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**The State Causes the Poverty It Later Claims to Solve**

Mises Daily: Saturday, December 07, 2013 by Andreas Marquart

<http://mises.org/daily/6604/The-State-Causes-the-Poverty-It-Later-Claims-to-Solve>

If one looks at the current paper money system and its negative social and social-political effects, the question must arise: where are the protests by the supporters and protectors of social justice? Why don't we hear calls to protest from politicians and social commentators, from the heads of social welfare agencies and leading religious leaders, who all promote the general welfare as their mission?

Presumably, the answer is that many have only a weak understanding of the role of money in an economy with a division of labor, and for that reason, the consequences of today's paper money system are being widely overlooked. The current system of fractional reserve banking and central banking stands in stark opposition to a market economy monetary regime in which the market participants could decide themselves, without state pressure or coercion, what money they want to use, and in which it would not be possible for anyone to expand the money supply because they simply choose to do so.

The expansion of the money supply, made possible through central banks and fractional reserve banking, is in reality what allows inflation, and thus, declining income in real terms. In *The Theory of Money and Credit* Ludwig von Mises wrote: The most important of the causes of a diminution in the value of money of which we have to take account is an increase in the stock of money while the demand for it remains the same, or falls off, or, if it increases, at least increases less than the stock. ... A lower subjective valuation of money is then passed on from person to person because those who come into possession of an additional quantity of money are inclined to consent to pay higher prices than before.



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When there are price increases caused by an expansion of the money supply, the prices of various goods and services do not rise to the same degree, and do not rise at the same time. Mises explains the effects:

While the process is under way, some people enjoy the benefit of higher prices for the goods or services they sell, while the prices of the things they buy have not yet risen or have not risen to the same extent. On the other hand, there are people who are in the unhappy situation of selling commodities and services whose prices have not yet risen or not in the same degree as the prices of the goods they must buy for their daily consumption.

Indeed, in the case of the price of a worker's labor (i.e., his or her wages) increasing at a slower rate than the price of bread or rent, we see how this shift in the relationship between income and assets can impoverish many workers and consumers.

An inflationary money supply can cause impoverishment and income inequality in a variety of ways:

### **1. The Cantillon Effect**

The uneven distribution of price inflation is known as the Cantillon effect. Those who receive the newly created money first (primarily the state and the banks, but also some large companies) are the beneficiaries of easy money. They can make purchases with the new money at goods prices that are still unchanged. Those who obtain the newly created money only later, or do not receive any of it, are harmed (wage-earners and salaried employees, retirees). They can only buy goods at prices which have, in the meantime, risen.

### **2. Asset Price Inflation**

Investors with greater assets can better spread their investments and assets and are thus in a position to invest in tangible assets such as stocks, real estate, and precious metals. When the prices of those assets rise due to an expansion of the money supply, the holders of those assets may benefit as their assets gain in value. Those holding assets become more wealthy while people with fewer assets or no assets either profit little or cannot profit at all from the price increases.

### **3. The Credit Market Amplifies the Effects**

The effects of asset price inflation can be amplified by the credit market. Those who have a higher income can carry higher credit in contrast to those with lower income, by acquiring real estate, for example, or other assets. If real estate prices rise due to an expansion of the money supply, they may profit from those price increases and the gap between rich and poor grows even faster.

### **4. Boom and Bust Cycles Create Unemployment**

The direct cause of unemployment is the inflexibility of the labor market, caused by state interference and labor union pressures. An indirect cause of unemployment is the expansion of the paper money supply, which can lead to illusory economic booms that in turn lead to malinvestment. Especially in inflexible labor markets, when these malinvestments become evident in a down economy, it ultimately leads to higher and more lasting unemployment that is often most severely felt among the lowest-income households.

### **The State Continues to Expand**

Once the gap in income distribution and asset distribution has been opened, the supporters and protectors of social justice will more and more speak out, not knowing (or not saying) that it is the state itself with its monopolistic monetary system that is responsible for the conditions described.

It's a perfidious "business model" in which the state creates social inequality through its monopolistic monetary system, splits society into poor and rich, and makes people dependent on welfare. It then intervenes in a regulatory and distributive manner, in order to justify its existence. The economist Roland Baader observed:

The political caste must prove its right to exist, by doing something. However, because everything it does, it does much worse, it has to constantly carry out reforms, i.e., it has to do something, because it did something already. It



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would not have to do something, had it not already done something. If only one knew what one could do to stop it from doing things.

The state even exploits the uncertainty in the population about the true reasons for the growing gap in income and asset distribution. For example, [The Fourth Poverty and Wealth Report of the German Federal Government](#) states that since 2002, there has been a clear majority among the German people in favor of carrying out measures to reduce differences in income.

### Conclusion

The reigning paper money system is at the center of the growing income inequality and expanding poverty rates we find in many countries today. Nevertheless, states continue to grow in power in the name of taming the market system that has supposedly caused the impoverishment actually caused by the state and its allies.

If those who claim to speak for social justice do nothing to protest this, their silence can only have two possible reasons. They either don't understand how our monetary system functions, in which case, they should do their research and learn about it; or they do understand it and are cynically ignoring a major source of poverty because they may in fact be benefiting from the paper money system themselves.

*Note: The views expressed in Daily Articles on Mises.org are not necessarily those of the Mises Institute.*

Andreas Marquart is executive director of the Ludwig von Mises Institute Germany. He has been an independent financial consultant for more than 15 years and is a proponent of the Austrian School of economics.



## Horror: Violent mob of topless pro-abort feminists attacks praying men defending cathedral

by [Sofia Vazquez-Mellado](#) Mon Dec 02, 2013 20:33 EST

<http://www.lifesitenews.com/horror-mob-of-topless-pro-abort-feminists-attacks-rosary-praying-men-defend.html>

Buenos Aires, December 2<sup>nd</sup>, 2013 Extremely disturbing *video footage* from Argentina shows a mob of feminists at a recent protest attacking and sexually molesting a group of Rosary-praying Catholic men who were peacefully protecting the cathedral in the city of San Juan from threats of vandalism. [http://youtu.be/fOCD\\_T9Qqpc](http://youtu.be/fOCD_T9Qqpc)

The women, many of them topless, spray-painted the men's crotches and faces and swastikas on their chests and foreheads, using markers to paint their faces with Hitler-like moustaches. They also performed obscene sexual acts in front of them and pushed their breasts onto their faces, all the while shouting "get your rosaries out of our ovaries."

According to InfoCatolica, some of the women chanted a song, with the lyrics: "To the Roman Catholic Apostolic Church, who wants to get between our sheets, we say that we want to be whores, travesties and lesbians. Legal abortion in every hospital." <http://infocatolica.com/?t=noticia&cod=19275>

During the attack some men were visibly weeping. None of them retaliated against the abuses heaped on them.

While the site of the protest was the front of the cathedral, InfoBae reports that "the whole city awoke to graffiti in favor of abortion."

*'All property is common property. The owner is bound by the people and the Reich to the responsible management of his goods. His legal position is only justified when he satisfies this responsibility to the community. '*

**Ernst Huber, official Nazi Party spokesman, 1933:  
Nazi Land Philosophy:**

Inside the cathedral, 700 people were also in prayer accompanied by their bishop Mos. Alfonso Delgado.

After unsuccessfully trying to get into the building, the women burned a human-sized effigy of Pope Francis. "If the pope were a woman, abortion would be legal," they shouted.

The attack took place on Sunday, November 24<sup>th</sup> during the National Women's Encounter, which annually brings together Argentinean feminists who support "women's rights."

The police reportedly told the media they were unable to intervene because "they are women."

The parish priest Fr. Rómulo Campora said to the *Diario de Cuyo* that "the burning of the image of Pope Francis is an offense, not just to the Church but to every Argentinean because the pope is Argentinean."

Praising the men who defended the church, he said: "San Juan loves its God, loves its faith, loves its family."

He lamented the damage done to the cathedral and concluded that "if they don't respect life, we can't expect them to respect the buildings."

The National Women's Encounter takes place every year in different Argentinean cities, sponsored by the Department of Culture as a "social interest" event.

According to the Argentinean pro-life site *ArgentinosAlerta.org*, this is not the first time that the feminists wind up in public violence against churches and Catholics.

In past protests, the cathedral of Bariloche, Paraná and Posadas have also suffered damages from these groups.

"These encounters of women represent today's civilization that seeks to impose it's own rules," reads the site.

"On one side, they try to impose political agenda that international organizations dictate: population control, abortion, contraception, homosexuality. On the other side, they become barbaric in the most literal sense."



## **Agenda 21 Coming to a Neighborhood Near You**

by Paul Roy on November 24, 2013. <http://guardianlv.com/>

This is neither the website nor is it affiliated in any way with Guardian News & Media.

Is Agenda 21 coming to a neighborhood near you? Is there a vast conspiracy by the UN to gain control of the world's food supply? Has power gone to the heads of local government? Some people in Miami Shores, FL probably think so after the city has fined a local couple for breaking the law. What law? The one which says they can't plant a vegetable garden in their front yard. While the "A" word hasn't been mentioned as the reason could it be behind this nefarious act?

Hermine Ricketts and Tom Carroll, a married couple, have gardened in their front yard for the past 17 years, but this year they were told they would have to remove it or face fines of \$50 for every day they kept it. The couple decided to dig up the garden instead of paying the fine but have now begun a lawsuit against the city. The law was put in place in order to keep the "the distinctive character of the Miami Shores Village," and interestingly enough it doesn't ban that iconic Florida staple, the plastic pink flamingo from being displayed.

Even though the couple would be allowed to grow their veggies in their backyard, which is allowed by the law, they say



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there isn't enough sun for them to grow. The couple shared they have never received previous complaints. According to the Watchdog site, there have been other similar lawsuits in other parts of the country as well including California, Tennessee, Michigan and Oklahoma.

For those who don't grow their own vegetables and think this is just another frivolous lawsuit, it really isn't. If the city of Miami Shores can do something like this then what could be next? What else could they ban? This is exactly what the couple will be suing over, their right to privacy as protected by the United States Constitution and more broadly by the Florida State Constitution. According to Ari Bargil of the Institute of Justice, the non-profit legal group representing the FL couple the lawsuit isn't about money but rather that the law is unconstitutional.

There is growing concern throughout the country that local governments are attempting to take control of private property in their communities. For years now many US citizens have been concerned about "Agenda 21," a voluntary initiative by the United Nations enacted to help with sustainable development and other "green" projects. Opponents of Agenda 21 believe this is an effort on the part of the UN to take control of the world through controlling all land and what people can do with it. It has long been known that whoever controls the world's food and energy supplies, can rule the world.

Those who believe this is the case with Agenda 21 are slowly gathering evidence to confirm its existence, as more and more land control cases are coming forward everyday. According to the opponents, local governments are influenced by groups using various innocent sounding names and employing deceptive means to get what they want. They also believe these local boards and leaders (<http://guardianlv.com/2013/11/agenda-21-coming-to-a-neighborhood-near-you/#>) may not even realize they are part of this effort to control the use of private property. It also appears the Obama administration is helping the UN along with their agenda by signing treaties such as the recent UN Small Arms Treaty which bans the trading of small arms.

There is also a concern by many that large agricultural companies such as Monsanto are working to control food production for profit (<http://guardianlv.com/2013/11/agenda-21-coming-to-a-neighborhood-near-you/#>) motives, eliminating all competition would certainly be a part of this. Some believe Monsanto is using genetically modified foods (GMO) to control the population, to keep farmers in virtual slavery by controlling all resources and technology related to farming leading to a destruction of the environment. Interestingly enough, some of the people who are supporters of Agenda 21 are the same ones who protest most loudly against Monsanto and GMOs.

Is this case in Florida, part of this vast conspiracy to bring Agenda 21 to your community or is it just about a city who doesn't want people to grow gardens in their front yards? Is it part of a plan to control the world's supply or of the large agricultural companies to gain control of all agriculture production in the United States and the world? It is certainly something to think about.



## **New Smoke Regulations Open House**

The State DEC has come out with their proposed Air Quality Regulations. There will be 125 days to give public comment, the next open house in Fairbanks is scheduled for **Wednesday, January 8th, from 5 to 7 pm at the Westmark in the Minto Room**



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## **Grand Illusion: Social Security Is a Government Insurance Program**

Gary North - December 11, 2013 <http://www.garynorth.com/public/11875.cfm>

I received this email from a self-professed fan. But in his note, he felt obliged to add this:

I do take one strong exception to your statement that Social Security is the largest Ponzi scheme ever. Social Security is an insurance policy. We pay real money to receive real benefits. It currently has over 2 trillion dollar surplus. And, if we simply remove the cap so that the wealthy continue to pay in at the same rate as everyone else, it will be solvent for all time.

So, instead of painting yourself as one of the few intellectual right-wing extremists out there, why don't you use your obvious intellect and be honest about Social Security instead of parroting Fox News talking points?

It never ceases to amaze me that there is anyone out there who still believes any of this. At the age of 17, in 1959, I was taught the truth in a high school civics class. The program is not funded in terms of any insurance program.

First, the Supreme Court of the United States in 1960 declared that the Social Security program is not an insurance program. The case was *Fleming v. Nestor*. On the Social Security website, we read this.

There has been a temptation throughout the program's history for some people to suppose that their FICA payroll taxes entitle them to a benefit in a legal, contractual sense. That is to say, if a person makes FICA contributions over a number of years, Congress cannot, according to this reasoning, change the rules in such a way that deprives a contributor of a promised future benefit. Under this reasoning, benefits under Social Security could probably only be increased, never decreased, if the Act could be amended at all. Congress clearly had no such limitation in mind when crafting the law. Section 1104 of the 1935 Act, entitled "RESERVATION OF POWER," specifically said: "The right to alter, amend, or repeal any provision of this Act is hereby reserved to the Congress." Even so, some have thought that this reservation was in some way unconstitutional. This is the issue finally settled by *Flemming v. Nestor*.

In this 1960 Supreme Court decision Nestor's denial of benefits was upheld even though he had contributed to the program for 19 years and was already receiving benefits. Under a 1954 law, Social Security benefits were denied to persons deported for, among other things, having been a member of the Communist party. Accordingly, Mr. Nestor's benefits were terminated. He appealed the termination arguing, among other claims, that promised Social Security benefits were a contract and that Congress could not renege on that contract. In its ruling, the Court rejected this argument and established the principle that entitlement to Social Security benefits is not contractual right.

<http://www.ssa.gov/history/nestor.html>

Second, there is no money in the Social Security Trust Fund. There is merely a stack of IOUs issued by the Treasury Department. The SSA says of these assets,

By law, income to the trust funds must be invested, on a daily basis, in securities guaranteed as to both principal and interest by the Federal government. All securities held by the trust funds are "special issues" of the United States Treasury. Such securities are available only to the trust funds. **THE WOODSHED PAGE 6**

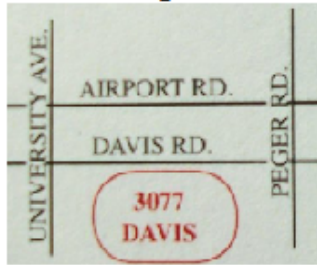
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There is no money in this fund. The government has spent every dime.

Tax income is deposited on a daily basis and is invested in "special-issue" securities. The cash exchanged for the securities goes into the general fund of the Treasury and is indistinguishable from other cash in the general fund. <http://www.ssa.gov/oact/progdata/fundFAQ.html#a0=1>

These IOUs are not money. To get money to pay beneficiaries, the SSA must turn in some of those IOUs to the Treasury. The Treasury must then use money out of the General Fund to pay the SSA its money. If we do not count interest paid by the General Fund, the Social Security System is now in a massive deficit position, and this will accelerate in 2019. The Trustees' Report for 2013 says this.

The deficit of non-interest income relative to cost was about \$49 billion in 2010, \$45 billion in 2011, and \$55 billion in 2012. The Trustees project that this cash-flow deficit will average about \$75 billion between 2013 and 2018 before rising steeply as income growth slows to the sustainable trend rate after the economic recovery is complete and the number of beneficiaries continues to grow at a substantially faster rate than the number of covered workers. <http://www.ssa.gov/oact/trsum/>

Third, my critic says that the rich should be taxed more. Because of the graduated income tax, money paid into the General Fund is paid mostly by rich people. The income tax system extracts 106% of the income from taxpayers in the top 40% of income. People in the bottom 40% receive free money from the government. They pay no income taxes. This is reported by the Congressional Budget Office.

<http://cnsnews.com/news/article/terence-p-jeffrey/cbotop-40-paid-1062-income-taxes-bottom-40-paid-91-got-average-18950>

My critic is typical of Tea Party supporters above the age of 65. He wants his welfare, and he wants to soak the rich to make sure he gets paid. This is the second-largest welfare state program in history, after Medicare, and he thinks it is a wonderful thing. He thinks he has both a moral and legal claim on other people's money. He hates the welfare state . . . except that portion of it which subsidizes him with other people's money. He has tens of millions of welfare recipients on his side. This is why the costs will grow, the deficits will grow, and the Social Security system will eventually go belly-up, taking with it a generation of fools who do not understand that government IOUs are not money, and political promises are not an insurance program.

Social Security, Medicare, and Medicaid are why the federal government is steadily going bankrupt. The disparity -- unfunded liabilities -- between what the politicians have promised the voters and what must be paid out is around \$200 trillion in present value. This is why, at some point, younger voters are going to send Congressmen to Washington with this command: "Stiff the geezers!" That is exactly what Congress will do. <http://bit.ly/Kotlikoff222>

I say: "The sooner, the better." And I'm one of the geezers.



"Life is either a daring adventure or nothing. Security does not exist in nature, nor do children of men as a whole experience it. Avoiding danger is no safer in the long run than exposure." -Helen Keller



**Federal Protective Service Police** October 26, 2013 Grand Junction Colorado.

Author: E-mail submission

I was about to park, I saw this vehicle, so I quickly got out of my car and took a picture as it drove by. As the driver saw me do this, he slammed on the brakes, and asked, "Do you have a problem?" To which I replied, "Just taking a picture. Is that illegal now?" He then eked forward a few feet and stayed there in the middle of the road for about a minute and a half until a car approached him from behind, forcing him to move... This, ladies and gentlemen, is the FEDERAL POLICE FORCE (or Federal Protective Service, or United States Secret Service Uniformed Division).



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