when I was in better health, and I had my whole working career. But at this point, I missed the boat. It's too bad, but maybe I'll tell my kids about it." And so it's just kind of funny how everybody can always come up with these reasons why it's not for them.

So here, I'm not going to be able to give too much in terms of particulars, but the generic answer is: a properly designed whole life policy for IBC purposes looks different depending on the individual. So yes, the way it would be structured for someone who's young and just has a few extra dollars each paycheck to be able to put into something, you design it one way; whereas an older person who has a lot of other assets, there's ways to sell some of those off and redirect them to bulk up one or more of these whole life policies designed a certain way relatively quickly. And so there's just different ways of doing it, and me saying it right now, I'm not going to be able to convey it. But yeah, sure, if somebody doesn't have a big income such they can't afford this, then I wasn't being facetious that, yeah, I think a bad economy is coming, and you really should get multiple income streams going, regardless of what you think about IBC.

But beyond that, I think a lot of people, when they say they don't have any money left, it's partly because they've become locked in this standard way of living and financing things, where they get their paycheck, the government takes its cut, and then I make my mandatory contribution to my 401K or whatever because Dave Ramsey tells me that's a no-brainer. And then I've got to make my house payment; I've got to make my car payment, my boat payment, my credit cards, etc. And then when all is said and done, I have, you know, $30 left. And so part of what Nelson's saying is that you would have more money left over if you didn't owe this to all these outsiders. And so yes, if you've already dug yourself into a hole, you can't just flip out of it overnight. But it's partly realizing that what you're thinking of as your disposable income is probably a lot lower because you're making all these "payments" to outside lenders.

WOODS: There are a few other points that I think maybe we want to clarify and objections that we might want to anticipate. First of all, whole life insurance has a terrible reputation. For some reason, for instance, they say you shouldn't buy whole life; you should buy term and invest the difference. And others have said whole life is like the worst possible investment somebody can make. I don't quite get that, so maybe you can clear that up.

MURPHY: Sure. And yeah, that is a big part of it. And it's funny, because I lived in Nashville. I told you that I was in Nashville when I met Carlos, and Dave Ramsey, that's where he's from. He actually was going to my church, and he one time waved me and let me leave the church parking lot ahead of them. He didn't know who I was, but it was a nice Christian move.

And so yeah, his big thing, he hates whole life policy. He says anybody who invests in this, you're just crazy. So a lot of these financial gurus have these very quick, glib, alleged demonstration showing how what they call "buy term and invest the difference" is obviously superior. So for your listeners who don't know what that means, I'll be really quick here, just to explain what the claim is. So again, for a given death benefit for the same person, the quote on, let's say, a 20-year term policy is going to be cheaper than the premium you would need to pay on an otherwise identical whole life policy. So as I said, there's nothing mysterious or shady about that; it's that a whole life policy is a much longer term policy, if that's the way you want to think about it. So of course, if there's that built-in renewal option, it's going to be more expensive, because it's more valuable to you as the consumer.

And so what Dave Ramsey and others would say is, okay, so every month when your premium payment's do, if you have a term policy, you've got money left over, because you could get the same death benefit coverage — whatever, $500,000, let's say — for less money in terms of the premium. So whatever you would earmark and you are going to go put in this whole life policy in order to get the death benefit coverage but also to have this accumulating cash surrender value that you could borrow against and whatnot, Ramsey is saying, why don't you split it up? Why don't you split your life insurance and investments into two separate vehicles? So you shop around and get a really cheap term policy, and then with the difference — meaning how much you're saving each month, because the premium's lower on the term policy — go put it into a mutual fund. So that's what they mean by "buy term and invest the difference."

And then Ramsey will take some statistics about, oh, from this time period, the average mutual fund returns 10.6% annually, whereas the internal rate of return on a whole life policy was only 4.2% — I'm making these numbers up, but you get the idea. So he's trying to show you can get the same death benefit coverage, and you at a higher rate of growth on your investments if you buy term and invest the difference. So he's saying: why wouldn't you do that? You'd be stupid to try to buy one product that kills two birds with one stone; it's probably going to be mediocre in at least one of those objectives. So that's the claim.

And so just very quickly, I could just say that it's comparing apples to oranges. It's just wrong. So I'm not saying you're always a fool to buy term, but what I am saying is this glib demonstration that seeks to show you that buying term is always superior, that that's nonsense. So just really quickly, a couple of the problems with those glib demonstrations, one huge thing is the term policy expires. And so yeah, what happens after year 20, if you bought a 20-year term policy, is that term policy expires, whereas the whole life policy stays in force. So that's one reason that they're not apples to oranges. I mean, Dave Ramsey could likewise "prove" you should never buy a 20-year term policy, because it's always cheaper to buy a 5-year term policy instead. And he could say "buy 5 and invest the difference" to blow up anybody who thinks you should buy a 20-year term policy. So obviously, that would be a silly thing to say. You can say, well, no, those are different animals, and there's benefits to having different life insurance coverage in force. So that's one main problem.

But another huge one is when he's trying to show people: oh, just put your money in these mutual funds, in order to get the big numbers to show, *Oh, historically, this fund way outperformed the cash value buildup in a life insurance policy*, is he's looking at a mutual fund that at least has some exposure to the stock market. And so the problem there is the stock market is volatile. So yeah, it's not shocking that if you're willing to put your money in something that's riskier, you might be able to get a higher expected rate of return. But on the other hand, like in 2008, your portfolio might go down 40% in a year, whereas the cash that's building up in a whole life policy never goes down, right? Once the life insurance company, if they send out dividends and things and your cash value growth goes up, then it can't go down again. So it's a staircase thing. And there's contractual guarantees about the minimum that it's going to go up, and then if they have dividends, then it goes up even more. But the point is that they're just totally different things.

It would be like if Dave Ramsey said, "Oh, historically, stocks outperform bonds, so therefore, you'd be a fool to ever buy bonds." And I hope everybody can see why that would be a stupid thing to say. So likewise, here, just to say — and there's other misleading things, too, about the statistics, and they don't look at the fees and whatever. But I'm saying, even on its own terms, these glib demonstrations just are comparing apples to oranges. In my own investigation, when I was looking more into this, that was one of the things that made me start coming around, is I saw all of these quick drive-by attacks, seeking to demonstrate how "stupid" whole life insurance was. They were either misleading their readers or they were just ignorant. Either way, it's not good.

One last thing on this quick point, Tom, is that after the '86 Tax Reform Act, a lot of advantages for real estate investments and trusts and things were taken away. And so the real estate market crashed, and so investors were looking around for where should we put our money, and a lot of them started putting their money into single-premium whole life policies. So they would write one big check just to buy — you know, they had the thing locked up and would say to the insurance company, "We're just giving you this one big check. How much death benefit do we get?" And they'd let the thing ride, because there's tax advantages and they can borrow against it and all this other stuff I've been telling you about. It was such an issue that Congress actually amended the tax laws to limit the amount or the speed with which you could fund some of these big policies. So say what you will about it, but it seems like, if this really is such a stupid thing to do, it's odd that Congress had to amend the tax laws to stop rich people from shoving so much money into these types of policies.

WOODS: All right, Bob, two more things I want to run by you. One's an objection, another objection. Somebody might say, even if price inflation is modest, it accumulates year after year. So 2% in a year is not a huge deal for a lot of people, but it accumulates, and that's a problem. So why would I want to be involved long-term in a dollar-denominated asset when I know that the dollar even, if it's not going to have some dramatic crash, is going to be worth less over time?

MURPHY: Sure, that's a great objection. And I think it's like why Peter Schiff isn't a fan of bonds and life insurance and stuff for similar reasons. And I share the Austrian — I mean, as you know, Tom, I actually was quite concerned publicly about the effects on the dollar from the various rounds of QE, so I'm very sympathetic to this.

So here, let me just be clear. So I'm speaking on behalf of Carlos Lara and myself on this one, that we have a three-pronged strategy for people, like how to be defensive and to, what we say is, weather the coming financial storms. And for more, I'd point people to our website at Lara-Murphy.com. Lara is Carlo's Lara's last name, so it's Lara-Murphy.com, and you can near the top of the page, we've got our video presentation. But the idea is, we're not merely telling people, "Oh, yeah, go ahead and just start doing IBC." We're also saying you should start stockpiling gold and/or silver, and we also think actual cash in case there's a banking problem. So from our perspective, what you're doing is you're building up defenses against all these possible scenarios or contingencies. And the problem, though, is just gold, per se, is not a solution in and of itself, because there's different characteristics. And this kind of gets into the thing about the so-called perfect investment, which we might want to talk about in a minute.

But the idea being that you're going to sill need dollar-denominated assets. You're still going to have dollars flowing through your possession if you're living in the US, for sure. And so you've got to pay your utilities, you've got to go the grocery store, make your car payment, or whatever, or buy a car if you're doing it the Nelson Nash way. But the idea is you're still going to be using dollars, and so to the extent that that's going to happen — or if you're working in a conventional job, your paycheck's going to be coming to you via dollars or in the form of dollars.

So the IBC policy, it's not that you're investing in cash, per se; it's just more of a cash flow management system. And so yes, if you are concerned about the dollar crashing, then yeah, you want to get inflation hedges, and maybe that means real estate, maybe that means Bitcoin, maybe it means gold and silver in your vault at home. And so IBC gives you the freedom to go get those things. Whereas if you had had your paycheck always going into a 401K, you actually would be less able to go buy a bunch of gold coins, whereas if you've been practicing IBC, you've got this nice cash undervalue sitting there that you could borrow against and go get, whatever, $30,000 worth of gold coins if you want to next week. So that's the idea, that Nelson Nash is not saying to people, "I think life insurance is a great asset, and you should have more of it." It's more he's saying, "Whatever you think about your asset portfolio mix, go ahead and flow your dollars through this type of policy or a system of policies so that you're your own banker." That's the idea.

WOODS: There is a section in the book that talks about whole life — well, it talks about what would the perfect asset look like, and then it lists all the qualities that it would have. And then it goes through and lists potential assets and measures them against these qualities, so I wonder if you could say something about that, because I found that section very convincing.

MURPHY: Sure, so where the book came from — I don't think we've said this yet in this discussion, Tom — is Carlos, Nelson, and I — and David Stearns was behind the scenes kind of helping us get everything ready in doing the logistics of it, a lot of the preparing the PowerPoint slides and things. So the four of us were going around, giving this road show to the public, telling them about IBC, and then also some Austrian business cycle stuff. And I realized at one point — over time, we'd come up with a new thing to show people or Carlos would come up with a new rhetorical flourish or a new motivating example. And over time, these would accumulate, such that I realized, *Hey, guys, we've got like a lot of material here that's not in any of our written stuff. And so why don't we codify this and get it down?* So that's where *The Case for IBC* came from, is we were basically trying to take the seminar that we were giving for the general public and boil it down into a book form or a booklet form.

And so what you're referring to, Tom, is yeah, Carlos has this thought experiment where — and he adapted this, so this is when he would be meeting with individual clients or potential clients or business owners, things like that. And a lot of people would ask him and say, "Hey, Carlos, where do you put your money?" And he found that if he just said right out of the chute, "Oh, I put it into whole life policies," they would spit their drink out or whatever and go, "What?" because they've all been taught that's a crazy place to put your money.

So what Carlos would do instead is he'd say, "Well, before I answer that, let's just walk through this. Why don't you just imagine — let's design the perfect investment." And that's how he would motivate it, and so he'd just start throwing out some attributes or some characteristics that you'd want in a perfect investment. And so the person's like, "Okay, I want a high rate of return." So he has like a whiteboard, and he says, "Okay," and he writes it down. "What else?" "Tax advantages," and goes, "Okay, how about tax free?" And the guy's like, "Oh, yeah." So he just starts listing all these things: liquidity, control, privacy, creditor protection — so creditors, if you owe them money in other areas of your business, your personal finances, they can't just come take this asset, that kind of thing. And then at some point, the person says, "Oh, I want this to be reputable, right? Like this isn't something illegal, because this is sounding too good to be true." And so Carlos laughs and he says, "Okay, yep," and he writes down "reputable."

And so he goes through and lists all these — generates an income, it's not correlated with the stock market, all these different attributes of what the "perfect investment" would look like. And then when it's all said and done, Carl says, "You know what? You almost just described a dividend-paying whole life insurance policy." And the person's kind of floored. And so where he's coming from there is a whole life policy actually is very good on just about every one of those criteria, and where it's lacking, it's not that it's abysmal; it's just not as good as some other alternatives. So a whole life policy, admittedly, doesn't have a high rate of return, internal rate of return in terms of the buildup of the cash value if you stay alive. But by the way, if you take out a policy and die the next week, there's a huge rate of return, right? But in general, the expected rate of return is not higher in a whole life policy compared to the stock market or something. But the point is, once you take account of the fact that it grows income-tax-free, if you do it right, then it's like, you know, that's not that bad. And so it's better than like a money market fund would be, and people have no problem putting their money in a money market fund. No one says, "Oh, my gosh, that's a terrible investment." Plenty of people put — because why? Because it's so safe. Okay, so that's the idea.

And then in the book, we sort of go through other asset classes and just show that some of them are great on a few of those criteria, but they're awful on other ones. So for example, gold, yes, gold — and one of the criteria was inflation protection. So yes, if inflation goes through the roof, by which I mean price inflation, then yeah, having gold and silver, you're going to be glad you had that as compared to a bond, let's say, or even a whole life policy by itself. Okay, but golden and silver don't throw off an income. They just sit there. And so you can't just have 100 gold coins in your vault and live off that. They don't generate an income the way like rental property would, or the way a whole life policy does, especially as it gets bigger or as you keep paying into it over time, it starts throwing off dividends, and it has internal buildup that's guaranteed. So that's the sense of what your whole life policy generates an income too. Real estate, yeah, it might be a good inflation hedge, but it's volatile, right? It could drop on you, whereas again, a whole life policy, that doesn't happen. So stocks, again, those are good, but they could be volatile.

So there's different pros and cons of various asset classes. Nothing is actually perfect, and the point is just a whole life policy, even not even looking at IBC but just looking at it as like an asset class, is like a Swiss Army knife, or I called it the Captain Kirk of investments, from the old *Star Trek* series, that Spock is really smart and strong and Scotty's really good at engineering and McCoy is really good at medical stuff, and Captain Kirk, he's kind of pretty good at everything. Like he's not the best at any one thing, but he's the captain because he's kind of good at everything. He doesn't really have any major weaknesses. So to me, I don't know if that's good or bad — maybe some of your older listeners will get that analogy, but I'm saying a whole life policy, far from being like, "Oh, this stupid thing, why would you ever put your money there?" no, it's actually pretty robust under various scenarios.

And the last thing I'll say, Tom, is during the 1930s, the Great Depression, when thousands of commercial banks were failing, a lot of Americans, to get cash, turned to their whole life insurance policies, because the life insurance companies didn't go down nearly to the same extent that the commercial banking sector got crushed. And so the life insurance sector was much more stable and solid and dependable even during the Great Depression. So again, that's something that Dave Ramsey's glib little demonstrations doesn't take into account.

WOODS: Well, you know where you won't hear glib — oh, wait, I'm promoting the wrong thing. We're supposed to be promoting your book, coauthored, *The Case for IBC: How to Secede From Our Current Monetary Regime One Household at a Time*. I'm linking to it of course at TomWoods.com/1326. Are there any other links you want to give people? We did mention Laura-Murphy, but if you want to add that again, I'll also put that on the show notes page. If you want to mention that again, feel free to do that.

MURPHY: Yeah, so let me just mention some of the things we're doing. So yeah, Carlos Lara and I have a podcast that, if what I'm saying here intrigues you, you might want to go check that out. So all this stuff is available at Laura-Murphy.com, and you can see links to all this stuff that we're talking about. We have a podcast ,a bunch of blog posts. There's an FAQ, of course, to take you in the various levels, and then there's a bookstore for — you know, there's a lot of stuff here, and I realize to a newcomer this is overwhelming, but I would just say if you're curious, yeah, please go to Lara-Murphy.com to find out more.

WOODS: All right, Bob, thanks again. I guess I'll be talking to you pretty darn soon as we record *Contra Krugman* for this week. But thanks for doing this.

MURPHY: Thanks for having me, Tom; always a pleasure.