A BIBLICAL VIEW ON

MONEY

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What should be our perspective on money? The Bible teaches us that "the love of money is a root of all kinds of evil" (1 Timothy 6:10). It doesn't say money is bad, but it does warn us not to have the wrong perspective on money.

Money can be used to promote good or evil. Money can provide for

your family, feed the poor, and promote the gospel. Money can also be used to buy drugs, engage in prostitution, and destroy families and society. We need God's perspective on money.

There is also a growing concern about our money because governments are inflating the country's currency. Fifty years ago, the US went off the gold standard. That action allowed the government and the Federal Reserve to dramatically increase the money supply and fuel inflation. This should concern every American citizen.

History of Money

Today we think of money as dollar bills or currency from another country. Originally money usually took the form of stones, beads, and shells. Cattle and agricultural produce might have been seen as forms of money,

but they would only work in a barter system and could not be divided or stored the way money can be used.

The Rai stones on Yap Island were large circular stones carved from limestone. They were brought from the neighboring island and were difficult to procure (mine and transport). This limited amount made the stones sound money for centuries. That changed when David O'Keefe was shipwrecked on the island. He realized that he could go to the other island and using modern tools and transportation could increase his supply of the stones. This ultimately led to the demise of the Rai stone as money.

A similar story occurred in western Africa where aggry beads were used as money for centuries. It seems that they were made from meteorite stones or possibly passed on from Egyptian and Phoenician traders.

They were precious because glass-making technology was expensive and not very common. Their limited supply made the beads sound money until European explorers visited the region. Once they began to import mass quantities of glass beads from Europe, the value of this form of money collapsed.

Seashells were another form of money around the world (from Africa to Asia to North America). They also suffered the same fate when advanced technology and boats flooded the market. There is a lesson here. When you inflate the money supply (stones, beads, shells, or dollar bills), the value of the money declines and eventually collapses.

Attributes of Money

When we look at these examples of primitive money, we can see that they ultimately failed once the scarci-

ty of that form of money was diluted. That is why so many countries had their currency tied to gold. Gold stood the test of time for more than 5,000 years because it had five key properties: durability, scarcity, divisibility, portability, and recognizability. Let's just look at two examples.

1. Durability – gold and silver are more durable than many commodities that might spoil and more durable than many other metals that might corrode. Gold is chemically stable and virtually indestructible.

2. Scarcity – gold is more difficult to mine than silver or copper. If people bought lots of silver or copper, more miners would mine more of it and the price would drop (it wouldn't be as good a store of value). By contrast, gold's annual growth rate is around 1.5 percent and never exceeds more than 2 percent.

The gold standard in this country and in countries in Europe was the closest thing the world has ever had to ideal sound money. But that changed in the twentieth century.

Key Dates in American Economic History

America used to have a sound money policy. A dollar was "as good as gold." But that changed and can be explained by looking at four important dates in our country's economic history.

The first date is 1913 when the Federal Reserve was created with the passage of the Federal Reserve Act. The bill passed during the Christmas season, and President Woodrow Wilson signed it. This put enormous power in the hands of these bankers and the chairman of the Federal Reserve. It's worth mentioning that the United States didn't have a central bank from

1836 (when President Andrew Jackson closed the Second Bank of the United States) to 1913.

When World War I started, various governments were able to confiscate and centralize the gold of their citizens and thus move beyond a gold standard. This began the move toward fiat money (money no longer backed by gold or other metals).

This brings us to 1933 when gold was confiscated in this country. President Franklin Roosevelt decided to remove the constraints a gold standard placed on the US government. He issued an executive order banning the private ownership of gold. This forced Americans to sell their gold to the US Treasury at a rate of $20.67 per ounce. Once the population was deprived of sound money, Roosevelt then revalued the dollar on the international market from $20.67 per ounce to $35 per ounce.

Another key date in economic history is 1944. While World War II was still raging, more than 700 delegates from the Allied nations met at Bretton Woods, New Hampshire to plan the future. This conference produced the International Monetary Fund and the World Bank.

One of the most important acts was to adopt a monetary policy that maintained the exchange rate of its currency within a fixed value in terms of gold. In a sense, they decided that the currencies of the world would "float" against the US dollar.

Fast forward to when the US was involved in the Vietnam War and when President Lyndon Johnson was also passing the Great Society programs. Government was spending too much on both guns and butter. Since the war was unpopular, it wasn't possible to raise taxes and more borrowing wasn't an option. The Federal

Reserve started printing money to monetize the debt. This resulted in a run on the US government's gold supply. The Bretton Woods agreement said that dollars were redeemable at the price of $42.44 per ounce. But the market price of gold was moving toward $65 per ounce.

This brings us to 1971 when the US abandoned the gold standard. President Richard Nixon really had only two choices. He could raise the official price of gold to the level of the market price of $65/ounce. That would devalue the dollar by 50 percent. That was not really an option. It would have been political suicide to devalue the dollar that much and that fast.

His only other option was to repudiate the Bretton Woods agreement, close the gold window, and drop our commitment to the gold standard. All the currencies of the world have

been sinking ever since. This act made it even easier for the Federal Reserve and the Treasury to print money and monetize the US debt.

Future Inflation

The American government has been printing money for decades, and that has led to the devaluation of the US dollar. The Fed has significantly increased the money supply, first during the recession of 2008 and more recently due to the pandemic and lockdowns. More than a third of all the dollars in the world were created in 2020-2021. We should expect future inflation with higher prices and devalued dollars.

In previous centuries, kings and citizens engaged in coin-clipping. This was a form of inflation, but at least it was visible. Today, paying back investors and citizens with devalued dollars is less visible and more

insidious. We may see prices increase but will be told by politicians that the consumer price index (CPI) only increased a small amount.

What is the impact of inflation? The impact is felt in higher prices. The classical definition of inflation is "a rise in the general level of prices of goods and services in an economy over a period of time."

What will be the impact on you and your family? You can calculate that by using the mathematical "rule of 72." Take the current inflation rate and divide it into seventy-two, and that will give you the number of years at that rate of inflation it will take for prices to double.

If inflation is on the horizon and the dollar will continue to decline in value, a wise investor will consider owning assets that are a hedge against inflation and the devalua-

tion of the dollar. That is why people in the past have purchased gold and why many investors are buying bitcoin (because it has scarcity with a maximum supply of 21 million).

Biblical Principles

A wise and discerning Christian should "understand the times" (1 Chronicles 12:32) and apply biblical wisdom (Proverbs 21:5). We encourage you to seek out wise financial counselors (Proverbs 15:22) who can help you navigate the economic challenges we will face in the future.

First, have the right attitude. If God has blessed you with financial resources, thank Him, and strive to be a good steward of them. The Bible also teaches us not to trust in our wealth but in God (Proverbs 11:4; 11:28; Jeremiah 9:23; 1 Timothy 6:17; James 1:11; 5:2). The Bible also teaches us that the earth is ultimately

the Lord's (Psalm 24:1). God owns it all.

Second, be wary of the subtle influence of materialism. Materialism feeds our greed. We are never satisfied with what we have but want more. Jesus tells the parable of a rich man who decides to tear down his barns and build bigger ones (Luke 12:18). Materialism also creates divided loyalties. Jesus taught that we should "seek first His kingdom and His righteousness" (Matthew 6:33). We can also see this in Paul's letter to Timothy about not being divided in the Christian life. "No soldier in active service entangles himself in the affairs of everyday life, so that he may please the one who enlisted him as a soldier" (2 Timothy 2:4).

Third, get out of debt. Proverbs 22:7 says, "The rich rule over the poor, and the borrower is a servant to the lender." When you borrow money and

put yourself in debt, you put yourself in a situation where the lender has significant influence over you. We have already produced a booklet on debt that you can read.

Fourth, focus on saving. Proverbs 6:6-8 encourages us to, "Go to the ant, you sluggard; consider its ways and be wise! It has no commander, no overseer or ruler, yet it stores its provisions in summer and gathers its food at harvest." The writer of Proverbs also talks about how wise people save, in contrast to foolish people who do not. "In the house of the wise are stores of choice food and oil, but a foolish man devours all he has" (Proverbs 21:20).

Fifth, make wise investments by diversifying. Solomon gives this investment advice: "Divide your portion to seven, or even to eight, for

you do not know what misfortune may occur on the earth" (Ecclesiastes 11:2). It makes sense to diversify your portfolio since no human being can accurately and consistently predict the future (James 4:13-15). By diversifying your investments, you minimize the risk to your entire portfolio.

We are encouraged to "Honor the Lord with your wealth and with the first fruits of all your harvest; then your barns will be filled with plenty, and your vats will overflow with new wine" (Proverbs 3:9-10). We need to take this admonition to heart as we face a challenging financial future.

Additional Resources

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Kerby Anderson, *A Biblical Point of View on Debt*, 2019

Kerby Anderson, *Making the Most of Your Money in Tough Times* (Eugene, OR: Harvest House, 2009).

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