THE ETHICS OF INFLATION: A BIBLICAL CRITIQUE OF THE CAUSES AND CONSEQUENCES*

WILLIAM J. LARKIN, JR.

Inflation is the creation of excess purchasing media or credit beyond that which represents the wealth, the production of goods and services, of a country. It violates the biblical commands to have just weights and not steal. Its immoral consequences are the oppression of the poor, especially the elderly; the promotion of sloth and covetousness; and the destabilization of society.

* * *

INTRODUCTION

INFLATION has become a main feature of most national economies around the world. Aside from the notable exceptions of Switzerland (1.3%) and West Germany (4%), most inflation rates during the mid and late 1970s hovered near the double digit mark.[1] For the past ten years the cumulative rate of inflation has been 112.9% in the U.S.A. In order to maintain the same after-tax disposable income, with the same buying power, a person who earned $7,500 in 1970 would have to receive $16,188 today. If inflation continues at the same rate for the next decade, that person would have to be earning $39,188 in 1990 to be as well off as he was with $7,500 in 1970.[2] In fact, if the performance of personal income growth over the past decade is any indication, the U.S. wage earner will be able neither to maintain the size of his after-tax income nor its buying power after the effects of inflation. Tax Foundation research has discovered that for the typical family of four the median income has increased from

*This paper was originally given at the 1980 annual meeting of the Evangelical Theological Society and reflects the economic conditions of that time.

[1]"Is Inflation Really Coming Under Control?" *U.S. News and World Report* 83 (October 17, 1977) 80.

[2]"The Double Whammy of Taxes and Inflation," *U.S. News and World Report* 89 (July 14, 1980) 47.

$9,750 in 1970 to $19,950 this year, i.e., 105%. Taxes rose at a faster pace, so that after-tax income only grew from $8,412 ten years ago to $16,999 today, i.e., 99%. When the present median after-tax income is adjusted for inflation and represented in 1970 dollars, it is $7,976. This means that, even though today the head of the household is earning 105% more dollars than in 1970, the typical family of four is actually less well off by $436 (1970 dollars).[3] Most persons react to such facts and figures with the sentiment expressed by a housewife on a recent TV commercial, "I'm no longer trying to beat inflation. I'd settle for a tie."

What causes inflation? Is it a combination of impersonal forces in the present national and world economic systems over which individuals have no control? Or, is inflation the result of the decisions of individuals in a position to influence the direction of our economic life? If it is the latter, then it is legitimate to investigate the causes and consequencs of the act of "inflation creation." And it is appropriate in the light of biblical ethical norms to critique these aspects of inflation.[4]

A simple definition of inflation is an increase in the supply of money, purchasing media, in an economy which exceeds the increase in the value of goods and services produced. Inflation shows itself as constantly rising wages and prices. Indeed, in an inflationary economy wages and prices increase at a rate greater than the increase in productivity. For example, in the United States, average non-farm business wages were going up in the late 1970s at an annual rate of 8.5–9%.[5] Productivity on the part of the workers, however, was only going up 2%. In order to meet their payrolls, companies had to increase their prices not 2%, which would have been in line with the industries' true, increased productivity, but 8.5–9%. From the wages perspective this means that 6.5–7% more dollars were rewarding the same level of productivity. From the price perspective, it means that 6.5–7% more dollars were chasing the same amount of goods and services on the market. Where did this excess of purchasing media come from? To answer that question is to identify the cause of inflation.

MONEY AND PURCHASING MEDIA

Before we can intelligibly identify the cause of inflation, it is necessary to review a basic definition of money and purchasing media

[3]L. Cook, "Real Income Less than in 1970, Study Shows," *The State* 89 (October 18, 1980) 1.

[4]Cf. F. H. Popell, "How Inflation undermines Morality," *Business Week* (May 5, 1980) 20; J. Train, "Moral Fever Chart," *Forbes* 125 (May 26, 1980) 150-51.

[5]*U.S. News and World Report* 83 (October 17, 1977) 81.

and the sources of their generation in our economy. Webster's *New World Dictionary* (1975)[6] presents in its first definition of money the popular understanding of the term. It defines money as "stamped pieces of metal, or any paper notes, authorized by a government as a medium of exchange." To the popular mind money is the coins and paper bills used for daily economic transactions. But there is another definition of money which Webster lists second. Money is "wealth." To understand inflation one must think of money according to this second definition. To distinguish money as wealth, a medium of exchange of economic value, from money as coinage and paper currency, we are going to designate these latter items as purchasing media. This will also enable us to relate these two phenomena in our discussion of the role of each in America's modern banking and finance system.

Money, then, is a medium of exchange of economic value, wealth. In an economic system, the members labor in the production of goods and services. As a payment for their labor they receive money, something of equal value to the labor they have contributed. This money then becomes a claim check when the laborer turns consumer. He can use it to purchase goods and services from the economy's marketplace. Outside of a barter economy, where payment is made in kind, the commodity which a society decides to use as money must have four characteristics. It must be storable. It must be divisible into units. It must be relatively stable in quantity over time so that it may serve as a standard in terms of which to reckon the value of other goods and services, whose quantity fluctuates. Most importantly, it must be recognized as having a store of economic value. That is, it must be universally recognized as having intrinsic economic worth. Precious metals such as gold and silver meet these requirements and throughout much of economic history have been used as money.[7]

In modern times the use of paper as purchasing media to represent money developed. As the precious metals money began to

[6] *Webster's New World Dictionary of the American Language*, ed. D. B. Guralink, (New revised pocket-size edition; New York: Popular Library, 1975) 389.

[7] The intrinsic economic value of precious metals stems from two characteristics. First, it takes much labor to wrest the ore from the ground. Miners sift through a ton of earth and rock to extract an average 0.17 ounce of gold (E. & P. O. d'Aulaire, "All That Glitter—It's Gold!" *Reader's Digest* 117, No. 703 [November, 1980] 99). This labor invests intrinsic economic value in the metal. Second, the property of being virtually indestructible gives longevity, if not eternity, to the metal and commends itself to mankind as something precious. O. A. Piper (*The Christian Meaning of Money* [Englewood Cliffs, N.J.: Prentice Hall, 1965] 5) claims that gold's "numinous" character, its being regarded in ancient times as a manifestation of deity on earth, is what gave it its value.

accumulate, societies developed storehouses, banks, where that money could be kept safely. These banks issued paper certificates to the customer who could then use the paper as a purchasing medium in his business transactions. There was no inherent economic value in the paper. What it represented, the precious metal in storage, was what had value. Each piece of paper was assigned a weight unit of a precious metal which it represented, e.g., one dollar originally was 1/20 of an ounce of gold. As modern commercial banking matured in the last century in the United States, it devised a way to expand the amount of paper certificates in circulation so that they would represent the increase in the goods and services produced beyond the supply of precious metals on deposit. Banks issued commercial loans in the form of short term notes to industries so that businessmen could pay wages and other expenses of production which were due as the goods were on their way to market. These loans, equal to the value of the goods and services produced, would release purchasing media into the economy. Thus these loans would allow the supply of purchasing media to increase equivalent to the real growth in wealth, economic value, of the economy. For example, between 1865 and 1940 wholesale and retail trade multiplied more than 20 times. The commercial short term loan procedure provided the purchasing media to cover this expansion even though the U.S. gold stock grew only 10 times. In fact, fifty times the purchasing media was in circulation in 1940 as was presented in 1865. This covered the country's increase in productivity--wealth—over that period.

Today, however, the banking system operates with a different understanding of the nature of purchasing media. It still functions as a medium of exchange. But no longer is it thought necessary to have money, i.e., a fixed amount of precious metal, backing each unit of the purchasing media. In 1934 the United States went off the gold standard internally. This meant that citizens could no longer exchange paper certificates for gold. Since then, the government has not consistently maintained a fixed relationship between the precious metal, with its store of economic value, and the paper issued. With gold prices in the \$500-\$600 of an ounce range, today a dollar will buy not 1/20 but only 1/600 of an ounce of gold. In 1971 the government decided no longer to exchange gold for dollars when foreign governments so requested. As every piece of paper purchasing media now attests, it is no longer a silver or gold certificate which a citizen could exchange for the equivalent amount of the precious metal. Rather, it is a note. The pieces of purchasing media declare themselves to be "legal tender for all debts, public and private." If there is no recognized backing, how can these notes continue to function as purchasing media for economic transactions? They can be used "because the government decrees it is money, and because we all accept it."[8] It is the public's confidence in the strength of the American economy and how well the government is able to maintain a stable money supply which determines the public's continuing acceptance of government-issued purchasing media without precious metals backing and convertibility.

Why did the government, with advice from economists and bankers, introduce this redefinition of purchasing media? Why was the discipline of a precious metals standard removed? In the midst of an economic depression in the 1930s such a step was taken to allow the expansion of credit in the private sector of the economy in the hope that this would foster continued investment as well as ongoing consumer demand in the economy. It was hoped that these in turn would assure continuing growth and prosperity for the economy. Such a move permitted unchecked government deficit spending, also for the purpose of stimulating the economy.

Actually, the removal of the gold standard was the logical result of a practice which bankers had engaged in for some time. They noticed that when the precious metals, gold and silver, were deposited with them and certificates were issued, very few of the certificates were ever cashed in for the metal. The customers were content to trade paper certificates among themselves. Bankers, with an eye to profit, could not let those assests in gold and silver lie idle. They put them to work by offering to loan out at interest other certificates (actually, paper notes) which were backed by the same metal. They would treat some of their assets in gold as a reserve to cover any demand they might encounter, but they would feel free to offer the rest in the form of certificates as loans. Putting more paper certificates in circulation than there was gold in storage tended to cheapen the value of all the paper certificates. As William Simon, former Secretary of the Treasury, explains, "When you produce too much of anything, the price goes down."[9] The extent of such expansion of credit today may be illustrated by the following example. Currently, the reserve requirement on demand deposits, checking accounts, for member banks of the Federal Reserve ranges from 7% to 16.25% depending on the total size of the demand deposit assets.[10] If one took a 16% reserve figure and calculated the amount of loan which could be generated by demand deposits of $100 million, the final total

[8] P. A. Samuelson, *Economics: Introductory Analysis* (New York: McGraw-Hill, 1964) 274.

[9] "Carter Lacks Political Courage to Attack Inflation" (interview with William E. Simon), *U.S. News and World Report* 84 (April 24, 1978) 23.

[10] *Federal Reserve Bulletin* (September, 1980) A-8.

would be $600 million, six times the original assets.[11] While there was a gold standard and the option of converting paper certificates into gold, alert citizens could respond to the overextension of credit by cashing in their certificates for the metal. In this way discipline would be restored and the money supply (amount of purchasing media) stabilized. By removing the convertibility option the likelihood of rapid deflation and runs on banks decreased, but the discipline was also removed.

The value of the gold standard for creating price stability can be demonstrated historically. The following is a list of periods of currency stability for European powers who were on the gold standard during the nineteenth century.

France	1814 to 1914	100 years
Netherlands	1861 to 1914	98 years
Great Britain	1821 to 1914	93 years
Switzerland	1850 to 1936	86 years
Belgium	1832 to 1914	82 years[12]

The American experience has been similar. During the fifteen years after America's return to the gold standard in 1879, prices were non-inflationary. In fact, they even declined 33%, correcting the inflation of the previous post-Civil War period. But this price decline was not at the expense of industrial productivity. During this period, industrial production increased at the most rapid rate (6% annually) for the most prolonged time in the nation's history.[13]

Even before the United States went off the gold standard, the federal government had devised a way to add purchasing media to the money supply which did not represent a growth in the nation's productivity. This way was the open-market operations of the Federal Reserve System created in 1913. When the Federal Reserve Board's Open Market Committee sees that the total money supply is not growing at a rate it deems sufficient to sustain economic growth, it purchases government securities. It pays for them with a check backed by Federal Reserve notes. In this way, purchasing media which does not represent wealth in terms of precious metals on deposit or increased productivity is introduced into the money supply. The Federal Reserve can also contract the money supply by selling securities, causing the reverse of the generation process to occur.

[11]"How Money is 'Created' Out of Nothing," *Reader's Digest* 14, No. 681 (January, 1979) 53.

[12]J. T. Gibbs, ed., "Why Gold?" *Economic Education Bulletin* 12, No. 5 (1972) 2.

[13]Ibid., 23.

The Federal Reserve system adds purchasing media to the money supply in another way. It is the vehicle through which government deficit spending is monetized. The Federal Reserve supplies the federal government with newly created purchasing media to cover that portion of government deficit spending which the government has not provided for by borrowing from individual and private investors in the money market. Again, this purchasing media is simply created by the government and does not represent any real wealth in terms of precious metals on deposit or growth in the nation's productivity.

MONEY IN BIBLICAL TIMES

Since we wish to evaluate these financial practices by biblical ethical norms, it is necessary to describe the nature and function of money in Bible times. The medium of exchange for economic transactions went through three developmental stages during the history covered by the Bible. First, men did business by barter (1 Kgs 5:10-11). Second, people exchanged metal (gold, silver, copper, iron) for desired objects or to pay tribute (Gen 23:13-17; Deut 24:14-15). Third, a coinage, minted metal of fixed weight and purity, came into use. This third method was not used until the exile (Ezra 2:69) and continued through NT times. The most detailed descriptions of business transactions involving money occur before the exile and reflect the second stage of economic transactions. The practice was to give the price of a good in so many weight units of metal (e.g., four hundred shekels of silver, Gen 23:16; 47:15; 2 Sam 24:24). Then, if agreeable to both parties, the buyer would weigh out in a scale his silver or gold in the form of ingots, bars, tongues (Josh 7:21), heads of animals, or jewelry such as bracelets and rings (Gen 24:53; Exod 22:6; Judg 8:24; Isa 61:10). The weight, against which the quantity of silver or gold was determined, was a weight of bronze, iron, or dressed stone. The purchase of the cave at Machpelah was concluded as follows (Gen 24:14-16):

> Then Ephron answered Abraham, saying to him, "My lord, listen to me; a piece of land worth four hundred shekels of silver, what is that between me and you? So bury your dead." And Abraham listened to Ephron; and Abraham weighed out for Ephron the silver which he had named in the hearing of the sons of Heth, four hundred shekels of silver, commercial standard.

[14] H. Hamburger, "Money, Coins," *IDB* 3, 423ff.

This transaction shows that the basic understanding and use of money was as a medium of exchange of economic value. Precious metals divided into weight units seem to have a recognized economic store value which enabled them to be used as a standard for measuring and expressing the value of goods and services (1 Kgs 21:2). Purity and weight were checked to make sure that the quality and quantity of the metal offered did indeed match the value or price assigned to the goods for which it was exchanged. The transaction was a step beyond barter, but an important step. A recognized medium of exchange gave the buyer more freedom of choice in his purchasing (Deut 14:25-26). Yet, since the metal was not yet minted coinage, the cumbersome task of checking the weight of the metal for each transaction was still necessary. This stage of economic transaction, then, clearly revealed the close connection between economic value and medium of exchange. All prices were given in the weight units of a precious metal.

WHAT CAUSES INFLATION?

With this understanding of money and purchasing media and the sources of their generation, let us return to our basic question: What causes inflation? What is the source of the excessive amount of purchasing media in the money supply? From our description of the way purchasing media are generated in our economy, the answers come readily. The banking community's practice of overextending credit, namely loaning out checking account money on more than a short-term commercial loan basis, causes inflation. The low reserve requirements allow the credit offerings to generate an amount of purchasing media six times the value of the original assets.

Second, the Federal Reserve is a special source of excess purchasing media when it buys government securities and issues, "creates," unbacked purchasing media to pay for them. These payments increase banking assets which can then be loaned out and which participate in the purchasing media generation process. For the first six months of 1980 the Federal Open Market Committee has overseen a growth in the money supply which equals an annual rate of 2.8%.[15] But the growth in productivity for the first six months of 1980 is only at an annual rate of -3.95%.[16] It should be noted that in the third quarter the money supply was again advancing at a annual rate of 17.2%.

[15]"Blaming the Fed: Why it's in Hot Water," *U.S. News and World Report* 89 (October 20, 1980) 78.

[16]"Mid-Year Outlook: When will business bounce back?" *U.S. News and World Report* 89 (July 14, 1980) 20; "More Fuel for Backers of Tax Cut," *U.S. News and World Report* 89 (July 28, 1980) 56.

Third, purchasing media is added to the money supply which does not represent an increase in the economy's output, when the federal government chooses to finance its deficit spending by monetizing the debt through the Federal Reserve System. Of the present $870 billion federal deficit, $118.8 billion has been funded by the Federal Reserve System.[17] Milton Friedman's conclusion is valid. The federal government is the engine of inflation, "the only one there is."[18]

With this heavy emphasis on the banking community's credit practices and the causes of inflation, the personal dimension is being ignored. This discussion has bypassed the individual because he is not the immediate cause of inflation. No individual citizen can create purchasing media not representing a real increase in productivity. Only the federal government or banks can do that. Now it is true that greed, motivating individuals to live beyond their means through credit buying, has created a climate of demand to which banks have responded with inflationary credit practices. And it is true that special interest groups have demanded government transfer payments and supported deficit financing as the way to pay for them. And politicians have yielded to these pressures and let inflation, not government revenue collections, do the taxing. Individual greed in these two ways is responsible ultimately for inflation. But, because this greed, often called "inflationary expectations," is so often identified as a direct cause of inflation and the banking and federal government practices are so often ignored, this discussion is concentrating on the direct causes of inflation. Indeed, individual greed has existed throughout

[17]"Public Debt heads toward $1 trillion," *U.S. News and World Report* 89 (July 28, 1980) 55; cf. T. C. Gaines, *Techniques of Treasury Debt Management* (New York: The Graduate School of Columbia University and Free Press of Glencoe, 1962) 240-42.

[18]"Milton Friedman Interview," *Newsweek* 91 (May 29, 1978) 81. Some economists will object and call such an idenfification "an oversimplification" (Paul A. Samuelson Interview, *Newsweek* 91 [May 29, 1978] 81). Michael Blumenthal, former Secretary of the Treasury, contends, "It is too easy to simply point to government and say, 'You do your job properly and we wouldn't have inflation'" (*U.S. News and World Report* 84 [April 24, 1978] 21). While he admits the government's partial responsibility, he also points to other causal factors: wage settlements which exceed productivity, excessive profits, OPEC oil prices, and the weather. It is difficult to maintain that corporations are indeed making excessive real profits in this inflationary time. The weather has not been a consistently significant factor. The remaining two causes, wage and prices while they may contribute to the upward inflationary push do so only in reaction to the inflationary situation of too much money present to buy too few goods. They do not create the money. Rather, the excess money creates the opportunity for wage settlements in excess of productivity. If such money were not present in the economy, the wage earners could not be paid it, for nobody would be able to afford the higher prices which the employer must charge on his product in order to meet his inflated payroll. High wages and prices are a reaction to, not a cause of, inflation.

human history both in times of inflation and times of price stability. It is a given of man's sinful nature (Mark 7:20-23). To concentrate exclusively or primarily on it as the cause of inflation will prevent one from focusing on an ethical evaluation of the immediate causes and developing a perspective from which one can find a solution.

A BIBLICAL EVALUATION OF INFLATION

How may these three causes of inflation be evaluated biblically? Two ethical norms, taught in Scripture, come into play.

Just weights

First, the Lord directs the Israelites to use just weights in their economic dealings (Lev 19:35-36; Deut 25:13-16). They should not carry in their bags stones of varying weights which are marked as being the same weight. This command was intended to prevent a person from measuring out on the scales produce with the use of a light weight, thus providing in the exchange less than full weight, or full value. Such practices were evidently a problem throughout Israel's history, for Micah records God's question in judgment (Micah 6:10-12):

> Is there yet a man in the wicked house, along with treasures of wickedness, and a short measure that is cursed? Can I justify wicked scales and a bag of deceptive weights? For the rich men of the city are full of violence, her residents speak lies, and their tongue is deceitful in their mouth.

God's hatred of such practices is so great that he calls them an abomination (Deut 25:16; Prov 20:10-23), a term usually reserved for his evaluation of idols and false worship (Deut 7:25-26; 12:31; 13:14; 17:4; 18:9, 12; 20:18; 27:15; 32:16). On the other hand, to use just and full weights brings a promise of blessing, "that your days may be prolonged in the land which the Lord your God gives you" (Deut 25:15).

This command applies not simply to barter exchange but also to transactions involving the weighing out of the recognized medium of exchange, precious metals. As we have noted, in ancient Israel before the exile, the value or price of goods was stated in terms of units of weight of a precious metal, silver (50 shekels of silver, 2 Sam 24:24). The transaction was accomplished when the silver was weighed out (Gen 23:16; Exod 22:17; Jer 32:9-10; cf. Ezra 8:25-26, 28, 30, 33). If the weights were not their proper weight, if they were too light, then the amount of silver exchanged for the goods would be too little. The weight unit of money, a shekel of silver, in that transaction would in effect be devalued.

Our modern money and banking system with its purchasing media in the form of paper money and its computerized ledgers seems very far removed from a pre-coinage economy assumed by this biblical directive. How can a command which envisions two men dickering, striking a bargain, producing scales and weights to determine the price in crude pieces of metal, be legitimately applicable to a twentieth-century paper money economy? The command can be binding because the basic elements in the economic exchange are still the same. Today a buyer presents some units of purchasing media, paper money, equal in value to the desired goods, and exchanges them with the seller for the goods. Every part of the transaction has an equivalent in the pre-coinage economy. The one difference is the nature of the value that is attached to the purchasing media. Since it has no backing in terms of precious metal, its value is not stated in terms of weight units of a given metal. Rather, the value is simply represented by the number of units printed on the face of the paper bill. And the possibility of changing the value of the paper is present as it was when Old Testament traders had to weigh out precious metal. As one made the same amount of silver go further by using a "light" weight unit, so one can make the same unit of purchasing media go further by printing more pieces of paper of the same denomination (e.g., $10). The result is the same. Each piece of paper is actually worth less than the value assigned to it just as a "light weighted" amount of precious metal actually weighs and therefore is worth less than its stated weight unit.

This practice of changing money's value has been present at all the developmental stages of business transactions. When ancient societies developed coinage as a medium of exchange, the government determined and then guaranteed the weight and purity of amounts of the precious metal by fashioning them into coins stamped with the unit of currency. The government could change the value of a given coin by clipping the coin so that the weight was actually less than what was stated on the coin. Another method was to mix the precious metal with a base metal. For example, about A.D. 64 Nero "slightly debased the denarius (silver) raising the percentage of base metal to about 10 per cent and reduced the weight of both coins (silver and gold), the denarius to one ninety-sixth of a pound (from one eighty-fourth), the aureus (gold) to one forty-fifth (from one forth-second)."[19]

[19]A. H. M. Jones, "Inflation under the Roman Empire," *The Roman Economy: Studies in Ancient Economic and Administrative History* (ed. P. A. Brunt; Oxford: Basil Blackwell, 1974) 191.

By either method the result was money whose value was debased or lessened. Though the monetary unit remained the same, the amount of silver or gold had been reduced, and hence also the economic store of value.

When modern societies developed paper purchasing media as a medium of exchange, the possibility of decreasing the value of any given unit of currency did not cease. In fact the procedure was greatly simplified. No longer were "light" false weights necessary. A government did not even have to take the trouble to clip or add a base metal to the coinage. All the government had to do was to introduce into the money supply more purchasing media than represented the value of the productivity of the nation. This had and has the same effect of lessening the value of each denominated paper bill or dollar credited to a checking of savings acount, as if that dollar value in metal or coin form had been lessened in weight. Therefore, it is quite legitimate to apply the biblical command against false weights to this governmental practice of introducing excess purchasing media into the money supply whether by fiscal (deficit financing) or monetary (Federal Reserve Open Market operations) means. The overextension of credit by the banking community with the government sanction also violates this biblical command. In sum, a debasing of a medium of exchange, whether a piece of precious metal falsely weighed, a coined clipped or combined with a base metal, or a piece of paper whose numbers are multiplied through the deficit financing or monetary stimulation process, is a defrauding, a lying, which is an abomination to the Lord.

Theft

The second biblical norm which one should apply to this inflationary process is the eighth command: "Thou shalt not steal" (Exod 20:15). When excess purchasing media which do not represent the value of goods and services produced are introduced into the economy, it must get its value somewhere. In everyday business transactions one cannot distinguish a piece of paper which does not represent the value of goods and services produced from one which does. Both will be used in the marketplace to buy goods and services. Therefore, both will be treated as representing economic value. But the presence of the excess means that each piece of paper money must now represent a smaller portion of the economic value of productivity. For instance, let us picture the economy as a table with $100 of goods and services produced on it. Five laborers who contributed equally to this production each have $20 to spend on these goods. The government gives excess purchasing media in the amount of $20 each to two other persons who now come to the table. The same goods and services can now command $140. But the laborer's buying power has decreased from being able to claim 20% of the market goods to being able to buy 14%. In effect, 6% of value has been stolen from one citizen and given to another. Between 1940 and 1975, the total loss of wealth or value of saving accounts in the United States due to inflation was $1.6 trillion, that is, a total of $38,900 per American family for the period, or $1,081 per family per year.[20]

Because the government issues much of the monetized deficit in transfer payments to special need groups, inflation is actually a method for redistribution of wealth. Those who contribute little or nothing to the nation's productivity receive money whose value has actually been stolen away from the value of others' hard-earned dollars. Those who recognize that this is happening and approve of it do not hesitate to call it redistribution. "The recent redistribution of income through inflation may test our national resolve to help the poor, elderly, disadvantaged, and dispossessed at home and abroad."[21] An area in which this redistribution is taking place is higher education.[22] College tuition rose for the 1980-81 academic year 15.6% at private colleges, 9.9% at public universities. The current federal government aid commitment to students is $4.4 billion. According to an administrator at Fordham, "the working poor and the struggling middle class are being squeezed out of private schools," since the aid goes primarily to low income students. J. A. Crowl of the *Chronicle of Higher Education* concludes, "Middle-class students who would have gone to private colleges may end up in public institutions or community colleges." Inflation caused by deficit spending, on the one hand, prices private colleges out of the market for working poor and middle class students. On the other hand, a portion of that deficit is federal grants to low income students who may then use it to attend private colleges. A redistribution of wealth and opportunity has occurred.

Such an analysis is not intended to say that the government should not help "the poor, elderly, disadvantaged, and dispossessed." It is rather the *method* which is being called "stealing." Instead of balancing the budget by having taxes match spending and in that way redistribute wealth to the poor and disadvantaged through the consent of the governed, the Congress chooses to let inflation do the taxing and redistributing of the wealth without the people having a direct say. Therein lies the breaking of the eighth commandment.

[20]E. C. Harwood, *The Money Mirage* (Hamilton, Bermuda: Freedom Trust 1976) 8-9.

[21]J. W. Kuhn, "Inflation and the Middle," *Christianity and Crisis* 35 (June 9, 1975) 134.

[22]"Inflation Watch," *Business Week* (September 15, 1980) 40-41.

CONSEQUENCES OF INFLATION

Three major conseqences of inflation need to be evaluated by biblical teaching. First, inflation oppresses the poor, especially the elderly on fixed incomes. Second, it destroys the ethical values which govern economic life. Third, inflation destabilizes national life.

In 1970 an adequate annual retirement income included $9,000 (private pension funds) plus Social Security. By 1977 because of inflation that income had experienced a 25% drop in buying power. This was true even though the Social Security benefits had increased by 98%. If the 1970s rate of inflation (7.4%) obtains for the 1980s (currently the nation is running at a 12% rate), by 1985 the buying power for private pension funds will decrease to one-third of its original 1970 value.[23] Inflation is clearly oppressing the elderly on fixed incomes by silently robbing the value of their savings for retirement. Ironically, the very people which the government is trying to aid through cost-of-living increases in Social Securities benefits are actually being hurt. For these Social Security increases are largely funded by inflation-causing deficit spending. The Scripture clearly teaches that it is wrong to oppress (Exod 22:21-24; Jer 7:6; 22:3; Zech 7:10) or prevent justice (Deut 24:17; 27:19) for the widow. The widow of biblical times and the elderly on fixed income today are in very much the same economic position. They both are dependent on saving or aid from others to support themselves. Therefore, it is legitimate to apply these censures to this consequence of inflation. One must not forget, however, that care for the widow, orphan, and alien was also enjoined (Deut 14:29; 16:11, 14; 24:19-21; 26:12-13). But it was never to be done in such a way that what was justly due them was withheld. God declares himself to be especially concerned for protecting (Prov 15:25; Ps 146:9), caring for (Jer 49:11), and executing justice for the widow (Deut 10:18; cf. Isa 1:17). The economically helpless need support, preferably through the family, then the church (1 Tim 3:3-16). If the government has a role it should not be by a method which increases the burden on the elderly through inflation which brings an even higher cost of living.

Inflation also destroys ethical values which should govern economic life. F. Harvey Popell, who has twenty years experience with Latin America's inflationary economies, comments:

> In an inflationary economy, on the one hand, moral values of honesty, industry, and saving are not only no guarantee at all of a solid future,

[23]"Inflation is wrecking the private pension system," *Business Week* (May 12, 1980) 92.

> but such values may indeed represent an irrational course of action. This phenomenon is most clearly seen in the case of saving. Why save for a rainy day when one's savings won't buy an umbrella when needed? But the problem is equally evident in other areas. Why be scrupulously honest and keep one's shoulder to the wheel seeking long-term personal growth when there is no long term on the horizon? A more rational approach would be to try to get as much as you can, as fast as you can, with as little effort as you can, almost any way you can.
>
> What does this mean? For the work force it means throwing out the window the old concept of a fair day's work for a fair day's pay. What pay is fair when you and your family are constantly playing (and invariably losing) catch-up with prices?[24]

Biblical teaching supports the moral values of industry and savings (delayed consumption) and condemns their opposites—sloth and covetousness. In the OT the wisdom literature praises the virtue of diligence in labor as a precious possession (Prov 12:27) which will bring its reward in material possessions (Prov 10:4; 12:24; 21:5). The NT encourages the same virtue but with a different motive, service to the ultimate employer, the Lord Jesus Christ (Eph 6:6; Col 3:23). A Christian should work ἐκ ψυχῆς, with all his soul, heartily, as to the Lord. The negative quality, sloth, is roundly condemned in Proverbs. Its end result is poverty (Prov 6:6, 9; 19:25; 24:30-34). Its chief drive is covetous craving (Prov 13:4; 21:25-26; 26:13-16). The slothful person desires to receive economic rewards without having contributed his labor to their production. Inflation tends to destroy the connection between productivity and wages in a person's thought about his remuneration. He comes to expect a "cost of living" pay raise in order to keep pace with inflation whether his productivity has increased or not. Such expectations reinforce the value of sloth since one receives more pay for the same or less work.[25] They do not encourage the value of all-out effort and diligence. Inflation, which creates the climate for such expectations, must be judged unbiblical.

An inflationary economy also encourages the value of covetous consumption and destroys the virtue of saving. If prices are never going to be lower than they are today, then it is wiser to spend now and even borrow to spend, than to save. Inflation will allow one to

[24] Popell, *Business Week* (May 5, 1980) 20.

[25] Cf. John Train's analysis: "The relative inflation rate seems to me to be a symptom, a fever chart on the industriousness and realism of the body politic, of the civic-mindedness of the people, and one has to deal with the syndrome, not the symptom" (*Forbes* 125 [May 26, 1980] 150). Train contends that when you take more out of a system than you put into it, a fever results. This is what inflation does.

pay back in cheaper dollars. The Scriptures clearly warn against greed and covetousness, beginning with the tenth commandment (Exod 20:17). Jesus teaches us to beware of it, for our lives are not the sum total of what we possess (Mark 7:33; Luke 12:15). The NT writers see it as idolatry, a characteristic of the unregenerate life, the root of all kinds of evil (Eph 4:19; 5:30; Col 3:5; 1 Tim 6:10; 2 Pet 2:14; Heb 13:5). On the other hand, delayed consumption in the form of savings and charitable giving to others is the way the Christian should use his economic resources. Savings is assumed in the directive that a person is reponsible to provide for his family and if he does not he is "worse than an unbeliever" (1 Tim 5:8). Although strictly speaking immediate charitable giving is not the same as savings, in that money is spent and not saved, it does differ from covetous consumption in the same way as savings, since the money is not spent on oneself for the immediate consumption of goods and services. Many times the NT stresses that the Christian should use his money to be rich toward God and lay up treasures in heaven by giving to meet human need (Luke 12:15, 33-34; Eph 4:28; 1 Tim 6:18-19). Again, inflation must be judged unbiblical in its consequences for it creates an economic environment in which it is wise to covetously consume and is foolish to save.

Finally, inflation generates destabilizing forces in the national life. There is the force of dishonest dealings. Since government is dishonest and "rips off" the citizen by lessening through inflation the value of his hard-earned dollars, many citizens feel justified in "stealing" tax revenues from the government through tax evasion. The Internal Revenue Service estimates that the level of unreported income is in excess of $100 billion annually.[26] The Scriptures, however, emphasize as a Christian duty the full payment of taxes (Matt 22:21; Rom 13:7). There is the force of divisiveness as each special interest group, labor, management, and clients for government aid, battles for its share of the inflationary spiral in terms of higher wages, prices, and government grants. There is also the increased financial strains on the family as both mother and father must work to make ends meet. Inflation prevents individuals in the society from experiencing the kind of life which Paul asks us to pray for as we pray for our leaders: "a quiet and peaceful life in all godliness and dignity" (1 Tim 2:2). Thus, such destabilizing forces as a consequence of inflation are unhealthy and unbiblical.

[26]Popell, *Business Week* (May 5, 1980) 20.

SUMMARY

Inflation is the creation of excess purchasing media or credit beyond that which represents the wealth, the production of goods and services, of a country. The banking community and the federal government are responsible for this excess. The biblical teaching on honest dealing speaks to this practice and exposes it as unbiblical and immoral. The consequences of inflation include the oppression of those on fixed incomes, especially the elderly. The OT teachings concerning proper treatment of the widow censures this result of inflation. A promotion of unbiblical values of sloth and covetousness and a discouragement of the biblical idea of diligence and savings also result from inflation. Finally, the destabilization of society which occurs in the wake of inflation creates a situation contrary to the "quiet and peaceful life" which Scripture envisages as the goal of good government.