Hampered and Unhampered Monetary Orders and the Christian Life

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ABSTRACT

The Christian, called to live according to God's will, as revealed in His word, must hold himself to higher standards than the unbelieving men living around him. These standards or goals, in economic terms referred to as his ends, are increasingly more and more difficult to attain in today's fast paced materialistic society. This paper seeks to argue that, while the distractions and the temptations of this world have certainly been enticing Christians for thousands of years, government interference in the money supply and banking system makes the sober Christian lifestyle even harder to achieve. This paper hopes to show that the hampered monetary order amplifies human sin and vice in the context of three distinct economic phenomena, and in turn that these phenomena under a free and unhampered monetary order would be more conducive to living the Christian life.

I. INTRODUCTION

Throughout history, men have passionately debated what constitutes the good life and how to live it. As there is no universally agreed upon and enforced morality,[1] men may choose for themselves how they wish to live.[2] A non-apathetic man will use his morality to create a goal for himself, a good life which he sees to be his life's end. With his goal in mind, the material objects he acquires purposefully and the actions he performs, all lead him, in his foresight at least, to achieve his goal. His success or failure in reaching this goal is determined by the opportunities foregone, the ease of attainment, and the availability of means necessary. However, despite the difficulty, if not impossibility, of achieving a good life here on earth, the governmental and economic system may help, or hinder, one in reaching this goal.

This paper will seek to determine which economic order is more conducive to a so-called good life. An unhampered monetary order, commonly associated with free-market legislation, will be compared with a hampered monetary order, which historically has been coupled with socialistic legislation. The "good life goals" examined below are taken from the Bible as presented by biblical scholars, and it will be assumed, for the sake of this paper, that those are the ideal. Then a hypothetical man attempting to reach this Biblical Good Life will be placed into the two above-mentioned scenarios, and a comparison will be made as to which system is more conducive to helping him live out this chosen path. The unhampered monetary order will be compared with the hampered monetary order, the first being a more natural state of affairs, with limited government interference, and the second being a deviation from the first through

[1] Limited enforced lifestyle choices in Western counties, whereas in some Eastern or developing countries there is more limitation to freedoms.

[2] That is not to say that morality is relative, but not all people adhere to the moral code as found in the Bible, which claims ultimate moral authority.

government manipulation. This method will attempt to show the fruitfulness or hinderance of Government economic intervention on a person's life choices. Within these two systems, the phenomena of Period of Provision, Time Preference, and Subjective Value Scales, will be compared - each with an eye on the standard of the Biblical Good Life. While there are merits to both systems, this paper hopes to prove the unhampered order as being more conducive to living out the Biblical good life.

II. THE GOOD LIFE

First, the stipulations of the assumed ideal good life must be stated. For this paper, the Biblical view of the good life will be the ultimate end, but that is not to say that the goals involved are unique to Christianity and do not overlap with other cultures or moral codes. The claims made in the following paragraphs will hopefully be relevant even to those who may not subscribe to the Christian faith, but who can agree with some, or all, of the tenets of the Biblical good life.

The great reformer John Calvin, in his work *On the Christian Life,*[3] covers a wide range of callings for Christians. These callings include, but are not limited to, charity, stability in a man's station, long suffering, moral restraint, modesty in consumption (while still condoning the enjoyment of God's creation and man's cultivation), and having an agreeable attitude with one's neighbors. In one interesting passage in Chapter V, titled "How to Use the Present Life, and the Comforts of it," Calvin states "has he not given qualities to gold and silver, ivory and marble, thereby rendering them precious above other metals or stones? In short, has he not given many things a value without having any necessary use?" That is surely interesting, because Calvin is

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[3] Calvin, John. "On the Christian Life." From the *Institutes of the Christian Religion*, Book 3, chapters VI – X. Translated by Henry Beveridge. Public Domain.

recognizing here that humans value gold, which is a commonly used medium of exchange in the unhampered market. He also reminds the reader in this chapter that the bounty of gifts God gives are worthy of enjoyment, but man must nevertheless be wary of slipping into vice.

C. S. Lewis' popular book *Mere Christianity* offers a whole chapter[4] on "Christian Behaviour." While Lewis covered many topics, a key tenet of the Christian life that he regularly refers to is marriage. This is kind of ironic, as he was a bachelor when he wrote the book. Nevertheless, he positively comments on marriage, encouraging Christians to partake in this beautiful gift, and describes the requirements of a Biblical marriage. Fidelity and forgiveness are important character traits, and he draws most of his conclusions about man's expected behaviour from the perfect example of Jesus Christ. He also explains that the natural outcome of marriage is child bearing and raising, and their children's futures ought to be the foremost responsibility of the parents.

A useful section of this book for the purpose of defining the good life lists the virtues of a Christian character, and the vices which plague man. He names greed, cowardice, lies, and jealousy as vices, and the virtues are prudence, temperance, justice and fortitude.

Finally, on a less individualistic level, mankind as a whole is charged with the Dominion Mandate. Gary North describes this command from God, and its origins in Genesis, in his book *Dominion Covenant* (1987). The responsibilities of this covenant, to subdue the earth and fill it, are inescapable in this life according to North. Through farming, animal husbandry, childbearing, discovery, and use of resources, man may live a full and heathy life, pleasing to God and nature. North logically claims that if one is to love and serve God, he must obey His commandments. Mankind is to be the steward of this creation, and is called to use what God has made to their

[4] The following two paragraphs cf. C. S. Lewis, *Mere Christianity,* book 3 (New York: Harper Collins, 2001).

fullest abilities, and to the fullest productivity. To not fulfill this commands would be to deny oneself the full human experience, a to live a life rejecting mankind's calling and differentiation from the beasts. Dominion is not to be confused with exploitation, man must respect God's created order, not merely recklessly consume. He is to displace life (be it animal or vegetal) as a means to a God-fearing or otherwise productive end.[5]

These claims, all describing the good life, help the Christian man to set ends for his own life. These resources provide one with a vast array, certainly not exhaustive, of ends to seek after, be it a husband or wife, an honest business, farming, agriculture, caring for the less fortunate, or planning for children. The texts do not, however, provide a guideline for how, in this life, man is to achieve the goals. In the world today, there are many means available, and it is the individual's task, to assess and seize the means necessary for his end. With this in mind, the assessment of a theoretical unhampered monetary order and then a hampered monetary order will seek to show which system fosters opportunity for a Christian good life, and which one hinders from it.

III. THE UNHAMPERED MONETARY ORDER

The unhampered monetary order, as previously stated, is the natural order. It arrises, as history and theory have shown, through interactions between individuals, and is often coupled with other free market practices. The specific characteristics of the unhampered monetary order are commodity money,[6] the absence of fiat or fiduciary media, a calculable purchasing power, and no government intervention.

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5 Gary North, *Dominion Covenant: Genesis An Economic Commentary on the Bible,* volume 1 (Tyler, TX: Institute for Christian Economics, 1987)*,* 28-36.

6 Mises, *Human Action,* 395-475 and Carl Menger, *On the Origins of Money,* trans. C. A. Foley (Auburn, AL: Ludwig von Mises Institute, 2009), 15-50.

The reason why this monetary order can arise, and has arisen independently across continents, centuries and cultures, is primarily the result of the need for a medium of exchange. The medium of exchange is some commodity which two or more parties are willing to use in trade for other commodities. Money, then, is a commodity, which is used across social and vocational barriers to facilitate trade. This is a necessary, and key, aspect of the unhampered monetary order. The mechanics of commodity money, once its form has been determined, is necessary for the understanding of money substitutes, calculation, and influence through government activity.

Money allows for man to trade with men, regardless of the personal craft he is a part of; a child exchanging a dollar bill for an ice cream cone and a trader exchanging millions of dollars in a financial market both need the means of exchange for the same reason. The money, be it a paper bill, a stone, a shell, or a coin, all provide some recognizable and universal store of value and are, firstly, a commodity. It is important to understand that the reception of these monies (whatever they may be) is dependent on the perception of others and the universality of their recognition as money. While two men may agree between themselves that all orange fall leaves are worth a great deal in trade, but the yellow leaves are worth only meager amounts, if other men do not recognize value in the leaves, the leaves cannot be used in trade. Money then, due to the necessity of universal recognition of value within a trading culture, it can be said that "[a] commodity that comes into general use as a medium of exchange is defined as being a money."[7]

[7] Murray Rothbard, *Man, Economy, and State with Power and Market,* 2nd ed. (Auburn, AL: Ludwig von Mises Institute, 2009), page 192 and cf. page 192-193.

Over the course of human history, mankind has attempted monies of many varieties.[8] Any generally accepted commodity can be used as money to make exchanges. However, one form of currency has shown itself through the millennia to be the choicest of money: gold. Following the popularity of gold as a medium of exchange, silver and other precious metals have also been commonly used in history. Gold, however, contains all the "proper characteristics"[9] of money, and was thus, the world over, used as a medium of exchange. Gold is devisable, meaning it can be used in varying denominations of small coins, bricks, or even just dust. It is homogeneous in value, meaning that any piece of pure gold is valued equally on the market as any other piece the same size (barring of course gold which has been crafted, such as jewelry, this equality is only in reference to the material weight and purity of the gold). It has a high value per unit, meaning that a single small gold coin, easily fitting in a purse, can be exchanged for a lot of other goods. Finally, gold is durable, meaning that it will not rot or shrink over time. For these reasons, gold is an ideal monetary commodity.

For the purpose of clarity, this paper will assume a gold standard in the unhampered monetary order. However, in reality, an unhampered order, created by individuals choosing over time their medium of exchange, could technically run on any commodity.

A society using gold as its money, is said to be on a "gold standard," meaning that it is commonly known that gold is traded and used in exchange within the society. The gold standard allows for economic calculation and price comparison across markets. Due to the calculation possible between commodities, using gold as the medium, entrepreneurs could make more

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[8] Grains, beads, shells, small and large stones, among other things. For a more complete history and analysis to follow, see Murray Rothbard's *What Has Government Done to Our Money?*

[9] Menger, *Origins,* 49-50. and Rothbard, *Man, Economy, and State,* 196-198.

realistic expectations of profit.[10] Furthermore, the stability of the amount of gold in the market would limit wild or unpredictable fluctuations in the money supply. Banking will also naturally occur in this society, because there will be demand for gold warehousing, coin production, financial intermediation, and so forth.

A gold standard is not to say that the people must always carry coin, or that large purchases must be made with immeasurable stacks of gold bricks. The gold standard, as with any other commodity money system, can also function using paper notes as deeds to the commodity. Thus, banks would first appear as the safe-keepers of gold and the issuers of paper receipts. The money can then be stored safely in the bank, and a promissory note given (similar to a check today) to another person for the amount of gold required in trade.

Banks would be liable to the public for access to and protection of their gold. It would be prudent for the banks, under this system, to keep high reserves, and to only lend money to trustworthy borrowers. A 100% reserve system would give only one person access to the gold at a time, and would limit over leveraging and expansion of the money supply. Banks found to be over leveraged would be subject to bank runs in the unhampered order, thus the market would ensure that only banks practicing prudent lending and honest accounting would remain in business.[11]

Following the natural creation and use of money substitutes, such as paper certificates of deposit or receipts, one may ask why the dollar bill is fiat and not simply a money substitute. In a system with government intervention, fiat money can be created and artificially imputed with value through legal tender laws. The dollar bill, as it circulates today, is just that; a piece of paper

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[10] cf. Rothbard, *Man, Economy, and State,* 238-249. "Determination of Money Prices."

[11] cf. Murray Rothbard, *The Mystery of Banking* (New York: Richardson & Snyder, 1983), 77-94.

with no use value in an industrial sense. People trust the number on the coins and bills to represent value, but there is nothing to back that statement besides the word of the state and its central bank. This, by itself, is not an issue, but oftentimes, historically, there is governmental abuse of legal tender rights which expand the money supply artificially.[12] In the unhampered order, there would be no government intervention in money or banking, and therefore no fiat.

In a commodity money system, with little or no government intervention, loan banking is provided by private institutions, and is profitable based on the demands of the people. The bankers are free to lend what they will, and to offer interest rates suitable for their own profit and for their customers. However, in a free banking system with no government support, the banks are also free to fail if they become fully loaned out and suffer a bank run.[13] There is an element of trial and error here, but repeated dealings with depositors and borrowers create rules which are tested, and not merely created. A sound monetary system, where the money is not compromised and the people are able to calculate its value is also in accordance with the Bible. Dr. Shawn Ritenour, in his book *Foundations of Economics: a Christian View,* provides the reader with multiple verses regarding biblical economic practices,[14] then expounds on these verses in light of the unhampered monetary order and a gold standard.

For further Biblical evidence corroborating commodity money, fair lending practices, and profit seeking, Gary North in his book *Honest Money* describes basic economic laws, the history of money and banking, and the ethics behind these institutions. Specifically, he expounds on the

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12 Murray Rothbard, *America's Great Depression,* Fifth Edition (Auburn, AL: Ludwig Von Mises Institute, 2000), 91-101.

13 cf. Rothbard, *Mystery,* 111-125.

14 cf. Shawn Ritenour, *Foundations of Economics: a Christian View,* chapters 4, 5 and 19 (Eugene, OR: Wipf & Stock, 2010).

passage from Matthew 25, known as "the Parable of the Talents,"[15] in which Jesus preaches a message condoning the lending of money and collection of interest. In fact, North concludes that Jesus condones profit through investment because he likens the Kingdom of God to finding a worthy investment.

To conclude this assessment of the unhampered order, money is a commodity chosen by the people to be used in exchange and there is no need for government intervention in money's creation or distribution. Bankers are liable, in the unhampered order, for the location of and number of monies in the economy, therefore with no government intervention this system limits credit expansion. The value of the money in this system is imputed by the subjective will of the people, and not by an arbitrary number stamped on the coin or paper.

IV. THE HAMPERED MONETARY ORDER

The hampered monetary order, in comparison with the natural unhampered order, is altered primarily by three means, the choice of medium, the money supply, and manipulation of the interest rates. All of this interference in the monetary order is caused by governmental leadership.

The money is not chosen simply by the convenience of the people, but rather issued as legal tender by law. Gold, which in a commodity order could be the standard, would be subject to

[15] Gary North, *Honest Money* (Auburn, AL: Ludwig von Mises Institute, 2011), 82.

a decreed value.[16] Due to the power necessary to establish and enforce a new (or simply inflated) currency, the only entity which can do so is government. This has happened under bandit rulers, kings, dictators, and democracies. It seems that no system is immune to the temptation of creating their own monies. The government, whatever form it may assume, is then the entity which hampers the monetary order. This imposition hurts people in many ways. Money created by the state has no value imputed to it by the people, but rather is proclaimed to be valuable by the lies of government. The intrinsic value of gold, stones, and shells caused people to use them in trade, to store and to measure value. In reality, without government enforcement of law, people would not naturally use a piece of paper with a number on it, and nothing to back that number.

Once fiat money has been established and declared legal tender, governments can punish subjects for not accepting this money, and further exert their power by controlling the production and amount of money. The crucial difference between the unhampered order and the hampered order is that in a hampered money system the government can alter the money supply itself. Following the inflation in the money supply, there is a decrease in the Purchasing Power of a man's savings. This undermines the Christian attitude of thrift by destroying stored value rather than saving it.[17]

The unhampered order is limited by the discovery of additional commodities, or a shift in value scales of the populace, the money supply in the hampered monetary order is, technically,

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[16] In the early history of Massachusettses, silver was the standard of the colony until the Massachusetts Bay Assembly issued additional forms of currency. These currencies were matched to the amount of silver in the Massachusettses system, but were artificially high in value. Due to legal tender laws, and the threat of punishment, the Massachusetts Bay Assembly succeeded in increasing the money supply of the colony from 7,000 pounds to 2.5 million pounds over the years 1690 to 1748 without adding, and in fact driving out, the actual stores of specie that they had. cf. Herbener, Jeffrey, "Colonial Monetary Inflation," ECON 213, Grove City College, October 4th and 9th, 2019. And cf. Ritenour, *Foundations,* 346.

[17] For a technical description of how the Purchasing Power of Money is increased or decreased, see Murray Rothbard's *The Mystery of Banking*.

limitless. However, the ruling power is able to raise the money supply in the given culture through several means,[18] and thus distort the populous' knowledge and adaptability. It must also be noted, that historically these changes in the money supply have typically increased the money supply. It is very rare to find a case of shrinkage that is not the result of prior catastrophic inflation.[19] The inflation of the money supply, through whatever means chosen, is the key to understanding the changes in economic phenomena within the hampered monetary order. These economic phenomena, will then be analyzed to determine their effects on attaining the Christian good life.

The hampered order is also subject to non-natural changes in the interest rate, and thus influences the economy through distortions in saving and investing. The interest rate, paid by borrowers to lenders, is, in the unhampered market, determined by the time preference of the parties involved.[20] The Federal Reserve can manipulate the rate of interest, called the Federal Funds Rate, at which banks lend funds to each other. The lower the interest rates, the cheaper money today becomes, the easier time banks have borrowing money, the more money they have to lend out and the less they fear a bank run.[21]

Additionally, under the present system, the banks are only required to keep a fraction of their deposits on hand, and lend the rest out in a practice called fractional reserve banking. The

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[18] Among many methods, the government can raise the money supply through directly printing and distributing more cash, through lowing the reserve ratio in banks, through buying back bonds, and through overnight lending to banks. For a more detailed description and analysis of how the money supply is increased in a paper money system, see Murray Rothbard's *Mystery of Banking*.

[19] cf. Rothbard, *Depression,* 14-19 and 87-90.

[20] For more information on the time-preference theory of interest, see Jeffrey Herbener's Introduction to *The Pure Time-Preference Theory of Interest* and Frank Fetter's article "Interest Theories, Old and New" pages 136-147 in the same book. Also, cf. Ritenour, *Foundations,* 201-206.

[21] Rothbard, *Mystery,* 152-153 "Lower discount rates are inflationary and higher rates the reverse."

setting of the so-called "reserve ratio" is done by the FED, and allows the banks to pyramid loans on top of deposits in their vaults and give access to the deposits to multiple parties. This process increases the money supply and the availability of funding to individuals and businesses. It is different from 100% reserve banking, as it would be in the unhampered order. [22]

Mainly because of these three, but also influenced by many other,[23] impositions on the otherwise free monetary order, the hampered monetary order distorts economic phenomena.

The two orders described, a hypothetical man can now be placed in each of these systems in order to find which is more conducive to his end of a Biblical good life. The end remains the same, but the system's pressures can change the person's choice of means. As stated, there are specifically three economic phenomena which influence a person's chosen means and ends; the first being the phenomenon of a period of provision, then the phenomenon an individual's time preference, and finally the economic phenomenon of individuals' subjective value scales.

V. PERIOD OF PROVISION COMPARED

The definition of a period of provision, as found in Mises' seminal work *Human Action*, is "the fraction of future time for which the actor in a definite action wants to provide in some way and to some extent"[24] he continues to define the term by explaining that human action can be a choice between two different but immediate ends - and it can also be the choice between a single end attained now verses the same end attained at some point in the future. The difference between now and "some point in the future" is the period of provision, and can be thought of as

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[22] cf. Rothbard, *Mystery,* 127-140 and 163-171.

[23] Government seizure of property, taxation, FED selling and purchasing bonds, regulations, importation and exportation laws, tariffs, subsidies, bailouts, and fees, etc.

[24] Ludwig von Mises, *Human Action* (Auburn, AL: Ludwig von Mises Institute, 1998), 478.

how far in advance a man is planning his actions. This choice is present in every human action, even if it goes unnoticed by most people.

In the unhampered order, a man is able to assess the money he holds and judge that tomorrow its value on the market will be the same. This is because the unhampered order does not arbitrarily inflate the money supply,[25] and in fact the purchasing power of the commodity money typically increases over time. Because there is only planned or no inflation, the man can then allocate his savings and earnings according to his preferred ends. The unhampered order in this way fosters the saving of money in preparation for the future, because economic calculation is possible.

An example of period of provision in light of the Christian dominion ethic, could be a person's desire to purchase land and establish a farm. In both the unhampered and the hampered monetary order, the man in question, who's end is owning a farm, can choose to buy the land today, versus buying next week, or next year. If he chooses to buy today - he would have the option of dipping into his savings or acquiring the money some other way. If he chooses next year however, he will begin acting now in preparation for buying the land in one year - he will save or invest appropriately in order to have the appropriate amount of money for the land in one year's time. The unhampered order, in which interest rates are high, would discourage him from borrowing, but, the high interest rates would also provide him with a sure way to gain from his

[25] The money supply in an unhampered *commodity* money order can be increased only if more of the commodity is released into the market. This can be done if an entrepreneur harvests the commodity and refines it appropriately for use as money. This calls for economic foresight and calculation, also it demands resources and thus removes those resources from their other functions in the market. As an example, in a gold standard the money supply would increase if additional gold is mined, but this requires a long production structure involving surveying and expeditions searching for gold, mining equipment, miners wages, and minting costs, among other steps. This all demands resources and could result in a loss, if the gold mined does not outweigh the costs of production, especially since the purchasing power of gold on the market decreases with each additional unit added.

savings, and he can calculate how much and how long he must save to meet his goal. The stability of the money supply would also leave his purchasing power and the price of the land relatively similar over the year's time.

In the hampered monetary order, however, the interest rates would be low, and inflation would be imminent and incalculable. Assuming his nest egg is not large enough for this big purchase, he is faced with the difficult decision of investing his money or simply going into debt. The instability of the hampered monetary order does not allow for reliable economic calculation, and without luck or a knack for the financial markets, our man is better off borrowing.

This incentive to borrow, caused by inflationary practices and low interest rates, shortens periods of provision by offering present solutions in the face of an uncertain future. This borrowing, in turn, drives up asset prices through increase in demand and then perpetuates indebtedness in others. The urge to borrow, rather than to save, becomes stronger in each generation of inflation culture. Parents will find it difficult to plan an inheritance for their children as they face uncertainty and rising prices, there is no reasonable way for them to then save or plan for the children's future.[26]

In general, the longer a person's period of provision is - the more saving will occur, but the period of provision is forcibly shortened in the hampered monetary order. Mises' theory of economic progress involves saving first, then capital accumulation; with this capital accumulation, entrepreneurs can lengthen their production structures, increase output, and lower the relative prices for the consumer. Therefore a longer period of provision, which encourages saving and investment, is a conduit for economic growth. Mises also describes how the lengthening of the period of provision is a necessary part of the lengthening of the production

[26] cf Joerg Guido Huelsmann, "Inflation Culture," *Granem* (September 2016): 5-7.

structure - as the entrepreneur must look far into the future what his higher order goods will make in order to calculate for profits.[27] These benefits are complimentary to the christian ethic of saving, providing for one's children, and productive uses of resources.

Additionally, the Christian is called not to live of this world, but rather in anticipation of the next world. This eternal mindset of the Christian ought to set his period of provision, naturally, much farther than that of the non-believer. While this cannot be empirically proved, a person valuing his family's eternal well being, will value their spiritual growth and security over physical gratification. This would then could then subconsciously cause a longer period of provision in his momentary, mundane choices, as he plans for the whole life of his family, on earth and in heaven, not just in the immediate future.[28]

Thus, the unhampered monetary order, which fosters a long period of provision, is more conducive to a good Christian life.

VI. TIME PREFERENCE COMPARED

Secondly, and very closely related to the period of provision, is time preference. Time preference is involved in every human action and is defined as is the assumption that, all else being equal, people prefer a given end to be achieved sooner rather than later. In order for any human action to occur, an individual must value a certain alternative more than he values the present situation, in this way, his time preference regulates his intertemporal satisfaction of ends. In some cases, man may be able to withhold his satisfaction for a time, and thus he lowers his

[27] c.f. Mises, *Human Action,* 133. Specifically note his reference to economic progress as being tangible and empirically real, while the idea of social progress or true increase in happiness is not calculable and outside of the realm of economics.

[28] Consciously, this would lead to stewardship of material blessings. See Lord Josiah Stamp, *Christianity and Economics,* (London: MacMillan & Co., Ltd, 1939), 102-105.

time preference by waiting for satisfaction. On the other hand, a person who demands his ends be always satisfied as soon as possible, has a high time preference.[29]

Having a high time preference means that one will forgo other alternative uses of resources in order to gain immediate satisfaction of ends. High time preference is the result of a childish, greedy, selfish, present oriented character. None of those qualities are called for in the Christian life, and in fact, the result of a high time preference leads to the opposite of the above mentioned Christian goals. Time preference described, it is now necessary to assess any time preference differences that would occur in the change from an unhampered to a hampered monetary order.

In an unhampered order, the money supply is limited, this then limits the available loans to what is physically saved in the banks. The bankers carefully vet applicants, and reject those who are untrustworthy, or who will attempt risky or unprofitable ventures. The banks offer high interest rates to discourage rash borrowing, and encourage more saving on the part of the customers. With more money saved, the customer has less to spend, and is then only willing to withdraw his savings, or spend his liquid cash, on a worthwhile product. The purchasing power of money is relatively higher in the unhampered order, yet also the demand for money is higher.

In light of the Christian worldview, this promotes temperance, prudence, and thrift, all characteristics of someone with low time preference. In other words, the people who are patient, are those with low time preference. Furthermore, the Christians with low time preference, are willing to withhold some temporal satisfaction, for perhaps a better result in the future. A man who saves his money today, instead of buying himself a new car, or new golf clubs, is able to provide for his children in the future by sending them to college. In this way, one can argue, he

[29] cf. Jeffrey Herbener, email to author, 31 December 2019. And cf. Mises, *Human Action,* 480-482.

might even gain more satisfaction by depriving himself from present gratification, to then see his child graduate in the future. The patience required for saving and purchasing only the best items (be they tangible goods, or services such as an education) influence the producers to provide higher quality and timeless products. The result of hasty purchases on the quality of goods will be discussed later.

In the hampered monetary order, however, high time preference, would be encouraged. Low interest rates allow for cheap money borrowing and low incentive for saving. This results in immediate consumption of money and capital, fractures in the production structure, and, according to Austrian Business Cycle Theory, a boom and bust cycle.[30]

In any market economy, when goods are being produced, time preference is a factor involved in the structure of production. First and foremost, The consumer's schedule for goods demanded influences what will be profitable, and what will be left unsold. In an attempt to satisfy the customers, the entrepreneurs then determine certain methods of production, the quality, the quantity, and the type of goods produced, and the time in which they will be produced.

As the time preferences of the general income-earning populous determine interest rates,[31] the customer is then a partial determinant of the entrepreneur's ability to acquire capital funding. His loan today is the result of a low time preference person or group of persons setting

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[30] See Murray Rothbard's *America's Great Depression,* 3-13.

[31] Interest rates offered by banks, in a free banking system, unhampered by governments, are dependent on the quantity of deposits made and the demand for money. The quantity of money saved is dependent on the individual's demand for money in the present. If he determines that the value of some money today is more than that some money plus interest in one year, he will not deposit the money, but rather spend it. If time preference is high, and this is the general opinion, the banks will raise the interest rates. This has the two fold effect of deterring people from seeking loans, and then encouraging more saving through higher returns. The higher the interest rates, the more likely a man is to value the returns in the future more than consumption in the present, and thus save his money today. This is how demand for money and interest rates determine the availability of money to be loaned out, however, in a hampered order the rates can change in other ways. See *Mystery of Banking* chapter 6 for a further explanation.

aside their money in the present, and waiting for the returns in the future when then loan is repaid. When an entrepreneur has access to funds, he is able to lengthen the structure of production, and thus possibly earn more profit. By facilitating the entrepreneur to lengthen his production structure there follows economic growth.

Alternatively, if the entrepreneur is not seeking to lengthen his production structure, he is still partially influenced by the people's time preference. If the fashion (widely demanded products) of the day breeds throwaway trends, this encourages the customer to further demand quick access to new goods, the entrepreneur then, in a profit seeking effort, will allocate his resources to the hasty production of these goods - whatever they may be - to satisfy the customer before the start of the next fashion cycle. This cycle, driven by the high time preference of the customers, and the low demand for lasting and timeless goods, causes waste in production, and encourages technology built only long enough to provide service for a short time. The stewardship aspect of the dominion mandate is not satisfied when resources are wasted, or simply thrown away when they do not satisfy the latest trends paid for by credit cards.

In conclusion, the interference of the government in the monetary and banking systems encourages high time preferences. From these high time preferences, stem throwaway fashions, low savings, high rates of indebtedness, and can even lead to business cycles. Even the man who wants to save and purchase prudently, is harmed by the low interest rates on his savings and the low quality goods surrounding him. All of these negative impacts of a high time preference are counter-productive to the Christian's goal of a good life. A man ought not to be distracted by the trends of the day, or consumed with pleasing himself, but should rather practice patience, temperance, and frugality.

VII. SUBJECTIVE VALUE SCALES COMPARED

Finally, this paper will compare the subjective value scales within a theoretical unhampered market, and in a theoretical hampered market.

Carl Menger, in *Principles of Economics*, wrote about subjective value and usefulness of goods. Although he was not the first thinker to espouse this theory of value,[32] he is considered the founder of Austrian Economics because of his clear exposition and extensive work on the subject. He first describes human nature, and mans need to satisfy basic ends. He then explains that while some ends are universal to man (and others ends are personal) - all valuation of the importance of the ends is subjective.[33] This means that the value of a good is imputed by the minds of the people. It does not come from the labour hours required, it does not come from the production costs, and it certainly is not a magical "just price."[34]

The changes in subjective valuation, stemming from reevaluation of rank orders within the minds of individuals, then lead to uncertainty in the market. Even in the relatively more stable unhampered market, an entrepreneur can only make profits if he correctly anticipates the customers' uncertain future demand schedules. Coupled with the inherent unpredictability of man's personal evaluations, the hampered monetary order compounds the consequences of these shifts, which are exacerbated by unpredictable, or incalculable, fluctuations in the money supply.

While the phenomenon of subjective valuation, that is, an individual's free will to choose his own ends, is not inherently good or bad, the choices people make can be in accordance with or in contradiction to the Bible. In a world of fast money, there is seemingly endless means for a

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[32] For further reading on subjective value theory see: J. B. Say *Treatise on Political Economy,* 1821.

[33] For further reading on the Christian view of this topic, see *Honest Money,* by Gary North and *Foundations of Economics: A Christian View,* by Shawn Ritenour. Both believe Menger is in concordance with the biblical view of valuation.

[34] Langholm, Odd. 2008. "Just Price." *The New Palgrave Dictionary of Economics*, 2nd edition, edited by Steven N. Durlauf and Lawrence E. Blume. London: Palgrave Macmillan.

man to acquire all of a his desires. This barrage of products and accessibility of funds, coupled with the increasing anonymity of the modern age, can encourage men to action contrary to Biblical morals. There are two obvious problems caused by a hampered monetary order, which effect the value scales of the Christian man. Firstly, he is tempted with the option of going into debt to satisfy his needs. Secondly, the easy availability of money disassociates work from reward, and fosters a greedy and unsatiatable attitude.

The first problem caused by a hampered market is that oftentimes due to artificially low interest rates men to view loans to be more attractive means of increasing liquidity, as opposed to working more or saving more. While it is not illegal, it is not advisable, Biblically speaking, to become a debtor. Proverbs 22:3 states "The rich ruleth over the poor, and the borrower is servant to the lender." Certainly debt is not to be entered into lightly.[35] Lord Stamp, in his thoroughly devout take on economics titled *Christianity and Economics,* claims that the Christian, in regard to spending and economic action, ought not to merely fulfill the law, but always aim for justice and morality of a Biblical standard.[36] This leads to the second point, which emphasizes a change in desires when man is given the "freedom" to fund all of his earthly wants. Life in a world where man has the opportunity to afford luxuries, without expending the pre-requisite labour, increases indulgence in temptation. The change in one's valuation will occur, due to distortions in prices and interest rates, when one forgoes saving and labour, to prefer debt and present satisfaction. Previous generations, in which thrift and stewardship were seen as admirable qualities, are replaced by throwaway, fast culture which emphasizes the present over the future. Products which satisfy sooner, or which are more fashionable, are valued above those of "modest

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[35] cf. North, *Honest Money,* 91.

[36] Stamp, *Christianity,* 170-172.

consumption" as Calvin would encourage. Lord Stamp, again, prudently notes that the Christian man may spend his money only in order to acquire his earthly needs, and then with his surpluses he may give to charity, his brethren, or save for his progeny.[37]

Unfortunately, those who do chose to save or invest their money, are often punished for this choice through rising prices and lowering of their purchasing power. Even if a man were to save half his income, in a world which effectively, magically prints more money he is trapped by the choices of the group. He must spend as soon as possible, for fear that the value of his money will fall below the alternative value of a good in his possession. This is just as true for businesses, as it is for individuals. The businessman saving for a large piece of capital, might be uncertain of the purchasing power of his dollar in a year, and on top of that face the uncertainty of the fickle and high-time preference market. As the values of the customers drive his profits, he might be left consuming his capital as soon as possible to produce today.[38]

One must also consider the results of the democratization of credit. The change in preferences from hard money to credit money is the result of fractional reserve banking and the lies of the government regarding the money supply. People who were once too unproductive to afford treasures, can now "afford" iPhones, designer clothes, and other luxuries thanks to their credit cards. This then will change how and to whom the marketers will advertise for. It also will change the types of products produced, based on the needs of this new class of customers.

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[37] Stamp, *Christianity,* 95.

[38] c.f. Joerg Guido Huelsmann, *Ethics of Money Production* (Auburn, AL: Ludwig von Mises Institute, 2008), 175 and 179-182.

While each man does choose individually what his preferences are, there is some influence from the group[39] which can sway his opinion; nevertheless, unfortunately, the fashions surrounding him and the products available to him will change with the group, even if he doesn't.

VIII. RESULTS OF THE DISTORTIONS

The consequences of the hampered order, partially paraphrasing what has been previously stated, include haste, ugliness, boredom, waste, and decline in quality.[40] Furthermore, they combine to negatively influence a society, and hinder the Christian from attaining his goals. While it is assumed that all men act[41] individually, it can still be said, as this paper has attempted to show, that the group can influence and even change the opportunities and options through democratic elections, acceptance of fiat currency, support of businesses, increasing indebtedness, shifting of cultural preferences, and ever decreasing sensitivity to the lie of fractional reserve banking.

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39 Lisa MaIntyre, *The Practical Skeptic* (New York: McGraw-Hill Education, 2014), 110-113 and 155-160. Explanation of the influence of culture and morality, and socialization on a person's action.

40 Another interesting claim by Wilhelm Roepke predicts that the inflationary, hampered monetary order will lead societies to communism. Beginning with the shifting value scales, Roepke claims that there will be a "cult of the standard of living" that is a race (both physical and psychological) between people within a society. That individuals must improve their conditions at nearly all costs in this society, in order to maintain or improve their standard of living. He claims that this, in reality, lowers the standard of living due to the stress of the rat race. However, people caught in this mentality are too concentrated on the material standards to directly notice. Mass society, is used in this passage to describe the situation of people living close together, all reading the same news, watching the same advertisements, and respecting the same traditions - and how they are subconsciously coerced into desiring the same ends as their neighbors, whether it is due to the egoistic desire to be better, or the defensive impulse to fit in. He further goes on to explain how communism can creep in, even to unsuspecting wealthy countries, due to the unsatisfied and fast paced nature of the people. The promises of communism, and increased physical welfare for all is an incentive to abandon the market and seek greater satisfaction through the state. Cf. 10-17, 38, 98-102

41 Mises, *Human Action,* pages 41-42. "Methodological Individualism."

A major tragedy of the modern, hampered monetary order is the increased hastiness of society. This is driven by the shortening of periods of provision, an ever increasing time preference, and man always seeking to satisfy the self first. Dr. Huelsmann beautifully, if not pessimistically, expresses this sad occurrence in an article:

> Paul has to hurry up with his credit purchase. He will not waste time, but instead see to it that he achieves as high an income as possible as quickly as possible. He will not study art history but business studies; he will not spend his university vacation on spiritual retreats but instead in internships; he will not read novels but instead subject literature; he won't fritter away his time in the park, but instead take a few weeks' compressed vacation and then throw himself back into working life. He's not looking for adventure or uncharted paths. His children wear him out and his spouse takes up a lot of his time. He doesn't want to hang around or fall behind his friends, who are acting very smart and going into as much debt as possible as soon as they can.[42]

Dr. Huelsmann also comments on the economics of ugliness in the same paper. Although it is hard to substantiate this in the "value free" field of economics, it can be said that through the democratization of loans and credit, the common man now has access to liquidity which he has never before seen. This increase in present wealth then allows him to purchase things which before were only ever luxury goods. The master baker now to caters to his lower class customers, and the architect must serve the elite as well as the average.

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[42] Joerg Guido Huelsmann, "Cultural consequences of monetary interventions," *Document de travail du GRANEM* n° 2016-03-049. (September 2016), page 8.

Again, Dr. Huelsman describes this occurrence eloquently:

> Questions of taste on the other hand are of secondary importance. Buildings are now no longer constructed for the personal use of the master builder, but as capital investments. The master builder is therefore much less concerned with the aesthetics of his work than in a natural money order. If he considers questions of taste at all, he will not make decisions based on his own taste, but on the views of potential buyers, in other words of the average person. His intention is not to create an especially beautiful piece of work, but merely one that will not scare off potential buyers.[43]

Wilhelm Roepke also, of an opinion very similar to Dr. Huelsmann, comments on the inflation of the money supply, and its effects on the people's choices. In *A Humane Economy,* he states that "Erosion of property and erosion of money go together; in both cases, that which is solid, stable, firmly held, assured and meant to last is replaced by that which is brittle, precarious, fleeting, uncertain, and meant for the day."[44] He continues to describe how the subjective value of these two economic goods (money and property) are related, and that with a physical increase in one, there will generally be an increase in the other - this, due to diminishing marginal utility, causes the decrease in value as seen in the mind of the individuals. The people in an inflationary system become over exposed and over saturated. People are then constantly seeking to satisfy themselves. Roepke claims that, as a result of boredom, people are driven to seek more and more material satisfaction.

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43 Huelsmann, Joerg Guido. "Cultural consequences of monetary interventions." *Document de travail du GRANEM* n° 2016-03-049. (September 2016). Page 13.

44 Wilhelm Roepke, *A Humane* Economy (Chicago: Henry Regnery, 1960), 19.

It is also the objective case that there will follow from hastened production structures and decreases in the quality or size of goods produced. As the entrepreneurs seek the lower priced higher order goods, they will not seek to perfect the goods they produce, but rather to submit them to the market as soon as possible (thanks to the shortened period of provision, the higher time preference, and the changes in valuation of the customer). This is a form of inflation even if the ticketed price is not rising, because the customer receives an inferior good which would not have been sold at that relatively higher price in the past. While it can be said that the customer is still being satisfied, the resources are clearly then not being used to their full productivity, and waste will then ensue, even if profits are being made. The lies of the producers, attempting to sell products of lower quality or size then perpetuate the lies of the bankers who promise safekeeping of our money.[45] This is not in accordance to what Christians are supposed to do as stewards of creation, acting with temperance and prudence.

IX. CHRISTIANITY AND THE UNHAMPERED ORDER

The application of what this paper has argued can be seen in history. While many examples of an unhampered monetary order exist, one specific decidedly Christian society to embrace this was ante-bellum America. During the time from 1812 to the start of the Civil War the United States enjoyed a free banking system and a gold standard.[46] This economic era also coincided with the Second Great Awakening and a drastic increase in church attendance during the early and mid 19th century. Without commenting on the culture or the behavior or the people, their choice of a metal system showed that they valued the greater stability in comparison with

[45] c.f. Huelsmann, *Ethics,* 188.

[46] Rothbard, *Mystery,* 55 and 207-214.

paper money. Perhaps it is the moments in history when man turns away from his dominion covenant, and away from the created order of nature, that he then turns to the government for organization of his money. It is the author's opinion that the unhampered monetary order is the only monetary system which is allowable in the Bible[47] and which positively effects a Christian's ability to make sound and moral choices.

X. CONCLUSION

The unhampered economy is, therefore, more desirable, as it is more conducive to the Biblical good life. It is possible for the average man to be confident in his economic calculations, if he knows that there will not be wild fluctuations in the money supply, interest rates, and prices. There is no pressure to go into debt, and he is encouraged in stewardship and enjoyment of God's creation. In this system, the man may now choose things which he knows will last, he can anticipate the future and prepare for the livelihoods of his children.

[47] Also opinion of Gary North, see *Honest Money* page 138.

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