

Christian Social Theory

Workbook 4

Note To Instructors: Remove Final Test from back of workbook before giving to student.

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Workbook 4

The Christian Social Theory Workbooks are designed to help you come to a solid understanding of how God designed His world to operate. After completing this course you will have a solid foundation to understanding the problems in our society today and what God's answers are. You can then dig in to greater details on your areas of special operation. To successfully complete this workbook you will need to:

1. Complete all the questions in a Section.
2. Score all questions before taking the related Review. Underline the answers in the text for any questions you got wrong.
3. Take the Review.
4. Score the Review. Underline the answers in the text for any questions you got wrong.
5. Go on to the next section and repeat.
6. Memorize selected Scriptures.
7. Before taking the Pre-Test make sure all questions in the Sections and Reviews are correctly answered.
8. Take the Pre-Test.
9. Score the Pre-Test. Underline the answers in the text for any questions you got wrong.
10. Take the Final Test.

Note 1: Not all questions on reviews or tests will be taken directly from previous questions. However, reviews and pre-tests will show how well you understand the material. If you do well on them you should have no difficulty with the Final Test.

Note 2: Final Tests may include some random questions from previous workbooks to test how well the student is remembering the material.

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Write out and memorize Deut. 25:15: _____

WHAT IS MONEY?

Money can be anything someone is willing to take in exchange for something else. For example, if Joe's Shoe Store charges \$20.00 for a pair of shoes but someone comes in and offers to give Joe a pair of skates in exchange for the shoes, and Joe accepts, then the skates have functioned as money in that transaction.

"...money is the most marketable commodity in a particular society." Dr. Gary North, *Honest Money*, pg. 15

Many things have been used as money in the past including shells, Mulberry tree bark, gigantic donut-shaped stones, animals, and even wives. However, many of these items are difficult to exchange. For example, if you were using cows as money and wanted to buy a goat you have a problem. Your cow is worth more than one goat, but you cannot really divide the cow so you might have to take three goats when you only want one. Add to that the fact you would have to find someone who wanted to sell three goats for one cow. Maybe your prospective seller only has one extra goat and he wants an axe not a cow. You would then have to find someone who wanted to trade an axe for a cow and then go back to your seller and hope he hadn't made the sale to someone else while you were busy trading. This type of money system is time consuming and only works in primitive societies.

For a civilization to advance it must have a money system that allows people to quickly trade with each other without a lot of complicated calculations. Practical money must be something that can be easily recognized and exchanged by everyone. For example, if sea shells were to function as money. You could find someone who wanted a cow, sell it to him for 10 sea shells, then go and buy your goat for four sea shells, and the goat owner could then buy his axe for 5 sea shells. By making money a commonly recognized item that everyone will accept, the only thing that has to be settled is the price of each item. This is worked out between buyer and seller [free market].

Why would people accept sea shells, or anything else, as money? They accept it because they believe that they will be able to trade it for things they want later. If they don't think it is going to have value in the future, they won't take it. Joe sells a pair of shoes for \$20.00 because he knows he can then take the \$20.00 down the grocery store and

buy \$20.00 worth of groceries. If he did not think the grocery store would accept the \$20.00, he wouldn't take it either.

If you think about what we have said so far you will realize that people create money. Whatever buyers and sellers agree to exchange as money IS money. The civil government is not needed to create money.

1. Money can be anything someone is will to take in _____ for something else.
2. For a civilization to advance it must have a money system that allows people to quickly _____ with each other without a lot of complicated calculations.
3. Practical money must be something that can be easily _____ and exchanged by everyone.
4. Whatever buyers and sellers agree to exchange as money _____ money.
5. The civil government is not needed to _____ money.

In his book, *Honest Money*, Dr. Gary North has listed five necessary characteristics that money must have in order to function properly. They are:

1. Divisibility
2. Portability
3. Durability
4. Recognizability
5. Scarcity

Why is each of these important?

Divisibility is important because you have to be able to make change. Unless you are a butcher selling meat, you don't want to divide up a cow...and half a wife is worse than no wife!

Portability is important because you want to be able to take the money to the seller. Although it is possible for some items to just exchange a certificate of ownership, usually the seller wants the money in his hand - or transfered to his bank account.

Durability is important because you don't want your money to literally rust away! What you use for money has to be able to last for a long time otherwise your wealth can disappear plus the older it gets, the less other people will want to trade for it knowing it will soon be no good.

Recognizability is important because others need to know that it will function as money. It must be something that is easy to recognize and hard to counterfeit. The seller has to be confident that he is getting the genuine article. In the town in which I live some businesses refuse to take \$100.00 bills because of the fear that they might not be genuine.

Scarcity is important because if the item used as money is abundantly available then it is easy for anyone to get it. The price of items would be high for the only value to the money would be the amount of time it took to gather it. This is the problem with the sea shell example above. Assuming the citizens lived near the ocean anyone could gather them. The price of a goat might then be 1,000 sea shells because the owner is only thinking of the time he would save having to go out and gather the sea shells for himself. Portability then becomes a problem.

What functions very well as money? Historically, gold and silver - especially gold - has been widely accepted as money. Gold, in particular meets all the above five requirements. It is divisible, it can be made into various sizes. It is portable, it can be carried from location to location. It is durable, only the acid aqua regia can destroy it. It is recognizable, it can be put on a scale to determine exactly how pure it is. Finally, it is scarce in comparison to other metals.

“Historically, gold has served men as the longest-lived form of money on record. Silver, too, has been a popular money metal, but gold is historically king of the money metals.” Dr. Gary North, *Honest Money*, pg. 19

6. What are the five characteristics money should have to function efficiently?

Divisibility, Portability, _____, Recognizability, Scarcity

7. Divisibility is important because you have to be able to make _____.

8. _____ is important because you want to be able to take the money to the seller.

9. Durability is important because you don't want your money to literally _____ away!

10. Recognizability is important because others need to know that it will function as _____.

11. _____ is important because if the item used as money is abundantly available then it is easy for anyone to get.

12. Historically, gold and silver - especially _____ - has been widely accepted as money.

WHAT IS A LEGITIMATE MONEY SYSTEM?

As we have seen, money is whatever the buyer and seller are willing to take in exchange. Anything that both are willing to take can function as legitimate money. It works to maximum effect if it has all the necessary characteristics of money. The civil government has no right to declare what is money or what is not money.

Money becomes illegitimate when either the buyer or the seller deceives the other about what they are trading. For example, if Bob and Joe agree that 5 sea shells will buy 1 pair of shoes and Bob gives 4 sea shells and one black smooth stone which Joe doesn't notice right away, then the stone is fraudulent money. Joe has been cheated out of one sea shell.

In the Old Testament gold and silver money was usually given by weight, although sometimes it was counted out.

“And Abraham hearkened unto Ephron; and Abraham weighed to Ephron the silver, which he had named in the audience of the sons of Heth, four hundred shekels of silver, current money with the merchant.” Gen. 23:16

Abraham agreed to Ephron's terms and weighed out for him the price he had named in the hearing of the Hittites: four hundred shekels of silver, according to the weight current among the merchants. In this case, the money was by weight not by count. There were also witnesses to the business contract and the payment for the protection of both parties.

“And he bought a parcel of a field, where he had spread his tent, at the hand of the children of Hamor, Shechem's father, for an hundred pieces of money.” Gen. 33:19

Here the purchase was in “pieces of money” rather than weight. It makes no difference as long as the buyer and seller are in agreement and each delivers what was promised.

13. _____ is whatever the buyer and seller are willing to take in exchange.
14. The _____ government has no right to declare what is money or what is not money.

15. Money becomes illegitimate when either the buyer or the seller _____ the other about what they are trading.
16. In the Old Testament gold and silver money was usually given by _____, although sometimes it was counted out.

Dishonest people would have scales that gave a false weight so that they were gaining more from the transaction than what had been agreed upon.

“But thou shalt have a perfect and just weight, a perfect and just measure shalt thou have: that thy days may be lengthened in the land which the LORD thy God giveth thee.”
Deut. 25:15

The prophets many times condemned the people of Israel for cheating with dishonest scales. God considered it a very serious offense. It showed the corruption of the people. It also showed the coming collapse of the economy. Cheating - theft, really - destroys trust and drives prices up to compensate for the fraudulent money. If Joe suspects that Bob and others are going to replace a sea shell with a stone and he is unable to catch it at the point of transaction, then he is going to raise his price to 6 sea shells to make sure he gets his five. However, Honest Harry is going to end up paying 6 sea shells. So, in fact, Bob has not only stolen from Joe, but also from Harry.

Later in history gold and silver coins came to be used. The coins would be minted to a certain fineness [or purity]. However what some people would do is shave off a little bit of the coin. They would then keep the extra gold or silver and pass the coin off as if it were full weight. Unless the receiver actually weighed the coin he would not know of the fraud. This is the original reason why coins have raised edges - so it can quickly be detected if they have been shaved. Of course, today there are no precious metals in the coins so the raised edges are just tradition or decorative.

Because of sinful human nature, people are skillful at finding ways to cheat. In making gold and silver coins a small amount of harder, less valuable metal was added in order to make the coins harder - which helps with durability. The amount of gold or silver in a coin is called its fineness [purity]. What some goldsmiths and silversmiths would do is add more of the less valuable metal, but still claim the former fineness. People were then getting less gold or silver than they thought they were getting. Again, it is a form of theft. This fraud could be discovered by weighing the coins, but normally people don't carry scales around with them. When people begin to catch on to this fraud prices would rise to compensate for getting less gold or silver. The honest smiths are hurt because they are giving the full amount but still having to pay the higher prices.

Sometimes people would not want to carry their gold and silver around with them. They would leave it [deposit] with what would come to be known as a banker for safekeeping. The banker would then issue them a receipt for the gold or silver. Then what would happen was that, instead of going for the gold and silver, people would

simply trade the receipts. They were confident that anytime they could go to the banker and trade the receipt for the specified amount of gold or silver. These receipts [or paper money] represented the gold or silver and were much easier to carry and trade. There is absolutely nothing wrong with this system at all.

The problem developed when the bankers realized that not very many people were coming in to trade their receipts for gold or silver. They then figured out a great get-rich-quick scheme. Print extra receipts. They had to be careful not to print too many because some people would still come in to redeem their gold or silver. This is what Fractional Reserve Banking is based on.

How does this work? Let say Joe deposits \$100.00 worth of gold coins with Betty Banker. Betty Banker then gives Joe receipts for \$100.00 worth of gold coins - minus a small storage fee. Now Betty Banker knows the Joe is going to trade those receipts and that it is unlikely that all those receipts are going to come back to her at once. Larry Loaner comes in and wants to borrow \$50.00 worth of gold. Betty Banker doesn't actually give Larry Loaner \$50.00 of gold but receipts for \$50.00 worth of gold. Now floating out in society is \$150.00 worth of receipts for gold, but it is only covered by \$100.00 worth of gold. If all the receipts come back at once [a run on the bank] Betty will not have enough gold to pay everyone. The first \$100 worth of receipts would get gold, the last \$50.00 would get nothing. Betty would be exposed and bankrupt. Or else, when Betty sees what is happening, she could close the bank until she is able to find more gold or the people go out of panic mode and don't come in all at once. In any case, the \$50.00 extra worth of receipts is fraud and theft just the same as shaving coins or putting extra base metal into the mix. The main difference is that Betty's fraud is much harder to detect.

17. Dishonest people would have scales that gave a _____ weight so that they were gaining more from the transaction than what had been agreed upon.
18. Cheating - theft, really - destroys _____ and drives prices up to compensate for the fraudulent money.
19. Gold and silver coins would be minted to a certain _____ [or purity].
20. Today there are no precious metals in the coins so the _____ edges are just tradition or decorative.
21. The amount of gold or silver in a coin is called its _____ [purity].
22. _____ [or paper money] represented the gold or silver and were much easier to carry and trade.

REVIEW 1

1. Write out from memory Deut. 25:15: _____

2. Money can be _____ someone is will to take in exchange for something else.
3. For a civilization to _____ it must have a money system that allows people to quickly trade with each other without a lot of complicated calculations.
4. Practical money must be something that can be easily _____ and exchanged by everyone.
5. The civil government is not needed to create _____.
6. What are the five characteristics money should have to function efficiently?
 Divisibility, Portability, Durability, Recognizability, _____
7. _____ is important because you have to be able to make change.
8. Portability is important because you want to be able to take the money to the _____.
9. _____ is important because you don't want your money to literally rust away!
10. Recognizability is important because others need to _____ that it will function as money.
11. Scarcity is important because if the item used as money is _____ available then it is easy for anyone to get.
12. Historically, gold and _____ - especially gold - has been widely accepted as money.

13. Money becomes _____ when either the buyer or the seller deceives the other about what they are trading.
14. In the Old Testament gold and silver money was usually given by weight, although sometimes it was _____ out.
15. Dishonest people would have _____ that gave a false weight so that they were gaining more from the transaction than what had been agreed upon.
16. _____ - theft, really - destroys trust and drives prices up to compensate for the fraudulent money.
17. Gold and silver coins would be _____ to a certain fineness [or purity].
18. Today there are no _____ metals in the coins so the raised edges are just tradition or decorative.
19. The amount of gold or silver in a coin is called its fineness [_____].
20. Receipts [or paper money] _____ the gold or silver and were much easy to carry and trade.

Score _____ [Each answer 5 points]

WHAT IS INTEREST?

Interest is basically the fee you pay to use money you haven't earned yet. It happens when we want something now, but we haven't earned the money to pay for it. Then we go the bank for a loan, pull out a credit card, or find an "easy" payment plan.

In an economy where the money is stable [therefore prices tend to drop rather than increase] the interest rates would be very low. All Betty Banker has to do to calculate her fee [interest] in this case is consider how much money is available, what are the chances of default, and how much profit she wants to make.

In a corrupt society where the money is unstable interest rates are higher. Now Betty Banker not only has to consider the three items above, but also she has to assume a higher risk factor because an unstable currency increases the likeliness of default, and what the rate of inflation is likely to be. If she figures that the rate of inflation over the life of the loan is going to be 10% then that means if she loans \$100.00 when the loan is due she will need \$110.00 just to buy the SAME amount of

goods she would have bought with the \$100.00 earlier. This means the interest rate she charges must be higher just to cover the inflation.

“In a free society interest appears because people are in a hurry...interest rates move conversely to patience. If people suddenly get an urge to consume immediately, then interest rates will rise.” Tom Rose, Economics: Principles and Policy, pg. 165-167

“If thou lend money to any of my people that is poor by thee, thou shalt not be to him as an usurer, neither shalt thou lay upon him usury.” Ex. 22:25

“Thou shalt not lend upon usury to thy brother; usury of money, usury of victuals, usury of any thing that is lent upon usury: Unto a stranger thou mayest lend upon usury; but unto thy brother thou shalt not lend upon usury: that the LORD thy God may bless thee in all that thou settest thine hand to in the land whither thou goest to possess it.” Deut.

23_19-20

Some Christians equate interest with usury. They then feel that it is wrong to charge interest. However, a study of the topic shows that the condemned usury was charging interest to a poor Christian brother in desperate financial condition. A loan to such a person would be without interest, i.e. no fee would be charged for the loan and the lender would absorb the risk factor. There was no inflation at the time so that was a non-issue. The loan was required to be repaid and certain conditions motivated the borrower to repay the loan as soon as possible. If the loan could not be repaid in six years, it was forgiven and God Himself promised to repay it. In an inflationary society adding the rate of inflation to the loan would still make it, for all practical purposes, a zero interest loan.

There is no Biblical reason not to charge interest on business loans, personal loans made to Christians who are not in poverty, or on any loan a Christian makes to a non-Christian regardless of the borrower's financial position.

1. Interest is basically the fee you pay to use money you haven't _____ yet.
2. In an economy where the money is _____ [therefore prices tend to drop rather than increase] the interest rates would be very low.
3. In a _____ society where the money is unstable interest rates are higher.
4. The _____ condemned in the Bible was charging interest to a poor Christian brother in desperate financial condition.

5. There is no _____ reason not to charge interest on business loans, personal loans made to Christians who are not in poverty, or on any loan a Christian makes to a non-Christian regardless of the borrower's financial position.

WHAT IS INFLATION?

Inflation is where the money supply is "inflated" or increased above the amount of the reserve. In our example above, Betty Banker inflated the money supply by \$50.00.

Inflation is theft. It steals the value of money from people. If the inflation rate is 10% per year then Joe's \$100.00 at the beginning of the year would only be worth \$90.00 at the end of the year. \$10.00 has been stolen from Joe even though he may still have the \$100.00 in his wallet.

"How is the faithful city become an harlot! it was full of judgment; righteousness lodged in it; but now murderers. Thy silver is become dross, thy wine mixed with water: Thy princes are rebellious, and companions of thieves: every one loveth gifts, and followeth after rewards: they judge not the fatherless, neither doth the cause of the widow come unto them." Is. 1:21-23

The silver becoming dross speaks of devaluing the currency - which is exactly what inflation does. It is linked with a corrupt and rebellious society under the judgment of God.

Inflation is also called the hidden tax. Socialist governments need huge amounts of money to carry out their plans for a paradise on earth - Utopia. They know that if they were to be honest with their citizens about the cost and try to raise it through direct taxation there would be a revolt. So they simply print more money. People see the prices going up and blame greedy businessmen or selfish unions never realizing that the main - if not only - reason prices go up is inflation and taxation.

"Perhaps more than another other single factor, it is the willful government policy of inflation, aided and abetted by the citizen's covetousness, that causes poverty and unemployment." [Productive Christians, 42]

"In the modern world, in almost all cases, the long-term creditor eventually is destroyed by the inflation. The long-term debtor is able to pay off his obligations with worthless money. The classic example of this is Germany in 1923. So rapid was the inflation, 1921-1923, that at the end of the inflation in November of 1923, it would have been possible to pay off the entire mortgage indebtedness of pre-war Germany [about 40 billion German marks] with the marks you could have bought in the black market for about a third of an American penny...This was the taking of money that rightfully

belonged to creditors on a historical scale never seen before. Dr. Gary North, *Inherit The Earth*, pg. 93

When nations were on the gold standard they promised to redeem their paper money in gold. Like Betty Banker above, inflation was limited to the extra money they thought they could print that would not be redeemed. It was not a very good control, but it was a control nevertheless. As governments wanted more and more money without direct taxation, the gold standard became more and more inconvenient. Finally, they went off the gold standard altogether. They refused to redeem the paper money for gold. The United States even made owning gold illegal for its citizens. As far as I know, Canada has never made owning gold illegal; however, our paper money is no longer redeemable in gold.

Since there is nothing backing paper money [i.e. you cannot trade it in for any precious metal], there is nothing to prevent the civil government from printing as much as it needs except the fear of hyper-inflation which would totally destroy the economy. Because of this fear they sometime deflate the currency, in other words, they take some of the money out of circulation. This inflation and deflation process is what causes the "bubbles" - boom times - and the recessions/depressions. In an economy with a stable money system there would be no boom and burst times.

How does this work? Remember Ourcountry with its ten citizens? Scott and Jill work for the civil government. The other eight citizens produce \$1,000 each for the economy but are taxed \$200. each to pay the president and "free" education teacher. The economy for the country has been reduced to \$8,000. Now President Scott wants to help everyone by offering free medicare. He knows the cost is going to be an additional \$200.00 per person. He figures that if people were going to be taxed 40% they might revolt. So, since he controls the money system, he simply decides to print an extra \$200 per productive citizen or \$1,600. The citizens are still only producing \$8,000 but now there is \$9,600 in the economy. Everybody is excited. No more medical bills. As people go to the doctor for "free" the new money is put into the Ourcountry economy.

What President Scott forgot - or didn't care about - was the law of supply and demand. This is a God-created law, like gravity, that no man can repeal. The law of supply and demand basically states that it is the balance between supply [how much is available] and demand [how many people want it] which determines the price in the long run. Because President Scott introduced unearned money [inflation] into the money system the demand for products is going to go up; however, because the people are not producing any more the supply is going to stay the same. This means prices will rise. It is hidden tax because people are now paying more for their products, but for most of them [all who didn't go to the doctor] their pay stayed the same. So even through the citizens may still make \$800.00 [after tax], and their purchases may say \$800.00, a few months ago they would have purchased the same amount of goods for \$600.00. They have been taxed \$200.00 without knowing it! And they are actually happy about it because now they have "free" medicare.

6. Inflation is where the money supply is “inflated” or _____ above the amount of of the reserve.
7. Inflation is _____.
8. Inflation is also called the _____ tax.
9. The main - if not only - reason prices go up is _____ and taxation.
10. When nations were on the gold standard they promised to redeem their paper money in _____.
11. As governments wanted more and more money without _____ taxation, the gold standard became more and more inconvenient.
12. Since there is nothing _____ paper money [i.e. you cannot trade it in for any precious metal], there is nothing to prevent the civil government from printing as much as it needs except the fear of hyper-inflation.
13. This inflation and deflation process is what causes the “bubbles” - boom times - and the _____/depressions.
14. The law of _____ and demand is a God-created law, like gravity, that no man can repeal.

WHAT IS FRACTIONAL RESERVE BANKING?

Fractional Reserve Banking, which all countries currently use, is a quick way to inflate or deflate the money supply. Fractional Reserve Banking is exactly as it sounds. Only a small amount of money is required to be kept on hand. The rest can be loaned out again.

For example, let’s say the reserve requirement is 10%. Jill deposits \$100.00 in her savings account at Betty’s Bank. Betty sets aside 10% [10.00], and gives Larry Loaner \$90.00. Larry deposits \$90.00 in his bank account and Betty dutifully sets aside \$9.00 and loans out \$81.00. etc. How would this look?

Deposit	Reserve	Loaned
\$100.00	\$10.00	\$90.00
90.00	9.00	81.00
81.00	8.10	72.90

72.90	7.29	65.61
65.61	6.56	59.05
59.05	5.90	53.15
53.15	5.31	47.84
47.84	4.78	43.06
43.06	4.30	38.76
38.76	3.87	34.89
34.89	3.89	31.00
31.00	3.10	27.90
27.79	2.77	25.13
25.13	2.51	22.62
22.62	2.26	20.36
20.36	2.03	18.28
18.28	1.82	16.46
16.46	1.64	14.82
14.82	1.48	13.34
13.34	1.34	12.00
12.00	1.20	10.80
10.80	1.08	9.72
9.72	.97	8.75
8.75	.87	7.88
7.88	.78	7.10
7.10	.71	6.39
6.39	.63	5.76
5.76	.57	5.19
5.19	.51	4.68
4.68	.46	4.22
4.22	.42	3.80

By the time Jill's \$100.00 has been cycled through the Fractional Reserve System it has turned into over \$862.46! That's without actually printing any extra money.

Just like the inflation it promotes, Fractional Reserve Banking is theft. As such it is an unBiblical, illegitimate system which destroys the economy it claims to help.

15. Fractional Reserve Banking, which _____ countries currently use, is a quick way to inflate or deflate the money supply.
16. Fractional Reserve Banking is _____.

WHO SHOULD CONTROL THE CURRENCY/BANKING SYSTEM?

Under no circumstances should the civil government be allowed to make or control the money supply in a nation. When it does, the temptation to inflation is too great and the road to socialism is paved. All central banks should be illegal. This is a totally radical idea in today's society, but it is essential for a free society.

So who makes the money? It is a business, and anyone who wants to get into the business should be allowed to.

What is the civil government's role in this? The civil government's only role in regard to money is to make sure that fraud does not take place. If company A issues receipts [paper money] for \$100.00 worth of gold, it is the civil government's job to be sure there is \$100.00 worth of gold in storage and that no more than 100 receipts have been issued. If company B issues receipts for \$200.00 of silver, the government's job is the same. It is the consumers who decide which companies or combination of companies they are going to use. The government's only obligation with respect to money is to make sure everyone is honest.

17. Under no circumstances should the civil government be allowed to _____ or control the money supply in a nation.
18. All _____ banks should be illegal.
19. The civil government's only role in regard to money is to make sure that _____ does not take place.

HOW WOULD A BIBLICAL BANK OPERATE?

A Biblically legitimate bank would need to have 100% reserve funds. In other words, for every dollar in a bank account, there would have to be a dollar in the vault. It would function much like a safety deposit box. The client would pay a storage fee and his money would be kept safe until he wanted it.

In addition, the banks could offer to loan some or all of a client's money out to someone else. When this was done the original owner could not withdraw his money until the loan was repaid. The bank would pay the owner interest, but the owner loses the right to withdraw the money until the loan is repaid. The bank could offer to pay an interest rate and then combine different depositors money into making loans to one or several people. Or the bank could simply offer to be a go-between charging a fee to bring a borrower and loaner together. In both cases, the bank has the incentive to make sure the person borrowing the money is able and willing to repaid the loan. In the first

case, the bank would have to repay the loan and interest out of its own profits if the loan was defaulted. In the second case, the bank would lose its reputation as a reliable go-between and customers would go elsewhere.

Banks also would not be limited in offering their clients as many other services as they wanted to offer.

20. A Biblically legitimate bank would need to have _____ reserve funds.

DO MINIMUM WAGE LAWS HELP THE POOR?

Minimum Wage laws are promoted as a way to help poor people. However, as numerous studies have shown, raising the minimum wage reduces employment and usually it is the poor and/or minorities who get hurt the most. Minimum wage laws are oppressive to the very people the Bible specifically commands us to help!

“To deprive a man of his right to sell his labor power on the best terms he can find would be equivalent to blocking him from the only avenues that allows him to escape from being a chattel.” Tom Rose, Economics: Principles and Policy, pg. 116

How does this work? Remember Joe’s Shoe Store? Joe’s business is good and he desires to hire 4 salesmen; however, until there is an increase in sales he can only afford to pay them \$5.00 an hour. In other words, he calculates that he can afford \$20.00 per hour. Gary Government comes along and tells Joe he has to pay at least \$10.00 an hour. The amount of money Joe has to pay his salesman stays the same, but now he can only afford to hire 2 instead of 4. Two people will make more money, two people will make nothing. Six people applied for the jobs: Eddy Experienced, Mike Minority, Paula Poor, Helen Hard-Worker, Rick Rich, and Anna Accepted. Before minimum wage 4 out of 6 would have had a job and earned raises according to their ability. Now Joe has to make choices. Since he has to pay everyone at least \$10.00 he has to pick the people who will do the best from the start. The obvious choices are Eddy, who has previous experience, and Helen, who has a good work reputation. Mike and Paula don’t get a chance. Anna, who is popular in the community, and Rick, who has a wealthy family, are borderline.

What would happen in a Free Market System? Joe advertises for four positions at \$5.00 an hour. Rick doesn’t bother to apply at that low rate. Eddy does apply but states he will not work for less than \$7.00 an hour. Helen and Anna apply. Mike and Paula apply, but know that they are at a disadvantage. They come up with ideas to increase their chances of getting the job. Mike offers to pass out flyers once a week on his own time. Paula tells Joe she is willing to work for \$4.00 an hour to gain experience and prove herself. Joe could still choose any 4 out of the 5 who applied, but the Free Market has given Mike and Paula opportunities to increase their chances. If they can land that first job, they can gain experience and a good reputation which will allow them

to apply for better jobs later. Minimum wages takes away not only Joe's choices, but also robs Mike and Paula of their opportunity and forces them into a poverty/welfare lifestyle from which there is no escape.

No one said they had to stay in low-paying jobs forever. It is their opportunity to prove themselves and develop the skills need to advance.

"...employers already pay 97% of workers 25 years and older more than the minimum wage, even through no laws demand it." Dr. Mary Ruwart, *Healing Our World In An Age Of Aggression*, pg. 41

"Poverty is not caused by low wages; it caused by no wages. Because minimum wages destroy jobs, they actually help to create the poverty that they were designed to cure." Dr. Mary Ruwart, *Healing Our World In An Age Of Aggression*, pg. 37

Who benefits from minimum wage laws? Skilled workers who know that it will protect their jobs from competitors. This is one reason why unions often push for increases in minimum wages. They know that, in general, their membership will benefit. Some of their members may end up losing their jobs, but over all it will be the unskilled and poor who take the biggest hit.

Consider Joe's Shoe store again. In the Free Market System Joe decided that it would be good to have an experienced worker so Eddy got hired at \$7.00 an hour and then Mike, Helen, and Anna. Paula was the one who didn't get hired. She thinks the situation over. She is sure that she can do as good as job as anyone else. Because this is a Free Market System she has options:

1. She can offer to work for \$3.00 an hour and hope that Joe will let someone else go to give her a chance. This may seem harsh on the person let go, but they are both "bidding" for the same job. Joe has to decide who is going to be most productive for the cost involved. If, for example, Eddy is unwilling to work for less than \$7.00 an hour, Joe has to wonder if he is really over twice as good as Paula. In fact, if he could find two people willing to start out at Paula's offered wage, he could have a two for one deal and still save money!
2. She could also offer to work strictly on commission. The cost to Joe is then zero. There is very little risk for Joe, but a possible large gain if Paula can outwork his other employees.
3. Any other inventive ideas that would benefit both her and Joe.

While Paula is thinking over her options, Eddy is also thinking. He refused to work for less than \$7.00 an hour, but he is afraid that Paula might tempt Joe with a better offer. He is unwilling to decrease his wage or increase his productivity. So Eddy goes to Luke Lawmaker to get a minimum wage of \$10.00 passed. He is successful because Luke wants to help people have a better standard of living. What happens? Eddy gets to keep his job and get a \$3.00 an hour raise. Helen also benefits from the

raise. But Mike and Anna get fired because Joe can no longer afford them, and Paula has no options.

"...the tender mercies of the wicked are cruel." Pr. 12:10

"Woe to those who make unjust laws, to those who issue oppressive decrees, to deprive the poor of their rights and withhold justice from the oppressed of my people, making widows their prey and robbing the fatherless. What will you do on the day of reckoning, when disaster comes from afar? To whom will you run for help? Where will you leave your riches?" Is. 10:1-3

On average, in a Free Market Society, there would be 100% employment. 100% employment means that everyone who wants a job can have one. Eddy may be unemployed because he doesn't want a job a \$5.00 an hour, but that is his choice. He could have a job if he was willing to met the terms.

21. Raising the minimum wage _____ employment and usually it is the poor and/or minorities who get hurt the most.

22. Minimum wage laws are _____ to the very people the Bible specifically commands us to help!

23. Who benefits from minimum wage laws? _____

24. In a _____ Society, there would be 100% employment.

25. 100% employment means that everyone who _____ a job can have one.

ARE UNIONS BIBLICAL?

Often unions operate on socialistic principles. Many times they promote the idea that businessmen are taking unfair advantage of workers. They must step in to force these selfish people to share and be fair. It promotes conflict instead of harmony between employers and employees. It views business relationships as win-lose instead of win-win. Unfortunately, much of it is based on misinformation.

"On July 10, 1905, Daniel de Leon delivered a speech...in his talk [he] cited aggregate national income figures which he erroneously claimed as proving that American workers received only about 20 percent of the total value of goods produced by American firms, with the lion's share [80 percent] going to the 'monopolistic owners'

of business...the erroneous 80/20 percent division of corporate income in America has been actively and pervasively publicized ever since...De Leon made the monumental mistake of citing only the wages paid to workers in the final manufacturing step...Historically the share of divisible corporate income paid to employees averaged between 80 to 90 percent, with the remaining 10-20 percent accruing to owners.” Tom Rose, Economics: Principles and Policy, pg. 140-141

“Few people seem to realize that three-fourths of national income in the United States is paid in wages.” Tom Rose, Economics: Principles and Policy, pg. 144

While unions are not wrong in and of themselves, many of their practices are unBiblical. What would be the guidelines for a Biblical union?

1. Union membership must be voluntary. Unions must get their membership by proving they are worthy of such membership. Membership by violence [you have to join to work] is unethical and criminal.

2. Unions cannot Biblically use violence against or seek destroy a person’s business. This means that all attempts to force a business to agree to terms that they are unwilling to agree to is sin. This eliminates strikes and pickets [except for giving truthful information, but in no way impeding or intimidating clients/customers]. A voluntary boycott could be possible, but no punishment could be leveled against anyone who does not desire to participate. A union could recommend that all its members resign from a company, but could not prevent or hinder the company from hiring replacements [this could also include informing the company that the union would be seeking other jobs for its members with more reasonable companies]. A company could not be forced to re-hire union members.

3. The union could negotiate wages and benefits for its members which are mutually beneficial for both the company and the union. The union could offer health and benefit plans for its membership. The union could offer extra training and skill development courses. It could help its unemployed members to find work and help its employed member to find better jobs. There are many legitimate services a union could offer its members to attract a voluntary membership.

“Suppose the janitor is paid \$7,500 per year and the president [of the company] \$225,000. Are the president’s labor-services actually worth 30 times more than the janitor’s? After all, the company couldn’t operate very long without the services of a janitor either, could it? The only objective response is this: Are the president’s salary and the janitor’s wage both paid voluntarily? If so, each is ‘worth’ what he gets. The free market provides an objective measurement of each person’s economic contribution as measured by the parties, and ultimately by the consumers, who freely pay to secure the services of that person...It is from this discrepancy in consumer tastes that everyone’s wage - whether fabulously high or abysmally low - has its origin.” Tom Rose, Economics: Principles and Policy, pg. 164

[Also see our article Are Unions Biblical? at "<http://www.free-bible-study-lessons.com/unions.html>."

Does this mean that companies and business people always treat their employees fairly? No, of course not. They are run by people corrupted by sin. They can be greedy, cruel, and oppressive as well. In a Biblical Free market; however, the companies are motivated to treat their employees well in order to succeed. Even in the corrupt systems we have today many companies realize happy employees increase their profits. In a Biblical Free Market, cases of real injustice should be handle through a speedy court system where both parties would present their case and Biblical solutions would be sought.

26. Often unions operate on _____ principles.
27. Many times unions views business relationships as _____ instead of win-win.
28. While unions are not _____ in and of themselves, many of their practices are unBiblical.
29. Union membership must be _____.
30. Membership by violence [you have to join to work] is unethical and _____.
31. Unions cannot Biblically use _____ against or seek destroy a person's business.
32. The union could negotiate wages and benefits for its members which are mutually _____ for both the company and the union.

REVIEW 2

1. _____ is basically the fee you pay to use money you haven't earned yet.
2. In a _____ society where the money is unstable interest rates are higher.
3. The usury condemned in the Bible was charging interest to a _____ Christian brother in desperate financial condition.

4. _____ is where the money supply is “inflated” or increased above the amount of of the reserve.
5. _____ is theft.
6. _____ is also called the hidden tax.
7. The main - if not only - reason prices go up is inflation and _____.
8. When nations were on the gold standard they promised to _____ their paper money in gold.
9. Since there is nothing backing _____ money [i.e. you cannot trade it in for any precious metal], there is nothing to prevent the civil government from printing as much as it needs except the fear of hyper-inflation.
10. This inflation and _____ process is what causes the “bubbles” - boom times - and the recessions/depressions.
11. The law of supply and demand is a _____ law, like gravity, that no man can repeal.
12. _____, which all countries currently use, is a quick way to inflate or deflate the money supply.
13. Under no circumstances should the civil government be allowed to make or control the _____ supply in a nation.
14. All central banks should be _____.
15. The _____ government’s only role in regard to money is to make sure that fraud does not take place.
16. A Biblically legitimate bank would need to have _____ reserve funds.
17. Raising the _____ wage reduces employment and usually it is the poor and/or minorities who get hurt the most.
18. Minimum wage laws are _____ to the very people the Bible specifically commands us to help!
19. In a Free Market Society, there would be 100% _____.
20. Often _____ operate on socialistic principles.

- 21. Many times unions views business relationships as win-lose instead of _____.
- 22. While unions are not wrong in and of themselves, many of their practices are _____.
- 23. _____ membership must be voluntary.
- 24. Unions cannot Biblically use violence against or seek _____ a person's business.
- 25. The union could _____ wages and benefits for its members which are mutually beneficial for both the company and the union.

Score: _____ [Each answer 4 points]

PRE-TEST

- 1. Write out from memory Deut. 25:15: _____

- 2. Money can be anything someone is will to take in _____ for something else.
- 3. For a civilization to advance it must have a money system that allows people to _____ trade with each other without a lot of complicated calculations.
- 4. The civil government is not needed to _____ money.
- 5. What are the five characteristics money should have to function efficiently?

- 6. Divisibility is important because you have to be able to make _____.

7. _____ is important because you want to be able to take the money to the seller.
8. Durability is important because you don't want your money to literally _____ away!
9. _____ is important because others need to know that it will function as money.
10. Scarcity is important because if the item used as money is abundantly _____ then it is easy for anyone to get.
11. Historically, gold and silver - especially _____ - has been widely accepted as money.
12. Money becomes _____ when either the buyer or the seller deceives the other about what they are trading.
13. Cheating - theft, really - destroys trust and drives prices _____ to compensate for the fraudulent money.
14. The amount of gold or silver in a coin is called its _____ [purity].
15. Receipts [or _____] represented the gold or silver and were much easy to carry and trade.
16. Interest is basically the fee you pay to use money you haven't _____ yet.
17. The _____ condemned in the Bible was charging interest to a poor Christian brother in desperate financial condition.
18. _____ is where the money supply is "inflated" or increased above the amount of of the reserve.
19. Inflation is _____.
20. Inflation is also called the _____ tax.
21. The main - if not only - reason prices go up is inflation and _____.
22. This inflation and _____ process is what causes the "bubbles" - boom times - and the recessions/depressions.
23. The law of _____ and demand is a God-created law, like gravity, that no man can repeal.

24. The civil government's _____ role in regard to money is to make sure that fraud does not take place.
25. A Biblically legitimate bank would need to have 100% _____ funds.
26. Raising the _____ wage reduces employment and usually it is the poor and/or minorities who get hurt the most.
27. In a Free Market Society, there would be 100% _____.
28. Often _____ operate on socialistic principles.
29. Many times unions views business relationships as _____ instead of win-win.
30. While _____ are not wrong in and of themselves, many of their practices are unBiblical.
31. Union membership must be _____.
32. Unions cannot Biblically use _____ against or seek destroy a person's business.
33. The union could negotiate _____ and benefits for its members which are mutually beneficial for both the company and the union.

Score: _____ [Each answer 3 points]

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FINAL TEST

1. Write out from memory Deut. 25:15: _____

2. Money can be _____ someone is will to take in exchange for something else.
3. The _____ government is not needed to create money.
4. What are the five characteristics money should have to function efficiently?

5. Historically, gold and _____ - especially gold - has been widely accepted as money.
6. Money becomes illegitimate when either the buyer or the seller _____ the other about what they are trading.
7. _____ - theft, really - destroys trust and drives prices up to compensate for the fraudulent money.
8. The amount of gold or silver in a coin is called its fineness [_____].
9. _____ [or paper money] represented the gold or silver and were much easy to carry and trade.
10. _____ is basically the fee you pay to use money you haven't earned yet.
11. The usury condemned in the Bible was charging _____ to a poor Christian brother in desperate financial condition.
12. Inflation is where the money supply is "inflated" or _____ above the amount of of the reserve.
13. _____ is theft.

14. Inflation is also called the hidden _____.
15. The main - if not only - reason prices go up is _____ and taxation.
16. This inflation and deflation process is what causes the “ _____ ” - boom times - and the recessions/depressions.
17. The law of supply and demand is a God-created law, like gravity, that no man can _____.
18. The civil government’s only role in regard to _____ is to make sure that fraud does not take place.
19. A Biblically legitimate _____ would need to have 100% reserve funds.
20. Raising the minimum wage reduces _____ and usually it is the poor and/or minorities who get hurt the most.
21. In a _____ Society, there would be 100% employment.
22. Often unions operate on _____ principles.
23. Many times _____ views business relationships as win-lose instead of win-win.
24. While unions are not _____ in and of themselves, many of their practices are unBiblical.
25. _____ membership must be voluntary.

Score: _____ [Each answer 4 points]