

Biblical Money - Part I

"The safety of any man's property in our days is dependent upon the wisdom of his neighbors, the ideas that they entertain about such things as money and economics."^{i[1]}

Mark Anthony was a brilliant general. He was the heir apparent to Julius Caesar and upon the death of Caesar controlled the better part of the Roman Empire. His rival, Octavian (later to be known as Augustus), the adopted son of Caesar, didn't stand a chance in real battle. But Mark Anthony was financially bankrupt. He was forced to resort to "deficit financing". He corrupted the currency by replacing gold and silver coins with "slugs" of common metal (much like U.S. coins after 1964!).

Octavian, on the other hand, understood something of economics. His grandfather had been a banker at Velitrae, in Latium.^{ii[2]} Knowing Anthony's desperate financial condition, Octavian stalled for time. Anthony's troops began to rebel. Octavian pressed his advantage by sending spies among Anthony's army offering payment in gold rather than slugs. Anthony lost the battle of Actium (along with his life and the Empire) due to economics and bad money.

What Is Money?

This question is seldom asked by Christians today (since we never learned the lesson of Mark Anthony). Most often the Christian community has accepted uncritically our pagan culture's system of debt-based paper money, never considering whether or not there could be some theological significance to the nature of money. Yet, the nature of money is one of the most basic and critical questions in all of economics, pagan or Christian. Ultimately, the answer to this question will determine our ability to be good stewards of the wealth that God has entrusted to us.

As our *Economics From Two Perspectives* diagram on page 58 of our book **The Parousia Strategy** illustrates, money is one of the six foundation blocks of a biblical economy. Without a proper view of money, personal freedom (i.e., political freedom) and the integrity of personal property (i.e., economic freedom) cannot be maintained. When a nation abandons biblical money it is *launching an attack upon personal freedom and personal property*.

Economists tend to define money narrowly in terms of its characteristic uses. The following is a summary of the most commonly recognized characteristics and uses of money.

1. **Money is a Medium of Exchange.** In order to qualify as money an item or commodity (since historically all money began as a commodity in trade) must be generally and widely recognized as valuable and accepted as a medium of exchange between willing buyers and sellers in a freely operating market. According to most economists a medium of exchange traditionally possessed five (5) characteristics that qualified an item to serve as a medium.^{iii[3]}

a. *Divisibility.* This meant that the item could be reduced to smaller pieces or units for individual transactions without destroying its value.

b. *Portability.* This refers to the mobility or transportability of the item.

c. *Durability.* An item that is to serve as a medium of exchange must be able to endure the rigors of constant wear without rapidly diminishing in value.

d. *Recognizability.* A medium of exchange must be widely recognized as valuable.

e. *Scarcity*. This means that an item is scarce and valuable in relation to its volume and weight (i.e., a little is worth a lot).

2. **Money is a Standard of Account.** True money must be able to serve as a yard stick for measuring financial transactions. This was the role of the *shekel* in the Old Testament, the *talent* in the New Testament, and the *dollar* in modern times. The *shekel* was equal to approximately 11.5 grams while the dollar was equal to 26.73 grams (of 90% silver).

3. **Money is a Store of Value.** True money must consist of an asset that holds its value over time. It must be as valuable for the son as it was for the father. In a modern economy *money represents the stored time and labor of the worker*. Money allows the worker to "save" his "excess labor" for future consumption. If money does not hold its value over time it is equivalent to stealing the time and labor of the worker.

For over 4,000 years of recorded economic history precious metals, specifically gold and silver, have been successfully used as money. From the earliest pages of Scripture right up to the modern era silver and gold have been recognized and accepted as mediums of exchange, standards of account, and stores of value. These metals are assets which, at the same time, are not someone else's liability.^{iv[4]} The most prosperous periods of western civilization have been periods of gold and silver money, while the most financially unstable and disastrous periods of western civilization have been characterized by the abandonment of gold and silver money.

The American Experience

Perhaps no better example of the impact of biblical money can be offered than the example of American economic history. From 1792 until 1935 the U.S. had a silver dollar that was defined by law as consisting of 371.25 grains of pure silver. This meant that the dollar of the son in 1935 was equal to the dollar of the great_grandfather in 1792. The Consumer Price Index in 1800 stood at 51 (1967=100). After 135 years, in 1935 it had fallen to 41, a *decline of 20%!*

The United States abandoned biblical money based upon silver and gold in 1933 (when gold was recalled or confiscated by Executive Order; the last silver dollar was minted in 1935, but continued in circulation until 1965). At that time a \$20 bill was exchangeable for an ounce of gold in the form of a \$20 gold piece. Today an ounce of gold is worth \$380 (a rise of 1800%), or eighteen \$20 bills. The Consumer Price Index has risen from 41 in 1935 to over 350 in 1989, or an increase of 753% in 54 years. Based upon the value of gold, the dollar of the son in 1989 is worth only 5¢ compared to the dollar of the grandfather after 54 years. The dollar no longer possesses one of the most important characteristics of money, namely, a *Store of Value* over time.

The U.S. dollar is also losing (many economists, including myself, would say that it has already lost) its characteristic as a *Standard of Account*. The dollar is the official reserve currency of the world. Central banks of the world are willing to count dollars, as well as their own currencies, as part of their banking reserves. Many transactions in international trade are contracted for and denominated in dollars. For example, in order to buy a barrel of oil on the international market you must first convert your own national currency into dollars which you may then use to purchase oil. But suppose you were a seller of oil in 1985 and received payment in dollars. If you held those dollars in the bank until December of 1987 the value of each dollar had fallen to only .60¢ in international value. The value of each dollar had plunged by 40% in international markets. Long-term contracts denominated in dollars (such as U.S. Government Bonds held by the Japanese and other foreign investors) also plunged in value. The U.S. dollar, in addition to no longer offering a Store of Value (it lost 40% of its value in only 2 years!), can no longer be relied upon as a *Standard of Account*. After all, who can trust a "yardstick" that was 3 feet long in 1985 and 1 foot, 10 inches long (or short!) in 1987? And who can trust a nation that

was willing to "trash" its own currency in international markets? But how long will individuals and nations be willing to accept as a *Medium of Exchange* a currency that is no longer either a *Store of Value* or a *Standard of Account*?

Roman America?

The abandonment of biblical silver and gold money by the United States has many historical precedents, but we need look no further than the ancient Romans. The Roman Empire, under severe social and military pressure, began to abandon silver money by debasing its coinage under the Emperor Nero (A.D. 64). Under Nero the silver content of the silver *denarius* was 90%. Under Emperor Commodus (A.D. 161) it fell to 70% silver. Under Emperor Septimius Severus it fell to 50%. Emperor Caracalla (A.D. 190) replaced the *denarius* with the *Antoninianus* which was also 50% silver, but by the year A.D. 260 its silver content had fallen to only 5%.^{v[5]} The entire collapse from 90% to 5% silver had taken 196 years (The United States accomplished the same feat in only one year, from 90% silver coinage in 1964 to 0% silver in 1965. Yes, we managed to out-debase even the Romans!).

The impact upon the Roman economy was dramatic:

"The government mints issued unprecedented quantities of cheap coin; in many instances the state compelled the acceptance of these at their face value instead of their actual worth (today this is called "legal tender laws"), while it insisted that taxes should be paid in goods or gold. Prices rose rapidly; in Palestine they increased one thousand percent between the first and third centuries (remember, prices increased 753% in the U.S. from 1935 to 1989!); in Egypt inflation ran out of control, so that a measure of wheat that had cost eight drachmas in the first century cost 120,000 drachmas at the end of the third. Other provinces suffered much less; but in most of them inflation ruined a large part of the middle class, nullified trust funds and charitable foundations, rendered all business discouragingly precarious, and destroyed a considerable portion of the trading and investment capital upon which the economic life of the Empire depended."^{v[6]}

The debasement of its silver coinage by the Roman government had the result of driving good coinage out of circulation. In a classic example of "Gresham's Law" (that bad money will always stay in circulation while good money will be hoarded) Romans began saving their pure gold and silver coins and spending the debased money as quickly as possible.

"The state of things(in the Roman Empire after Gallienus) at last induced capitalists to hoard their coins of pure gold and silver for better days; and as these better days did not occur, all memory of many hoards was lost, and the buried treasures, consisting of select coins, have often remained concealed until the present time. Thus the frauds of the Roman Emperors have filled the cabinets of collectors and the national museums of modern Europe with well_preserved coins."^{v[7]}

When the United States government removed silver from its coinage in 1965 the public immediately began observing Gresham's Law. Silver coins began disappearing from circulation as individuals chose to save their silver coins and to return the new "clad" coins into circulation. Bad money, once again as in the days of Rome, drove good money (silver coins) into hiding. American economics had "advanced" back to the days of pagan Rome. Mark Anthony would have been proud.

Money As An Instrument of Dominion

There is a fourth and critical characteristic of money that economists(even Christian economists) often overlook or ignore. From the perspective of biblical economics money is an *instrument for exercising godly dominion*. When biblical economics and biblical money are

abandoned, money becomes an instrument in the hands of autonomous government *for exercising ungodly domination* (or control) over the lives and economic affairs of its people.

The concept of money as a means of exercising godly dominion can be found in Deuteronomy 23:19-20, *"You shall not charge interest to your countryman; interest on money, food, or anything that may be loaned at interest. You may charge interest to a foreigner, but to your countryman you shall not charge interest."*

These verses suggest that the righteous will exercise dominion over the unrighteous by means of economic activity, namely, lending and interest. This concept is repeated in Deuteronomy 28:12-13, *" . . . and you shall lend to many nations, but you shall not borrow. And the Lord shall make you the head and not the tail, and you only shall be above (dominion), and you shall not be underneath (domination)."*

The principle is really quite simple. If the godly are debt free and use their accumulated wealth (in the form of biblical money, silver and gold) to lend to the ungodly, then the ungodly will eventually become the servants of the godly (i.e., in service to the righteous laws of God, cf.. Proverbs 22:7). This principle is often referred to as the Economic Golden Rule: *He who has the gold makes the rules!*

But what happens when a nation or a civilization abandons biblical economics and biblical money? Then money in particular and economics in general becomes an instrument in the hands of autonomous (law-unto-itself) government for exercising ungodly domination. This reality is clearly described in Revelation 13:16-17.

"And he causes all, the small and the great, and the rich and the poor, and the free men and the slaves, to be given a mark on their right hand, or on their forehead, and he provides that no one should be able to buy or to sell, except the one who has the mark, either the name of the beast or the number of his name."

The primary emphasis of these verses is not eschatological. The emphasis is primarily economic. The "mark" of Revelation 13:16 is a form of economic control that prevents individuals (from all economic and social walks of life) from engaging in the normal economic activities of buying and selling activities which involve the use of money. To control money (and all economic activities which require the use of money) is to control people! Every government in every age that has abandoned biblical money was a Revelation 13 government that was seeking to exercise ungodly domination over the lives of its people through the control of money and economic activity. When a nation or government abandons biblical law, biblical economics, and biblical money the economic and monetary system of that nation becomes a tool in the hands of the ungodly to exercise ungodly domination over the lives of its citizens in accordance with the covenantal curses of Deuteronomy 28:43-45.

There is a God-ordained order in the world, including a monetary order. This order proceeds from the person of God, the Creator, is recorded in His written Law Word, and is taught in specific detail in His Law. The professional secular economist may not take the Bible and its God-ordained order seriously, but the Christian must! The Christian is called upon to evaluate all of life in terms of God's Word and to restore all aspects of God's creation using Scripture as his corrective lens and blueprint.

Deuteronomy 28 teaches that a clear economic choice faces every people, every nation, and every civilization (the universality of God's law is also seen in the O.T. book of Jonah which records the ministry of a Hebrew Prophet to the non-Hebrew, pagan city of Ninevah, capital of the Assyrian Empire). On the one hand, we can submit to the Law-Word of God, obeying biblical principles of economics and money and receive the blessings of personal dominion, including the

maximization of personal freedom (political blessing) and personal property (economic blessing). On the other hand, we can reject the Law-Word of God, ignoring biblical principles of economics and money, and experience the curses of increasing State domination (leading to a Revelation 13 government) including the loss of personal freedom (political curse) and the loss of personal property (economic curse).

Religion And Economics?

This dichotomy between biblical government (Romans 13) and what can only be described as occult government (Revelation 13) leads us to the inherently religious nature of economics. The idea of a non-religious, neutral and secular system of economics is a myth. Government and economics, by their very nature, are religious. The distinction between Romans 13 and Revelation 13 means that the issue is not religion versus non-religion, but rather which set of religious presuppositions will form the basis for our money and economics.

Even the ancient Romans recognized that money requires theological sanction and protection. The very word "money" is derived from "Monetas", another name for the Roman goddess Juno. In her temple was kept the die from which coins were struck. A coin struck from that die, in the temple of Monetas, was called "money".^{viii[8]} Ancient temples also served as the first banks or depositories.

In his massive 800 page work, ***Secrets of the Temple: How the Federal Reserve Runs the Country***, William Greider offers a candid analysis of the religious nature of competing systems of money and economics.

"Every important economic theory, one could say, relied upon an unstated subtext drawn from religious convictions. To declare correct principles for the functioning of the economy, one would first have to make certain assumptions about the larger nature of life itself_about God's purpose and humanity's obligations and the moral law that derived from the relationship of deity and mortals. Monetarists, for instance, assumed an immutable natural order, knowable limits that worldly existence imposed on human behavior and predictable penalties for folly and error. The money rule was described as a golden mean: a society that faith fully adhered to it would enjoy the maximum of what was possible in life. If society strayed too far from its path, like Icarus daring to fly too close to the sun, disorder and retribution would result. The advocates of gold relied upon divine authority to enforce this natural order. If humankind pledged obedience to God's indestructible metal, it would be rewarded with an eternal assurance of stability. Both doctrines, gold and monetarism, were expressions of pre-modernist fundamentalism, simple and certain moral formulas for life, and their certitudes had deep appeal, especially in anxious times.

In this context, Keynes and his followers were the heretics. They were secular humanists who climed that men and women could responsibly manage human affairs for themselves. They were rationalists who dismissed the "old_time religion" and its false moral commandments. Universal human pleasure, Keynes announced, did not require a requisite measure of Calvinistic pain. It required the application of human intelligence."^{ix[9]}

It is interesting, indeed it is disappointing, that a secular author such as Greider can accurately perceive the inherently religious nature of economics while many so-called "Christian" economists insist upon a strict neutrality in economic affairs! But there is no economic neutrality! The biblical mandate, properly understood, is simple and clear. Because Jesus Christ is the absolute Lord of every area of life, including economics, and because we are commanded to take every thought captive to the obedience of Christ (II Corinthians 10:5), there can be no neutrality, no separation between religion and economics. Every economic theory and every theory concerning money ever offered has been based upon religious assumptions. The only issue left to be decided is which religion, biblical (Romans 13) or occult (Revelation 13).

Three Theological Characteristics of Money

The religious nature of economics in general and money in particular can be better understood by recognizing the three theological characteristics of money. The pagan economist must either ignore or deny these characteristics, since to recognize them would mean acknowledging the religious presuppositions of his own system.

1. **Omnipotence.** Historically, money has always been the most liquid form of *commodity wealth* recognized within an economic system. Hence, the ability to "create" money represents the ability to "create" wealth. Because creation is a divine function of omnipotence, the claim to create money (which is, today, interchangeable with wealth) is a *claim to possess divine omnipotence*. When the state creates fiat^{x[10]} paper (or credit) money it is thereby claiming to be god, possessing the power to create wealth out of nothing.

2. **Sovereignty.** This concept, often confused with omnipotence, has to do with *control or providence*. In biblical terms providence or sovereignty belong to God Who rules in the affairs of men, including their economic affairs. It was this providential provision or economic sovereignty that Jesus described in Matthew 6:26-33. But when the state claims omnipotence in the creation of money it must also exercise sovereign providence by deciding to create more when it deems more is necessary and withholding money when it deems that less is appropriate. Economic providence with respect to money now resides in the modern state.

3. **Ethics.** The God of Scripture protects the integrity of His money system with ethical commands, prohibitions, and punishments regarding its use and misuse. So too, the omnipotent state claims the power to establish ethical right and wrong by circumscribing its fiat money with moral boundaries which prohibit such desecrations as defacing or counterfeiting. And since the money now belongs to the state rather than to God, sin in the monetary sphere is now sin against the state, not God.

In the light of these theological characteristics of all money systems, a Christian cannot advocate anything other than a specifically biblical system of money and economics. To do so is to deny the lordship of Christ over a particular area of life (namely, money and economics), and to advocate obedience to some other god, the modern equivalent of Baal worship. Since economics is inherently religious, to advocate anything other than a biblical economy and biblical money is to proclaim the lordship of some other god. It is idolatry, pure and simple.

Finally, the theological characteristics of money and the inherently religious nature of economics lead us to one final but important conclusion. Whenever a nation changes its system of money and economics it is also declaring a change of religious beliefs. A nation that is apostate in its money is also apostate in its theology. There can be no division of the two, or the acceptance of one without the acknowledgment of the other. Ideas, especially theological ones, have their inevitable consequences, even upon the realm of money and economics.

What Is Money?

Our search for an answer has brought us back to the original question. In a very real and inescapable sense the question "What is money?" can only be answered in religious terms. Therefore, in order to determine what will be (or is) money in an economy one must ask a theological question first, "Who is God?" because it is the god of a civilization that "creates" its money.

If we refer again to the ***Economics From Two Perspectives*** diagram on page 62 we see this relationship illustrated. In a biblical economy all economic activity originates with God, the Creator, who exercises the rights of creation ownership. Because God exercises the rights of

creation ownership, He also has the authority to determine man's role in the economy (Work), determine how creation wealth is to be acquired (Wealth Thru Productivity), and determine the nature of money. In this sense the nature of money, stable and honest commodity money (such as gold and silver) is determined by the nature of God (Faithful/Stable and Truthful in all of His dealings) and is demonstrated in His written Law-Word (see the following chapter on Biblical Money). The purpose of money in a biblical system goes beyond traditional definitions to become a tool for the Christian to accomplish the will of God and to experience the dual covenantal blessings of political freedom and economic freedom (see Deuteronomy 28 and Leviticus 26).

When a civilization abandons a biblical economic system, the state must fill the vacuum created by God's departure. All economic activity now originates with the state (centralized planning now replaces the will of God), which has usurped God's rights of creation ownership. The state now claims God's authority to determine man's role in the economy (Man Is A Consumer), how creation wealth is to be acquired (Wealth Thru Borrowing And Debt), and to determine the nature of money (debt-based inflationary paper money). The nature of money in the humanistic system (unstable debt-based paper money) reflects the nature of the new god, the state (unstable and unfaithful in all its dealings), that created it. The purpose of money in the statist system goes beyond merely providing a medium to purchase milk, baloney and bagels. It now becomes a tool for the state to accomplish its will over the lives of its people (domination). The theological result is that the society will eventually experience the covenantal curses for disobedience, namely political and economic slavery (again, see Deuteronomy 28 and Leviticus 26). As the above diagram illustrates, the comparison between the two competing and incompatible systems is complete and inescapable. The theological lesson in the realm of money and economics is clear, "Choose for yourselves today whom you will serve . . ." (Joshua 24:15).

^{i[1]} Norman Angell, ***The Story Of Money*** (Garden City: Garden City Publishing, 1929), p.5.

^{ii[2]} Will Durant, ***The Story of Civilization*** (New York: Simon & Schuster, 1944), Vol. 3, ***Christ And Caesar*** (1944), p. 200.

^{iii[3]} Gary North, ***Honest Money*** (Ft. Worth: Dominion Press, 1986), p. 13.

^{iv[4]} R.A. Lynden, ***The Curse of Credit*** (London: Longmans, Green, & Co., Ltd., 1937) p.ix.

^{v[5]} Will Durant, ***The Story of Civilization*** (New York: Simon & Schuster, 1944), Vol. 3, ***Christ and Caesar*** (1944), p. 632.

^{vi[6]} Ibid.

^{vii[7]} George Finlay, ***A History of Rome From Its Conquest by the Romans to the Present Time*** (London: Oxford University Press, 1877), Vol. I, p. 52.

^{viii[8]} Paul Bakewell, ***What Are We Using For Money*** (New York: Van Nostrand Company, Inc., 1952), p.2.

^{ix[9]} William Greider, ***Secrets of the Temple*** (New York: Simon & Schuster, 1987), p. 420.

^{x[10]} The word *Fiat* is from the Latin *feri*, meaning "Let it be done" and is found in the Latin Vulgate translation of the Genesis creation account as God spoke the world into existence.

Biblical Money - Part 2

Silver and Gold In The Bible

Silver As Money In The Old Testament

When we open the pages of Scripture we find a fully functioning economy, including money, the historical origins of which we are never given in any detail. The first financial transaction involving money is found in Genesis 17:12 where Abraham is commanded by God to circumcise every servant "*who is bought with money . . .*". The word translated "money" is ***keseph*** which is the Hebrew word for silver (literally, "the pale metal").

This word occurs some 396 times in the Old Testament. Of those 396 times at least 187 (or 47%) of them can be readily identified as actual financial transactions where silver is being used as money (either in payment or in exchange). A few examples will suffice to illustrate (see the Word Study at the end of this chapter for greater detail):

1. Abraham bought the field of Machpelah for 400 shekels of silver (Genesis 23:16).
2. Joseph's brothers sold him into slavery for 20 pieces of silver (Genesis 37:28).
3. Joseph's brothers bought grain in Egypt with silver (Genesis 42:25, 27, 28, 35 43:12, 15, 18, 21, 22, 23).
4. The Egyptians brought silver to Joseph in order to buy grain (Genesis 47:14-16).
5. Silver was used to make financial valuation and compensation in the Law (Exodus 21:11-35; Leviticus 27:3-18).
6. The charging of interest on loans of silver was prohibited by the Law (Leviticus 25:37).
7. The Israelites bought food and water with silver during their wilderness wandering (Deuteronomy 2:6, 28).

In terms of usage it can be safely asserted that *few financial transactions* involving money occur in the Old Testament without the use of silver (see the examples of Gold As Money). Silver was the principle money of the Old Testament world. The use of silver as money (as the everyday medium of exchange) was not the result of any government mandate, decree, or "legal tender" law (as is the case with our paper money today). It was the product of a freely operating market of willing buyers and sellers. The Law of God accepted silver as money and based its various financial commands and proscriptions upon a system of silver money.

Silver As Wealth

In addition to silver used as money, silver was also used as a sign and store of wealth. Genesis 13:2 we read that "*Abram was very rich in livestock, in silver and in gold.*" The use of silver as a sign and store of wealth occurs some 82 (21% of the total) times.

Silver as money and silver as wealth account for 269 (or 68%) of the total occurrences of silver in the Old Testament. The remaining 127 occurrences are divided between silver as an

ornamental metal (112 times) in jewelry, utensils, or idols, and silver used as an illustration (15 times), such as Proverbs 10:20, "*The tongue of the righteous is as choice silver.*"

All of the uses of silver in the Old Testament presuppose its widely accepted value. The value of silver is so widely recognized throughout the Old Testament that it is often difficult to isolate passages involving silver as money (i.e., actual financial transactions where silver money changes hands for goods~ from passages involving silver as stored wealth or as an ornamental metal. For example, an article of silver jewelry or a silver utensil could either be traded as money or melted down to be used as money (bullion). Although the silver article or utensil is ornamental in use, it is also a *store of wealth* that could be used as money when needed. The same is true of a silver ring or ear ring. Although ornamental in form they also represent a *store of wealth* that could be used as money. Hence, silver was widely recognized as being valuable in financial trade, valuable in ornamentation, and valuable in worship (see the silver fittings of the temple in Exodus and Numbers).

Silver By Weight

The question now arises as to the form that silver took as money. Coinage as we know it today did not develop until the 6th century B.C. The *shekel* of Genesis 23_16 was not a coin. It was a *measure of weight*. We read that "*Abraham weighed out for Ephron the silver which he had named in the hearing of the sons of Heth, four hundred shekels of silver, current standard.*"

The shekel of Abraham's day (circa 2000 B.C.) was equal to approximately .4 ounces (or 11.5 grams). So Abraham paid Ephron approximately 160 ounces of silver. The silver was simply weighed out on a scale using an appropriated counterbalance weight. If the merchant (seller) wanted to cheat he would use a false weight. A heavier weight would mean that the buyer would *pay more* than the agreed upon price. This is why Scripture condemns false weights, balances, and measurements (Leviticus 19:35_37; Deuteronomy 25:13_16; Proverbs 11:1; 20:23; Ezekiel 45:10). If the *buyer* wanted to cheat he could melt his silver and add base metals or alloys (called "dross") to dilute the purity (and, therefore, the value) of the silver. This is known as debasement. We find a condemnation of debasement in Isaiah 1:22 & 25.

The Scriptural prohibitions and condemnations surrounding false weights and debasement are critical to a proper understanding of biblical money. *From a Scriptural perspective the treatment and use of money is a moral theological issue.* To cheat in monetary standards and transactions by means of a false balance or debasement is to violate God's Law. Hence, *any nation or individual that tampers with or alters its monetary standard is an apostate person or nation.*

Biblical economics and biblical money rest upon self-governing individuals who submit themselves in obedience to the Law of God. Biblical money, silver, measured by purity (to prevent debasement) and by weight (upon honest scales) limited both the sinful tendencies of individuals and the power of the government to interfere with or control individuals by tampering with the system of money. The individual, living in submission to God's economic laws, would experience the blessings of Deuteronomy 28 which included personal prosperity (economic blessing) and personal freedom (political blessing).

Debt And Biblical Money

In a biblical economy based upon silver money the long_term economic trend will be *deflation* or *falling prices*. Indeed, this was the experience of the American economy from 1814 to 1853, when the Consumer Price Index (CPI) fell from 63 to 25. It also occurred from 1864 to 1901 when the CPI fell from 47 to 25. The reason is simple. If the money supply remains level while

personal productivity rises (or if productivity rises faster than the supply of money) the cost of production will fall. This will have two effects. First, over time, the general level of prices will slowly decline in the economy. This is called deflation, as opposed to the inflation, or rising prices, which characterizes our modern debt funded economy. Obviously, prices will not decline indefinitely, but they will decline to the point where an equilibrium is reached among consumer demand, maximum worker productivity, and the available supply of money. The second effect is to increase the burden upon debtors. Deflation makes debt more difficult to repay because money is becoming more valuable and more difficult to obtain (This, too, was the American economic experience in the period following the Civil War).

It is within this context of biblical money that the Scriptural admonitions concerning debt and interest must be understood. The primary characteristic of debt in every age is the compounding of interest. A loan of silver means that the borrower must earn enough to live upon (which he wasn't doing or else borrowing would be unnecessary) plus enough surplus to repay the loan. This is difficult to do in an economy where personal productivity is becoming cheaper (wages are remaining constant for more work) and money is becoming more valuable (each unit of money buys more). But if the silver is loaned at an interest rate of 10% (a common rate in the ancient world) *the debt will double in seven years!* If money is borrowed at 10%, and if the economy experiences a 4% *deflation*, the true cost of borrowed money is now 14%! The borrower must now earn a living, earn a surplus to repay the loan principle, and earn an *additional surplus* to repay the interest.

The difficulty of repaying debt in a biblical silver-based economy explains why debt was discouraged, interest upon debt (except for non-Israelites) was prohibited, and slavery for debt was the frequent outcome of borrowing. The seven-year debt release acted as a safety valve to prevent the long-term accumulation of debt that could never be repaid and would result in perpetual slavery for debt (see Deuteronomy 15:1-7)

This also explains why a debt_funded economy (such as all modern economies, including the United States) must eventually abandon silver and gold money. Biblical money, consisting of silver and gold, is incompatible with debt. Not only must a debt funded economic system abandon gold and silver money, *a debt_funded economic system cannot return to silver and gold money without abandoning (or severely limiting) debt.*

Solomon And The Problem Of Unearned Wealth

In I Kings 10:21 we read, *"And all King Solomon's drinking vessels were of gold and all the vessels of the house of the forest of Lebanon were of pure gold. None was of silver; it was not considered valuable in the days of Solomon."*

When money (silver) falls in value it is known as inflation (i.e., the cost of goods rise because your money will buy less). If a biblical economic system utilizing silver (and gold) money *should* experience deflation (falling prices for goods because your money will buy more), why did silver fall in value (i.e., inflation) under Solomon?

The answer is found earlier in I Kings 10:14_15, *"Now the weight of gold which came in to Solomon in one year was 666 talents of gold, besides that from the traders and the wares of the merchants . . . "* We are also told in I Kings 10:22 that Solomon received both silver and gold (see also 10:25). The 666 talents of gold which Solomon received represented *unearned wealth not related to normal business activity*. It probably represented "tribute (tax)" payments made to Solomon by conquered subject nations which recognized his rule.

But if Solomon received 666 talents of gold per year, how much silver did he receive (since we already know that he received both)? In I Chronicles 22:14 we read that David, during his lifetime, accumulated 100,000 talents of gold and 1 million talents of silver to be used in the construction of the temple. This suggests (but doesn't prove) a gold/silver ratio of 10-to-1 (ten ounces of silver per ounce of gold). This is very plausible since a gold/silver ratio of 7-to-1 was quite common in the ancient world. This would suggest that Solomon received 666 talents of gold and roughly 6,666 talents of silver every year in unearned wealth (that is, money received unrelated to the actual quantity of trade or business). The result of this *monetary inflation* was that silver became "*as common as stones in Jerusalem*" (I Kings 10:27).

The simple lesson of I Kings 10:21(ff) is with us even today. Whenever any nation attempts to create and spend unearned wealth (i.e., create credit or print paper money) that is unrelated to productive activity, the result is inflation. The value of money falls and the prices of goods in trade rise. The laws of biblical economics and biblical money have not changed. They are the same today as in the days of Solomon.

When Silver Fails

The primary economic/monetary issue of life is *not* the accumulation of silver or gold. The central economic issue of life is having one's needs met. To the extent that silver (and gold) can accomplish that goal it is valuable as money. But in Genesis 47:13-19 the Egyptians discovered that silver money is useless when it no longer buys grain to eat.

We read in verse 15, "*And when the money (silver) was all spent in the land of Egypt and in the land of Canaan, all the Egyptians came to Joseph and said, 'Give us food, for why should we die in your presence? For our money (silver) is gone (or ceases or faileth)'*". Simply put, you can't eat silver or gold. You must use them to purchase food and other essentials. The Egyptians reached a point during the famine where they had spent all of their silver and yet their need for food was still unmet. At that point *things* became money, including horses, flocks, herds, and donkeys. In short, all commodities became useful as money if they could be exchanged for grain. From an economic perspective this passage illustrates the fact that *all true money exists first as a commodity* which is recognized as valuable and can be traded for other essential commodities (i.e., food). In essence, money is a highly developed form of barter. In times of crisis, as existed in famine ravaged Egypt, the true nature of commodity-money is revealed. In such a desperate situation (either then or now) who would be willing to accept slips of green paper printed with the pictures of dead politicians in exchange for life-saving food? The hungry Egyptians used things to buy grain. But grain became "money" too. Joseph used grain as money to buy ". . . *all the land of Egypt for Pharaoh, for every Egyptian sold his field, because the famine was severe upon them. Thus the land became Pharaoh's*" (47:20).

Silver In The New Testament

The New Testament view of money is virtually identical to that of the Old Testament. The New Testament simply *assumes and builds upon* the economic foundation laid by the Old Testament. The common money of the period was silver, although the advent of official coinage had introduced the use of silver coins in monetary transactions.

There are three New Testament words for silver, each one deriving from the same Greek stem (argur_).

1. **Argurion** literally means "*a piece of silver*" and is usually translated "money". It occurs some 20 times: Matthew 25:18, 27; 26:15; 27:3, 6, 9; 28:12, 15; Mark 14:11; Luke 9:3; 19:15, 23;

22:5; Acts 3:6; 7:16; 8:20; 20:33; I Corinthians 3:12; I Peter 1:18. This was the common New Testament word for money. Consider the following uses.

a. The unfaithful steward hid his master's money ("pieces of silver") in the ground (Matthew 25:18).

b. Judas betrayed Jesus for thirty "pieces of silver" (Matthew 26:15).

c. Jesus told the twelve not to take any money ("pieces of silver") with them on their journeys (Luke 9:3).

d. Simon tried to buy the power of the Holy Spirit with "pieces of silver" (Acts 8:20).

2. **Arguros** means "the white or shiny metal" which was a literal description of silver. It occurs only four times: Matthew 10:9; Acts 17:29; James 5:3; Revelation 18:12.

3. **Argureos** is an adjective meaning "of silver" and denotes an object made of silver. It occurs only three times: Acts 19:24; I Timothy 2:20; Revelation 9:20.

So common was the use of silver as money in the world of the New Testament that when the Apostle Paul wanted to warn Timothy against the dangers surrounding the *"love of money"* the word he chose was *philarguria* (from *philos* - love, and *arguria* - silver), literally *"the love of silver"* (I Timothy 6:10).

Gold As Money In The Old Testament

The first mention of gold in Scripture occurs in Genesis 2:11-12.

"The name of the first is Pishon; it flows around the whole land of havilah, where there is gold. And the gold of that land is good; the bdellium and the onyx stone are there."

Although no mention is made in these verses concerning the use of gold as money the description of gold is important. These verses occur within a passage describing the world prior to the fall of man when the glow of creation was still warm from the handiwork of God. And yet, at such an early and innocent time, before the fall of man, before the rise of governments, empires and vast economies, the Scriptures describe gold as "good".

The Hebrew word for good is *tov*. The word can be variously translated but its essential meaning refers to something pleasant or good, and is often used to describe prosperity, a good thing or something that is a benefit. Within the first two chapters of Scripture gold is singled out for mention as something important, good, prosperous, and beneficial.

There are, in fact, seven Hebrew root words that can be translated "gold". The most important (and the one used in Genesis 2:11_12) is the word **zahav** which occurs some 387 times. The remaining six words occur a total of 69 times.

Examples Regarding The Old Testament Use Of Gold

Upon close examination we discover that the actual use of gold (**zahav**) as money in commercial transactions was rare in the Old Testament world.

1. **Gold As Money:** Less than 20 (or 5%) of the 387 occurrences of *zahav* can be easily construed as involving *gold money* in trade or in payment (and some of these are open to some debate). Unlike silver, gold was simply *not commonly used as money* in the Old Testament World.

a. King Hiram paid Solomon 120 talents of gold in exchange for twenty cities in Galilee (I Kings 9:14).

b. Naaman the Syrian took six thousand shekels of gold in order to purchase the services of Elisha the Prophet (II Kings 5:5).

c. King Hezekiah paid the King of Assyria thirty talents of gold as tribute for leaving the land of Israel (II Kings 18: 14) .

d. King David paid Ornan the Jebusite six hundred shekels of gold in order to purchase the threshing floor of Ornan (I Chronicles 21 :25) .

2. **Gold As A Store Of Wealth:** Approximately 103 occurrences of *zahav* (or 27 involve the use of gold as a sign and store of wealth. Consider the following.

a. Abram's wealth included livestock, silver, and gold (Genesis 13:2) .

b. Balaam told King Balak of Moab that he could not curse Israel even if Balak paid him "his house full of silver and gold" (i.e., all of his wealth, see Numbers 22: 18).

c. Gold is included with silver, herds, and flocks as that which constitutes wealth (Deuteronomy 8: 13, 1:7, 18),

3. **Gold As Metal And Ornamentation:** The use of gold (*zahav*) as an ornamental accounts for 250 or 65% of its Old Testament occurrences. The scarcity and, therefore, the value of gold made its ornamental use a sign of devotion (in religious ornamentation) or a sign of great wealth and opulence (hence, Solomon's use of gold for shields and drinking vessels in I Kings 10:16, 17, and 21).

a. Gold was widely used for ornamentation in the fittings and furniture of God's tabernacle (and later the temple, see the Exodus passages in the Word Study).

b. Golden images were offered as a guilt offering to the God of Israel by the Philistines (I Samuel 6:4, 8, 11, 15, 17, 18).

c. David captured the golden shields of Hadadezer, King of Zobah (II Samuel 8 :7~, and Solomon made shields of gold (I Kings 10:16).

d. All of Solomon's drinking vessels were made of gold, an indication of his great (although unearned) wealth (I Kings 10:21).

These verses are only a few examples of the 250 verses which deal with gold as an ornamental metal. But even ornamental gold (as we saw with ornamental silver earlier) is a sign and store of wealth, since gold shields, vessels, and utensils could be melted and used as money. This is why the temple in Jerusalem was sacked and robbed by invading armies such as Shishak (I Kings 14:25_26) and Nebuchadnezzar (II Kings 15:25).

4. **Gold As Illustration:** The use of gold as an illustration occurs roughly 14 times (or 3%), as in Proverbs 11:22, "As a ring of gold in a swine's snout, so is a beautiful woman who lacks discretion.

Gold In The New Testament

There are three New Testament words for gold, each one deriving from a common Greek stem (krus_).

1. **Kruseos** is an adjective meaning "golden" and denotes an object made of gold. It occurs 18 times in the New Testament, 15 of which are in the book of Revelation: II Timothy 2:20; Hebrews 9:4; Revelation 1:12, 13, 20; 2:1; 4:4; 5:8; 8:3; 9:13, 20; 14:14; 15:6, 7; 17:4; 21 :1.5. *The use of kruseos is strictly ornamental in nature. This word is never used with reference to money in the New Testament.*

2. **Krusos** is the Greek word for "gold". It occurs 13 times: Matthew 2:11; 10:9; 23:16, 1.7; Acts 1.7:29; I Corinthians 3:12; I Timothy 2:9; James 5:3; Revelation 9:7; 17:4; 18:12, 16.

a. **Gold As A Sign And Store Of Wealth:** The Magi presented Jesus with "gifts of gold and frankincense and myrrh (Matthew 2:11). It is interesting to note that this gold presented by the Magi was probably the wealth/money which Joseph and Mary used to meet their needs while living in Egypt.

b. **Gold As Metal And Ornamentation:** Paul tells the Athenians that the Divine Nature is not like an image made of silver, gold, or stone (Acts 17:29; see also Matthew 23:16-17; I Timothy 2:9).

c. **Gold As Money:** The disciples were instructed not to take silver money or gold money with them on their journeys (Matthew 1.0:9).

d. **Gold As An Illustration:** Paul warns the Corinthians to build upon the foundation of Jesus Christ by using gold and silver (I Corinthians 3: 12) .

3. **Krusios** is the diminutive of Krusos (see #2 above) and suggests "a piece of gold" (hence, "money" or "gold coin"). It occurs 9 times: Acts 3:6; 20:33; Hebrews 9:4; I Peter 1:7, 18; 3:3; Revelation 3:18; 21:18, 21.

a. Gold As Money

1) Peter told the lame beggar in the temple that he possessed neither silver or gold, the implication being either silver coins or gold coins (Acts 3:6).

2) Paul told the Ephesian elders that he had not coveted anyone's silver or gold, again the implication being either silver coins or gold coins (Acts 20: 33),

3) Peter told his readers that they had not been redeemed (ransomed _ from lutroo which in the middle voice signifies "to release by paying a ransom price") with silver or gold, again the implication being silver coins or gold coins (I Peter 1: 1.8) .

b. Gold As Metal And Ornamentation

1) The ark of the covenant in the tabernacle was covered with gold (Hebrews 9:4).

2) The New Jerusalem was made of pure gold with streets of gold (Revelation 21: 1.8, 21).

c. Gold As An Illustration

1) Peter told his readers that their faith was more precious than gold (I Peter 1:7)

2) Christ exhorts the Christians at Laodicea, who considered themselves wealthy, to buy gold from Him in order to be truly rich (Revelation 3:18).

Summary Concerning Silver, Gold, And Biblical Money

From our examination of Scripture we can conclude that silver was the primary, common, and widely accepted money of both the Old and New Testament worlds. Gold was not commonly used as money but was widely accepted as valuable and was widely recognized and used as a sign and store of wealth, which led to its widespread ornamental use. In a very real sense silver was the common money of everyday commerce, whereas gold was the "super-money" of kings and princes (King Hiram, King David, King Solomon, King Hezekiah, and many others).

Nowhere in either the Old or New Testament do we find the governmental imposition of any particular form of money. Gold was "good" long before kings were known. The value of silver money (and later gold money) was determined by the freely operating marketplace, not the government. Although by New Testament times official Roman silver coinage (such as the denarius) and gold coins (such as the Aurei) were in circulation, they were frequently weighed by merchants (to verify their content) and they circulated alongside, and in free competition with, a commodity barter economy.

The functioning economy of Scripture appears to demand a system of honest commodity money (i.e., measurable with honest weights and measures). It utilized primarily silver (and secondarily gold) for this purpose. The Law of God accepted silver as money, based its various monetary commands and prohibitions upon a system of silver money, and warned against cheating (by the government, the buyer, or the seller) in the use of silver money. The New Testament teachings confirm the Old Testament system of commodity/silver money. The Apostle Paul accepted silver as money while warning the Church against covetousness or "the love of silver". We must conclude that a biblical economic system must rest upon honest commodity money which, for nearly four thousand years, has been silver and gold of recognizable purity and weight.

Biblical Money - Part 3

A Brief History of Money In The United States

"All history warns us against rash experiments which threaten violent changes in our monetary standard and the degradation of our currency. The past is full of lessons teaching not only the economic consequences but the national immorality that follow in the train of such experiments."
President Grover Cleveland, Message to Congress, December 2, 1895

The Pre-Revolutionary Era

The original thirteen colonies possessed little actual gold or silver money. Because their economies were primarily agricultural, the demand for coined money was low and much business and trade was conducted on the basis of barter. In the state of Connecticut wheat acted as money in public and private transactions. In Virginia tobacco was used as money during the 1600s until the over production of tobacco created widespread price inflation (proving, perhaps, that having one's own money tree can be a mixed blessing!).

As the economies of the colonies grew so did the demand for gold and silver money. But the English Parliament prohibited the exportation of coin from England after 1695 and the colonies were forbidden to mint their own coins (minting was a "royal prerogative", sound familiar?). For these reasons the primary source of coinage in the early colonies was colonial trade with Spanish colonies (and pirates Who enjoyed spending their ill-gotten loot of coins in Massachusetts and other Northern colonies, the early beginnings of the tourist trade, no doubt). Spanish silver coins, minted from Spanish silver mines in Mexico, Peru, and Bolivia, quickly became dominant in the colonies. in e most popular and widely circulated piece was the "eight-real" which contained 374.25 grains of silver. When soloed into eight "pie pieces" each piece was referred to as a "piece of eight" or "one bit".

The eight-real coin was also called a "dollar". The word "dollar" is the English corruption of the German "Whaler", the abbreviation of Joachimsthaler, which was the original German silver coin, stamped with the head of St. Joachim. The Joachimsthaler was of approximately the same sloe and silver content as the Spanish eight-real. The London dealers in foreign exchange extended the name "dollar" to the eight-real coin which came to be known as the "Spanish Dollar".x[1]

Despite Spanish dollars and other foreign and English coins which circulated within the colonies, coined money continued to be relatively scarce up to the time of the American Revolution. Several colonies experimented with paper currency issues, called bills of credit. The results of such experiments were predictable and disastrous in terms of price inflation and currency depreciation. But the Worst experience with inflationary paper currency was yet to come.

The American Revolution and the Continental Dollar

The outbreak of the Revolutionary War created an immediate problem for the colonies, namely, how to fund the war effort. The Continental Congress possessed no authority to raise taxes or to levy duties, and the individual colonies themselves declined to contribute to the treasury of Congress.

In order to finance the war effort the Continental congress approved the issuance of a bill of credit, a paper currency, known as the "Continental". A resolution of the Congress pledged the faith of all the colonies for the redemption of these bills, a redemption which was to be made in Spanish dollars. The "Continental Dollars" were made legal tender by the individual colonies and penalties were imposed upon anyone refusing to accept the currency for its face value.

The first issue of Continentals was authorized on June 22, 1775 and amounted to \$2 million. By 1779 the total issues amounted to over \$241 million. Depreciation of the continental began in 1776, one year after the first issue. Depreciation proceeded rapidly, driving gold and silver coins out of circulation in a classic demonstration of Gresham's Law (i.e., people in a free market will spend "bad" money and save "good" money). The depreciation was worsened by massive counterfeiting by the British. Counterfeiting was especially widespread in New York while

under English occupation. Newspapers in New York ran ads telling residents where counterfeit Continentals could be obtained.

As the depreciation continued prices soared, merchants withdrew goods from shelves rather than sell them for Continentals, and respect for law was undermined. Even General Washington complained about the disastrous effects of the currency depreciation.

"As early as 1777 he (Washington) advised the manager of his real estate to adapt the rents to the 'intrinsic worth' of the money, and in August, 1779, he decided 'to receive no more old debts' at 'the present nominal value of the money.' The law, he stated, could never 'have been intended to make a man take a shilling or a six pence in the pound for a just debt, which the debtor is well able to pay, and thereby involve himself in ruin.' " x[2]

By March of 1780 Congress was forced to recognize the depreciation by offering to redeem Continentals at 40 Continentals for 1 silver dollar (in other words goods that had cost 1 Continental dollar in 1775 cost 40 Continentals dollars in 1780, an inflation of 3,900% over 5 years). Few Continentals were offered for redemption. Finally, the Funding Act of 1790 provided for Continentals to be accepted in the subscription of government bonds at the rate of 100 Continentals for 1 new dollar, in inflation of 9,900% over 15 years (so much for the "full faith" of the colonial governments to redeem them for Spanish silver dollars at face value). Only \$6 million in Continentals (or 2.5% of the total issues) was ever redeemed. Barber shops in Philadelphia became famous for having their walls papered with Continental Dollars. x[3]

Constitutional Money

The wartime experience with Continental Dollars left a bitter taste in the mouths of our founding fathers regarding paper currency (in the 1700s "money" was used in reference to coins while "currency" referred to paper bills of credit). The common attitude toward paper currency by the end of the war was best summarized by John Adams (later to be the second President of the United States).

"I am firmly of the opinion . . . that there never was a paper pound, a paper dollar, or a paper promise of any kind, that ever yet obtained a general currency but by force or fraud, generally by both. That the army has been grossly cheated that the creditors have been infamously defrauded that the widows and fatherless have been oppressively wronged and beggared that the gray hairs of the aged and the innocent, for want of their Just dues, have gone down with sorrow to their graves, in consequence of our disgraceful depreciated paper currency." x[4]

As a result of the bitter experience with paper currency during the Revolutionary War the delegates to the Constitutional Convention of 1787 addressed the issue of money in drafting the U.S. Constitution. The result was the following two Articles.

Article I, Section 8, Paragraph 5. *"(The Congress shall have power) To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures."*

Articles I, Section 10, Paragraph 1. *"No state shall enter into any treaty, alliance, or confederation grant letters of marque and reprisal coin money emit bills of credit make any thing but gold and silver coin a tender in payment of debt pass any bill of attainder, ex post facto law, or law impairing the obligation of contracts, or grant any title of nobility."*

The original draft of Article I, 8, 5 contained the words *"and emit bills on the credit of the United States"* (i.e., paper currency called bills of credit that pledge the full faith and credit of the government for their redemption).

Governor Morris of Philadelphia moved that these words be stricken. *"Striking out the words will leave room still for notes of a responsible minister, which will do all the good without the mischief. The moneyed interest will oppose the plan of government, if paper emissions be not prohibited."* x[5]

Delegate Oliver Ellsworth of Connecticut, *"thought this a favorable moment to shut and bar the door against paper money. The mischiefs of the various experiments which had been made were now fresh in the public mind, and had excited the disgust of all the respectable part of America."* x[6]

Delegate George Read of Delaware, *"thought the words, if not struck out, would be as alarming as the mark of the Beast in Revelation."* x[7]

Delegate John Langdon of New Hampshire declared that he *"had rather reject the whole plan, than retain the three words, 'and emit bills.' "* x[8]

The motion for striking out the phrase passed, 9 to 2. The U.S. constitution Would not give the Federal Government the power to issue paper money or "bills of credit". The intent of the Constitutional Authors was clear. The Federal Government would be empowered to coin money (coin is a clear reference to gold and silver coins) while it would not be empowered to issue a paper currency. The individual states, in deference to the Federal Government, were to be specifically prohibited from coining money, issuing paper currency, or from placing the force of "legal tender" laws upon any form of money other than gold or silver coin (during the war the individual colonies passed laws making the Continental Dollars "legal tender"). The issue was summarized by Alexander Hamilton during the debate over the adoption of the Constitution by the individual states:

"The emitting of paper money by the authority of government is wisely prohibited to the individual states by the National Constitution and the spirit of that prohibition ought not to be disregarded by the Government of the United States. The wisdom of the Government will be shown in never trusting itself with the use of so seductive and dangerous an expedient." x[9]

Biblical Money?

It is no coincidence that the constitutional provision to coin money and to regulate its value was linked in the same paragraph with the power to fix the standard of weights and measures. During the later Congressional debate on adopting a monetary standard Thomas Jefferson wrote, *"I should be for adopting for our unit, instead of the dollar, either one ounce of pure silver or one ounce of standard silver, so as to keep the unit of money a part of the system of measure, weights and coins."* x[10]

This emphasis upon the relationship between the monetary standard and the standard of weights and measures is strong evidence of biblical values. The biblical standard for money, as we have seen is silver and gold measured by purity(or fineness) and weight. Such biblical standards for money were the dominant influence, not only in America, but in every major nation of Europe (England, France, Germany, Spain, Italy) and were abandoned only with disastrous results (such as the Assignat debacle of revolutionary France, beginning in 1789. It eventually required the cannons of Napoleon to restore political order and the return to the gold standard to restore economic order to France). The constitutional provision for coined gold and silver money

and the understanding of its relationship to standards of weights and measures were the clear legacy of 17 centuries of Christian moral and economic instruction.

Following the adoption and ratification of the new U.S. Constitution George Washington was elected the nation's first President. He appointed Alexander Hamilton (delegate to the Constitutional Convention from New York) as the first Secretary of the Treasury. Hamilton was instructed by Congress to make specific recommendations for a monetary system. The result was the Coinage Act of April 2, 1792.

According to the Act, the "dollar" was to be the basic monetary unit, *"each to be of the value of a Spanish milled dollar as the same is now current, and to contain 371.25 grains of pure, or 416 grains of standard silver."* For the next 143 years (until the last silver dollar was coined in 1935) the United States would have a dollar containing 371.25 grains of pure silver and a monetary unit defined in terms of weights and measures - biblical money.

The Act of 1792 also authorized the free and unlimited coinage of bullion into coin. This meant that anyone could bring gold or silver bullion to the mint and have it minted into coins at no charge! The free coinage of silver into silver coins was suspended in 1873, but the free coinage of gold continued until 1933.

Inflation and the War of 1812

The Constitutional provisions combined with the Coinage Act of 1792 laid the basis for a sound (and biblical) money system. But neither the Constitution nor the Congress had placed any restrictions upon the ability of individual states to charter banks which could then issue their own paper currencies (called "bank notes"). From 1811 to 1815, for example, the number of state chartered banks increased from 88 to 208. During the same period the amount of paper currency or bank notes in circulation increased from \$23 million to \$110 million, x[11] or a money inflation of 378% in only 4 years. Many of these notes promised that the holder could redeem them at any time for gold and silver coin, but most banks had issued notes far in excess of their ability to redeem.

The War of 1812 placed extreme stress on the banking system and the banks began producing large quantities of paper bank notes to finance the war. As a result, people began to withdraw gold and silver coin from circulation in the face of political/ military uncertainty and the rising tide of paper bank currency. As a result, the ratio of gold and silver coin in circulation as a percentage of total currency in circulation fell from 106.7% (in other words there was \$1.067 in gold and silver coin in circulation for every \$1 of paper currency) in 1811 to only 25.2% in 1815 (refer to appendix at end of this chapter). By August of 1814 most state banks had suspended the redemption of their notes. The U.S. Government borrowed \$80 million through the sale of interest bearing notes and bonds during the war. But due to discounts on the bonds and the depreciated bank notes paid in for those notes and bonds the government realized only \$34 million in actual value, or a currency depreciation of 57.5%.

Yet despite the economic chaos created by the War of 1812, all debts incurred to fight the war were repaid in full by 1834!

The bank note inflation during the War of 1812 was the prototype of future inflations. First, the inflation was caused by an expansion of bank credit in the form of paper bank notes (paper currency). The banks expanded credit and issued notes far in excess of their ability to redeem them with gold or silver coin. By claiming that their paper notes (say, a \$10 note) were equal to and redeemable for \$10 in gold and silver coin, when in reality the banks only had \$2 in coin, the banks violated the biblical standard for honest weights and measures. Biblically, if a

bank issues \$100 in paper money (or extends \$100 in credit), redeemable in coin, it must have \$100 in coin on hand for the redemption. Otherwise it is using a "false balance", which is an abomination to the Lord (Proverbs 11:1, 20:23).

Second, as people lost confidence in the economy and the banks, they expressed their "economic veto" by cashing their paper money in for gold and silver coin, and withdrawing that coin from circulation (gold and silver coin in circulation fell from \$30 million in 1811 to \$20 million in 1818, or a decrease of 30%). The ability of the individual to express his "economic veto" by withdrawing gold or silver coin from circulation is one of the most important characteristics of a free and biblical market place. By means of this "economic veto" the individual can force the government and the market place (including the banks) to change their policies and practices, or face bankruptcy. This is done by withdrawing the good money (coin) that is necessary for the continued smooth operation of the economy. In this way adherence to biblical money keeps all parties (the individual, the market institutions, the banks, and the government) dealing honestly with one another.

Finally, the role of the private banks in the inflation and economic disruptions of the period did not go unnoticed. The concern of the time was best summarized by Thomas Jefferson:

"If the American people ever allow private banks to control the issue of currency, first by inflation, then by deflation, the banks and corporations that will grow up around them will deprive the people of their property until their children will wake up homeless on the continent their fathers conquered. The issuing power of money should be taken from the banks and restored to Congress and the people to whom it belongs." x[12]

Jefferson apparently understood the importance of biblical money.

Paper Money and the Civil War

At the outbreak of the Civil War the nation was prospering and growing. For the twelve years prior to the outbreak of war in 1861 the ratio of gold and silver as a percentage of paper currency in circulation had remained above 100%, suggesting prosperity and confidence among the general populace. The year of 1860, when Abraham Lincoln was elected President, was one of general business prosperity despite rising bank failures towards the end of the year. The U.S. Government, however, ran a deficit of \$7 million which was met by borrowing. The total interest bearing national debt on June 30, 1860 was \$65 million, equal to approximately one year's budget (In 1988 the national debt of \$2.6 trillion was 2.6 times the budget for the year). The government's credit was solid, x[13] but the nation was not in a financial position to fight a war.

Because the government was not in a financial position to fight a war it was confronted with three choices, 1) raise taxes, 2) borrow the necessary money (which it was constitutionally allowed to do), or 3) issue "legal tender" paper money (a form of borrowing that placed "legal tender" status upon the government's debt).

For the first year of the war the government chose to borrow the money it needed by issuing bonds for \$250 million (an astounding amount of money at that time). Because the government required gold in payment for its bonds, by August of 1861 banks began suspending gold redemption of their notes as the public began withdrawing gold from the banks in order to buy the government's bonds. It would be 17 years before redemption was resumed.

By late 1861 it was clear that the war would not end soon and that the cost of financing the war would rise dramatically. Still unwilling to raise the necessary taxes, the government, in early 1862, proposed the issuance of a paper currency to be called U.S. Notes and would require

acceptance as "legal tender". Technically, they were non-interest bearing U.S. Treasury Notes (a form of government debt). They bore the phrase "payable to bearer on demand" (thereby implying eventual redemption in coin at some unspecified future date, much like the Continentals), but which could not be redeemed for silver or gold. They were declared to be "lawful money and a legal tender in payment of all debts public and private", except in payment to the U.S. Government for tariffs and custom duties (a practice called "hedge thyself" dating back to the Roman emperors who issued debased silver coins but required that taxes be paid in goods or gold).

From 1862 to 1865 the total number of U.S. Notes (called "Greenbacks" because of the green ink used to print the reverse side of the note) rose to \$433,200,000. As the supply of paper currency rose the gold and silver ratio to paper currency fell from 139% in 1860 to 17% in 1865, and to a post-war low of 10% in 1867. Gold and silver coin in circulation fell from \$228.3 million in 1860 to \$157.2 million in 1865, and to a post-war low of \$67.8 million in 1869 (a decline of 70%). The public was once again casting their "economic veto", and in accordance with Gresham's Law bad paper money was driving good coined money out of circulation (Note: Gold and silver continued to be legal tender, but people "saved" coin and "spent" paper in accordance with Gresham's Law).

The price of gold (in terms of paper dollars or greenbacks) began rising dramatically after the suspension of bank gold redemptions in August of 1861. By July of 1864 it required 2.85 greenbacks to purchase a gold dollar (or a money inflation of 185% in 3 years), meaning that the greenback was worth only 35¢ in terms of gold. x[14] This also meant that by the use of paper, legal tender, greenbacks the U.S. Government had increased the cost of the war by 185% (\$433,200,000 in greenbacks was worth only \$151,620,000 in gold, but on March 3, 1875 Congress voted to make all remaining greenbacks, some \$300 million, redeemable in gold coin!). By August of 1865, at the conclusion of the war, the national debt stood at \$2,845,900,000 (an astronomical sum for a government whose budget before the war was a mere \$65 million!).

Unconstitutional and Unbiblical Money

The Civil War was fought with unconstitutional and unbiblical paper currency. As we saw in our study of the Constitution, the authors specifically denied the Federal Government the power to "*emit bills (paper currency) on the credit of the United States*". This Constitutional fact did not escape the notice of Congress in 1862.

Senator Pendleton argued, "*I find no grant of this power in direct terms, or as I think, by fair implication. It is not an accidental omission; it is not an omission through inadvertency; it was intentionally left out of the Constitution, 16 because it was designed that the power should not reside in the federal government.*" x[15]

The rationale given for issuing legal tender paper notes, in clear violation of the Constitution was "extreme necessity". Congressman Spaulding argued that, "*The bill before us is a war measure, a measure of necessity, and not of choice. . . . These are extraordinary times, and extraordinary measures must be resorted to in order to save our government, and preserve our nationality.*" x[16] Senator Sherman felt that because of the pressing necessity Congress should assume the power to issue legal tender and let the courts decide the issue (presumably after the war), "*This is not the time when I would limit these powers. Rather than yield to revolutionary force, I would use revolutionary force.*" x[17]

The argument of "necessity" is one found in Scripture to justify unbiblical action. In I Samuel 13 we read the experience of King Saul during a period of national crisis in ancient Israel. Saul, the newly anointed King of Israel, received clear instructions from the prophet Samuel to go

to Gilgal and wait seven days for Samuel's arrival. When Samuel failed to appear in a "timely" way, Saul assumed Samuel's priestly duties. When Samuel appeared and demanded an explanation Saul tried to justify his actions on the basis of necessity.

"Because I saw that the people were scattering from me, and that you did not come within the appointed days, and that the Philistines were assembling at Michmash, therefore I said, 'Now the Philistines will come against me at Gilgal, and I have not asked the favor of the Lord.' So I forced myself and offered the burnt offering." (1 Samuel 13:11-12).

In order to "preserve the nation" Saul disobeyed clear biblical instruction. And in order to "preserve the Union" the U.S. Government abandoned Constitutional and biblical money, as a "temporary expedient".

The U.S. Supreme Court and the Greenbacks

After the War the constitutional authority of the government to issue "legal tender" paper currency was challenged. In *Griswold v. Hepburn* the Supreme Court of the state of Kentucky ruled the greenbacks unconstitutional. The Court held that *"a debasement of coin for the wanton purpose of degrading it, is a crime so rare and disgraceful as not to be apprehended in an age of Christian light and morality"* (*Griswold v. Hepburn*, 2 **Duvall** 36).

On appeal to the U.S. Supreme Court *Griswold v. Hepburn* was upheld and the legal tender greenbacks were ruled to be unconstitutional. Chief Justice Chase argued for the majority that if Congress possessed the power to adopt any and all means it saw fit (i.e., issue legal tender paper currency) in order to execute the expressed powers granted by the Constitution (i.e., to regulate the value of money), then Congress had absolute power, a concept inconsistent with American (and biblical) ideas of limited government.

The ruling was followed by public outcry, particularly on the part of debtors who imagined themselves having to repay debts in hard gold money instead of depreciated paper money. In 1872 a re-constituted Supreme Court (with two new Justices) decided to reconsider the legal tender question in the cases of *Knox v. Lee* and *Parker v. Davis* (12 **Wallace**, 457). The Court this time ruled that the issuance of legal tender paper notes was justified as constitutional as a means to meet a great national emergency, a means that would not be constitutional under normal circumstances! The argument of necessity now carried the force of constitutional law!

Finally, in 1884, in the case of *Juilliard v. Greenman* (110 U.S., 404) the Supreme Court ruled that the U.S. Government had the constitutional power to issue legal tender paper currency not only during times of war but also during times of peace if Congress saw a necessity to do so. The majority of the Court maintained that the Constitution created a national sovereignty, namely, the Federal Government, and that the issuance of legal tender paper notes as currency was simply an extension of that sovereign power.

Civil War Precedents

The Civil War experience with paper currency set in motion several precedents which haunt us to this day.

First, under the guise of necessity, and divorced from the moral absolute of biblical law (upon which it was founded) the Constitution became a legal "wax nose" which could be melted and molded by the heat of public necessity. Constitutional money (and biblical money) was

replaced by expedient money. Samuel and Saul had confronted each other again, but this time Saul had won.

The second precedent was the legal establishment of the government's sovereign power to issue paper money as legal tender. At the heart of the debate regarding gold and silver money versus legal tender paper money was the issue of sovereignty. The sovereign has the power 1) to define what will be money (an act of Creation), and 2) to offer statutes and prohibitions to protect the value of that money (this involves Ethics or Morals). The view of the Constitutional Authors was that God was the Sovereign Who a) determined the nature of money (precious metals measured by weight and purity) and b) gave statutes and prohibitions to protect that money (honest weights, scales, and measures). This was the view espoused by our Founding Fathers and embodied in the Constitution. This was the view rejected by the Supreme Court. The Government now replaced God as the Sovereign over the monetary system.

The third precedent was the use of debt (U.S. Treasury Notes) for money. A system of money based upon gold and silver coin is a system built upon actual commodity wealth of widely recognized value. In other words, they are valuable apart from their role as money. But a system of money based upon debt is a system of shared liabilities, not assets. Debt is the negation of wealth. It is a liability. Gold is an asset. A note is a liability. And the concept of "debt-based money" is a logical contradiction in terms (because the word "money" was originally used only for gold and silver coin). The modern use of debt-notes as money (Federal Reserve Notes are technically non-interest bearing debt obligations of the United States Government) has its modern roots in the Greenbacks of the Civil War (which were still in general circulation as money as late as 1934!).

From the Civil War to the Federal Reserve

Throughout the period of the Civil War the United States had a "dual" monetary system. On the one hand the dollar was still legally defined as 371.25 grains of pure silver. On the other hand a dollar was also a legal tender paper note (yes, a Greenback). Although both were legally a "dollar", this was a "legal fiction" since the paper dollar traded at a discount to both silver and gold dollars. This fact gave rise to the "Gold Clause Contract". This was a contract that stipulated that the buyer or debtor would make payment in a specified amount of gold rather than a specified number of "dollars" (which without the gold clause could be interpreted to mean depreciated paper dollars). This was a means for sellers or creditors to protect themselves from depreciating paper dollars. The validity of Gold Clause Contracts was upheld by the Supreme Court in a series of famous cases, including *Butler v. Horowitz* (7 **Wallace**, 258) and *Bronson v. Rodes* (7 **Wallace**, 229). The popularity of such contracts grew in the years following the war and were common until abolished by Congress in 1934 (they were made legal again in 1977).

In 1873 Congress declared the monetary unit of the United States to be the gold dollar (as opposed to the silver dollar of 1792) containing 25.8 grains of standard (90% fine) gold. Silver was reduced to the status of subsidiary coinage. The purpose of this change was to make the U.S. monetary system compatible with the gold-standard currencies of Europe. The United States would remain on the gold standard from 1873 until 1933.

On January 1, 1879 all U.S. currency became convertible, once again after 17 years, into gold coin on demand. The combination of converting to the gold standard and the resumption of currency redemption initiated one of the longest periods of sustained growth and prosperity in the history of Western Civilization. In the United States the amount of gold and silver in circulation rose from \$76.3 million in 1873 to \$834.9 million in 1913, or an increase of 1,094% over 40 years, while paper currency in circulation increased by only 53% during that same period! The national debt, which had peaked at \$2.845 billion at the end of the Civil War, had been reduced by 58% to

\$1.193 billion by 1913. In 1913 the United States was the wealthiest, the most debt free, the most prosperous, and the most lightly taxed that it had been in 50 years, or than it would be in the next 75 years.

The Silver Controversy of 1896

At the conclusion of the Civil War the Consumer Price Index stood at 46. With the return of peace and prosperity, the conversion to the gold standard (1873), and the resumption of gold redemption of paper currency (1879) the Consumer Price Index began a prolonged decline from the post-war high of 46 in 1865 to a post-war low of 25 in 1895 (a 45.6% decline in overall price levels). The CPI remained at 25 from 1895 until 1901.

A decline in prices is exactly what a biblical economic theory would predict where productivity is rising faster than the money supply. In a debt_free economy this would have been a blessing, since falling prices would mean the increased purchasing power of money. But debtors, particularly farmers, began complaining that falling prices were making it difficult, if not impossible, for them to repay their debts (deflation or falling prices increases the burden of debt. This is why debt was discouraged under biblical economic law).

This problem gave rise to the Populist movement which reached its peak of strength in the Presidential election of 1896. In the Presidential contest of 1896 William Jennings Bryan was nominated by both the Populist Party and the Democratic Party. The Populist Party blamed the gold standard and a scarcity of gold coin for the prolonged price decline. In response they demanded a return to the silver standard, the free and unlimited mintage of silver bullion into coin (which had been suspended in 1873), and the issuance of more paper money. The populist movement was essentially a demand for inflationary money.

Although the Populists lost the election of 1896 (to the Republican, William McKinley. Bryan received 47.7% of the popular vote) the Populist movement left a lasting impression on the American political/economic landscape. Politicians and economic policy makers concluded that inflation was the politically popular and acceptable alternative to deflation. The practical beginning of this policy shift can be seen in the increase of paper currency in circulation versus gold and silver in circulation from 1896 to 1913. From 1896 to 1913 the amount of paper currency in circulation increased 86.4% while gold and silver in circulation increased only 47.1% (whereas in the 17 years prior to 1896 currency had declined by 9.1% while gold and silver had increased by 215%!).

The Federal Reserve

In 1863 the National Banking Act had established a system of Federally chartered banks with the sole privilege of issuing paper currency (there was no single national currency as there is today). This currency was also convertible on demand into gold coin. The political pressure of the Populist movement for inflation, combined with the money crisis of 1907 (called the "Rich Man's Panic" because it represented a liquidity crisis among New York banks and financial institutions, and to this day the cause of the crisis is a matter of heated debate) provided the "necessity" behind calls to establish a central bank similar to the national central banks of Europe.

The proponents of the Federal Reserve offered two basic reasons why a central bank was "needed". The first reason maintained that the bank would provide an "elastic" (or inflationary) money supply that could expand and contract according to the seasonal demands of the business community (thereby avoiding a liquidity crisis such as the panic of 1907). This argument was adequately refuted, during the Congressional debate on the Federal Reserve Act, by Senator Elihu Root.

"At present I observe that this is in no sense a provision for an elastic currency. It does not provide an elastic currency. It provides an expansive currency, but not an elastic one. It provides a currency which may be increased, always increased, but not a currency for which the bill contains any provision compelling reduction".

The second argument offered in favor of a central bank was that such a bank would work to maintain stable prices (as opposed to the deflation or falling prices of 1865 - 1913). How this would be accomplished was unclear, although the implication would be to counter deflation with inflation.

The Federal Reserve Act was passed into law on December 22, 1913. The Act established a system of 12 regional banks with a Board of Governors to be appointed by the President of the United States. Rather than being an actual agency of the Federal Government, the Federal Reserve is a federally chartered private corporation (the stockholders of which are a closely guarded secret). The Federal Reserve was authorized to issue paper currency called Federal Reserve Notes which are defined as non-interest bearing debt obligations of the United States Government. Federal Reserve Notes were made convertible into gold coin upon demand, the Reserve being required to hold a gold reserve equal to 40% of all Notes in circulation.

The true purposes of the Federal Reserve were to be revealed by the application of its powers in the years following its establishment. First, the Federal Reserve quickly became the primary market for meeting the borrowing demands of the U.S. Government. In 1913 when the Federal Reserve Act was passed the total government debt was \$1.1 billion; in 1917 this had grown to \$2.9 billion, and by 1920 it had grown to \$25.4 billion, due to the cost of fighting WW I. The Federal Reserve was the vehicle for monetizing the burgeoning government debt. The supply of Federal Reserve notes swelled from \$506 million in 1917 to over \$3 billion by 1920. At the same time the ratio of gold and silver as a percentage of currency in circulation fell from 61.5% in 1917 to 18.9% in 1920.

By acting as the vehicle for monetizing the Federal Debt the Federal Reserve also demonstrated that it was (and is) the primary engine of inflation. The Consumer Price Index rose from 30 in 1915 to a high of 60 in 1920 (prices rose 100% in 5 years!). The myth of the Federal Reserve acting as an instrument of price stability was shattered by the inflation of WW I, and the post-war deflation which saw the CPI fall from 60 in 1920 to 38.8 by 1933(a fall in prices of 35%!). In addition, the circulation of Federal Reserve Notes fell from \$3 billion in 1920 to \$1.4 billion by 1930(a monetary deflation of 53%). The lesson by 1930 (or certainly by 1933) should have been clear to everyone; the cycles of inflation and deflation, boom and bust, would no longer be random occurrences (if they ever were!), they would be the sole creation of the Federal Reserve.

The Great Depression And The Twilight Of Biblical Money

From 1913 (the founding of the Federal Reserve) until 1933 (the "bottom" of the Great Depression) the United States had, in a sense, a dual monetary system. On the one hand it had a system of convertible paper currency which could, at any time and on demand, be exchanged for gold coin of equal face value (i.e., a \$20 bill could be exchanged for a \$20 gold piece). The right to demand gold coin in exchange for paper currency served as a safeguard against the tendency of the banking system to over inflate the supply of paper currency. On the other hand, the U.S. was developing a system of debt money (credit) which consisted of bank deposits and accounting entries in the ledger books among banks in what is referred to today as the fractional reserve banking system. A gold-based system of money and a debt-based system of credit/money are essentially incompatible. Gold and silver money work a restraining influence towards price stability (even moderate deflation and falling prices), while debt/credit money has no inherent restraints and is inflationary and endlessly expandable. It was only a matter of time (and not much

of that) until a crisis (either real or precipitated) would force a basic decision to be made between these two competing and incompatible monetary systems. This was the twilight of biblical money.

The crisis came in the form of a deflationary debt collapse. In 1920, even as consumer prices were falling, the Federal Reserve began expanding the available supply of debt/credit. All forms of debt began a dramatic and explosive rise. Much of this borrowed money found its way into the stock market, creating an unprecedented rise in stock values (from 100 on the DJIA to over 380 by late 1929). Encouraged initially by the Federal Reserve, banks loaned money freely. Vault cash in many banks dropped as low as only 1% of demand deposits. The Federal Reserve assisted (even encouraged) such borrowing and lending by lowering its key interest rates in the face of the rising demand for credit (The Federal Reserve Bank of New York lowered its discount rate from a high of 7% in 1920 to a low of 3% in 1925).

The credit boom of the "Roaring Twenties" came to an abrupt end in 1929 when, in January of that year, the Federal Reserve began raising its key interest rates, thereby forcing many banks to "call in" the short term loans made to stock brokers and their clients. In addition, foreign depositors (such as European central banks) in U.S. banks also began withdrawing deposits (in the form of gold bullion) and shipping the money (gold) home, creating additional liquidity demands on New York banks. The sudden reduction of available credit and the rise of interest rates caused stock prices to fluctuate wildly and eventually to tumble dramatically, culminating in Black Tuesday, October 29, 1929, when the DJIA fell 13%. This would stand as the record fall until Black Monday, October 19, 1987, when the DJIA fell 23% under similar circumstances (but that is another story).

The collapse of the stock market in October of 1929 did not cause the Great Depression. The stock market was simply the first market casualty of a collapsing credit bubble which had grown under the encouragement of the Federal Reserve and which eventually collapsed when the Reserve ended and reversed its generous and expansive credit policy by raising interest rates and restricting credit (by late 1929 the Federal Reserve Bank of New York had raised its discount rate from a low of 4.5% to 6%). The Great Depression was the economic result of the deflationary collapse of that debt/credit bubble. As an increasing number of loans defaulted many banks found themselves holding, as assets, loans that were unrecoverable and worthless. As factories began closing and unemployment rose individuals began withdrawing their savings in order to meet living expenses. But many banks had suffered major loan losses and had allowed their vault cash to fall as low as 1% of demand deposits. Banks paid out what cash they had, but when the cash ran out they closed their doors. Bank failures rose sharply. As depositor confidence in the soundness of banks fell depositors began demanding not simply payment of their deposits but payment in gold (gold coin in circulation rose 24% from 1931 to 1932 as depositors withdrew their money in gold coin). Once again the public was exercising their economic freedom and expressing their economic veto over (or lack of confidence in) the economic policies and conditions by demanding gold for their paper currency. As the Depression deepened bank failures soared. From 659 failures in 1929 the numbers jumped to 1,352 in 1930; 2,294 in 1931; 1,456 in 1932; and 4,004 in 1933. The total number of banks in the U.S. in 1930 was 24,273, but by 1933 this number had fallen to 14,771 (or a decline of over 39%).

During the Presidential election campaign of 1932 President Hoover accused the Democrats of planning to abandon the gold standard and introduce a fiat, irredeemable paper currency in order to combat the deflationary depression gripping the country. Democratic Presidential Candidate Franklin Roosevelt scoffed and quipped, "The President is seeing visions of rubber dollars." When Roosevelt was inaugurated as President in March of 1933 every state in the U.S. had already declared a temporary "banking holiday". As his first official act Roosevelt declared a national banking holiday. As his legal authority an obscure clause in the 1917 "Trading With The Enemy Act" (apparently the enemy was all of those nasty, greedy depositors who wanted to withdraw their own money and were forcing the government to honor its promise to pay

in gold coin). Within 30 days of his inauguration Roosevelt repudiated both his own campaign promise (concerning his intention to maintain a gold dollar) and the Democratic platform upon which he had run, by issuing an Executive Order (dated April 5, 1933) eliminating the gold convertibility of all U.S. currency, abolishing all "gold clause" contracts (both public and private), and demanding the immediate surrender of all privately held gold coin and bullion. President Hoover's "visions of rubber dollars" had become a reality. The age of sound biblical money in America, which had endured for some 146 years (with only brief interruptions) since the signing of the Constitution, had come to an end. The age of occult money had begun.

Conclusions and Observations

The struggle, which had raged from 1913 until 1933, between the competing monetary systems of precious metal money versus debt/credit paper money came to a dramatic end in April of 1933 with the death of the gold standard. The death of the gold standard was the culmination of several ominous trends which had been gradually unfolding in American economic history since the 1860s.

Debt Money - As our survey has already shown, the American Revolution was financed with a form of debt money, namely, the Continental Dollar. The result was so disastrous that the framers of the Constitution refused to give this power ("to emit bills on the credit of the United States") to the Federal Government. The trend towards debt money has its modern precedent not in the Continental Dollar but in the Greenback of the Civil War era (which had been re_issued and were still in circulation in 1933!). Historically, our present irredeemable Federal Reserve Note is a direct descendant of the Civil War Greenback. The trend toward debt money by the United States in 1933 required the abandonment of biblical gold and silver money because the two systems are incompatible opposites (silver coins continued in circulation until 1965 but such coinage no longer formed the basis of monetary policy in the U.S.).

Inflation - The trend toward inflation was the inevitable result of a debt/credit based money system. Every national inflation in U.S. history has been directly related to the expansion of debt money (any study of inflation must involve a study of debt). The political pressure generated by the Populist movement of the 1890s contributed to the political acceptability of inflation while the economic theories of the British mathematician (he was a mathematician by training, not an economist) John Maynard Keynes provided the "economic rationale" for inflation and debt money.

Government Sovereignty - The struggle between biblical gold and silver money versus occult debt/credit paper money was (and still is!) a struggle concerning sovereignty. This struggle pitted the Christian self-governing individual against the sovereign collective state. Under a biblical system of politics and economics, God is King and Law-Giver, the state is His minister (Romans 13), and men are individually subject to Him and His Laws as self-governing believer-priests. Under such a biblical system, gold and silver money enables the self-governing Christian individual to exercise godly dominion by giving him money that is independent of government manipulation. He may then use this money to freely obey the economic laws of God and to exercise his "economic veto" (by withholding his gold and silver from circulation) over any economic policies and practices of the government which may be contrary to the laws of God.

Under a secular humanistic system of politics and economics the sovereign state has replaced God as both King and Law-Giver (Revelation 13). Control has been removed from the self-governing Christian individual and has been given to the state. The Dominion of the self-governing believer-priest has been replaced by the Domination on the individual by the self-governing and autonomous (law-unto-itself) state. The Christian individual no longer has a money that is independent of the government. Debt/credit money is creation of the state, can be

manipulated by the state, and exists at the pleasure of the state. Rather than the biblical model where money is a means for the Christian individual to rule the state according to the Laws of God, money in the secular system is a means for the state to rule over the individual according to its own laws. The "economic veto" of the individual withdrawing his gold and silver from circulation has been eliminated. Should the individual choose to withdraw his debt/credit money from circulation (by taking his money out of the bank in cash) the sovereign state can override any such attempted veto by simply borrowing and printing more (after all, its only paper!).