However, the missionaries felt that during the Feast of Merit the animals slaughtered and consumed in their course are but sacrificed with appropriate invocations of spirits. The British argued that an institution of an essentially social and economic character could have remodeled to be compatible with Christian tenets. "Were such adjustments impossible, Europe would have long lost all its folk festivals and the Christmas tree would long ago have been condemned as a pagan symbol."[78]

Concluding remarks

Increasingly suspicious of the missionaries' activities the newly-converted Nagas refused to follow some of the customary rituals and traditional regulations imposed by village council on religious grounds. The identity changing effects of this teaching the non-converts sensed as threat to the previously religious homogenous Naga identity. Situation only drastically changed with the taking over of the British colonial power over the land under colonial flag as British subjects. A new kind of Naga identity emerged incorporating elements of Christian education and western culture into their identity. Modern education however elevated their identity status. With the establishment of Christian schools missionaries could entrench their religion and culture into the Naga socio-political mainstream.

As a result Naga ethnic identity as a minority group has incorporated elements of Christianity to their identity formation. Naga culture,

advent of British rule and then after the establishment of modern Indian political system. The Nagas affirmed their fundamental ethnic identity as people of the land, and they demand their recognition by India. The role of indigenous knowledge and education could have played important role in the ongoing struggle for Naga identity. But unfortunately this is not so except at certain informal levels. In a complex situation of indigenous vs. modern education, in the process of national identity formation and its vociferous assertion, acquiring modern education emerged as an effective means to carry forward essence of Naga identity. ■

78 Furer-hainmondorf (1976), *Return to the naked Nagas: an anthropologist's view of Nagaland* 1936–1970 p.48.

The Corrosion of Gold in the Light of Modern Christian Economics

*Domenic Marbaniang**

"Your gold and silver are corroded…" (James 5:3)

One of the important assets that Gutenberg's printing press gifted to modern political economies is the ability to print paper money. The common man usually thinks that paper money is the real money, while in fact it is only a promissory note promising the bearer of the note the payment of the same amount (in coins, if not in gold) by the Reserve Bank.[1] In the past, however, governments did deny such payment in exchange of the notes and one government even made the holding of gold by the citizens as illegal.[2]

In his 1885 treatise, *Principles of Political Economy,* the American philosopher John Stuart Mill confidently described gold and silver as historically more fit to be used as money. In his words, "They were among the most imperishable of all substances. They were also portable, and, containing great value in small bulk, were easily hid; a consideration of much importance in an age of insecurity. Jewels are inferior to gold and silver in the quality of divisibility; and are of very various qualities, not to be accurately discriminated without great trouble. Gold and silver are eminently divisible, and, when pure, always of the same quality; and their purity may be ascertained and certified by a public authority."[3] The footnote on page 292 of the same book, however, observes:

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1 Reserve Bank of India FAQs page, "What is the meaning of "I promise to pay" clause?" http://rbi.org.in/commonman/English/Scripts/FAQs.aspx?Id=5#12. Accessed on August 2, 2013

2 Bettina B. Greaves (ed), *Ludwig von Mises on Money and Inflation* (Alabama: Ludwig von Mises Institute, 2010). pp.13,41. US citizens regained the right to own gold after January 1975.

3 John Stuart Mill, *Principles of Political* Economy, (New York: D. Appleton and Company, 1885) p.290. Project Gutenberg release date: September 27, 2009 [Ebook #30107]

> Since Mr. Mill wrote, two great changes in the production of the precious metals have occurred. The discoveries of gold, briefly referred to by him, have led to an enormous increase of the existing fund of gold... and a fall in the value of gold within twenty years after the discoveries.... Another change took place, a change in the value, of silver, in 1876, which has resulted in a permanent fall of its value since that time ... Before that date, silver sold at about 60d. per ounce in the central market of the world, London; and now it remains about 52d. per ounce, although it once fell to 47d., in July, 1876. In spite of Mr. Mill's expressions of confidence in their stability of value—although certainly more stable than other commodities—the events of the last thirty-five years have fully shown that neither gold nor silver—silver far less than gold—can successfully serve as a perfect "standard of value" for any considerable length of time.

The Indian Rupee, since ancient times, was based on the silver standard. However, after the discovery of vast deposits of silver in South America, the Rupee fell in value with respect to the currencies of countries that were based on the gold standard. This phenomenon is known as the "fall of the rupee".[4] In modern times, however, both the silver and gold standards have been internationally abandoned by the major economies of the world. While these economies, usually, do hold reserves of gold, the printing of paper money is no longer considered necessarily backed by the amount of gold in reserves. The value of currencies is usually determined by international trade, inflation, interest rates, foreign exchange, and other factors.[5] More export usually strengthens the local currency while more import weakens it.

Not holding sufficient gold reserves to back the paper money being printed led to the abandonment of the gold standard in many

for the supply of notes; e.g., the future possible returns on the paper money pumped into the economy. This, however, only assists inflation and devalues money. Currency, thus, is floated and money becomes inconvertible, i.e fiat money – it loses intrinsic value. The Austrian economist, Ludwig von Mises (1881-1973), referred to this as the destruction of money. In his words:

4 http://en.wikipedia.org/wiki/Indian_rupee. Accessed on August 2, 2013.

5 Pritam Hans, "Solving the Riddle" Business Today, February 2012. http://businesstoday.intoday.in/story/rupee-dollar-value-drop-factors-for-fall/1/21881.html; Accessed on August 1, 2013

> The problem of money, the practical problem of money today in the whole world is precisely this: The governments believe that in the situation which I have pointed out before, when there is a choice between an unpopular tax and a very popular expenditure, there is a way out for them—the way toward inflation. This illustrates the problem of going away from the gold standard.
>
> Money is the most important factor in a market economy. Money was created by the market economy, not by the government. It was a product of the fact that people substituted step-by-step a common medium of exchange for direct exchange. If the government destroys the money, it not only destroys something of extreme importance for the system, the savings people have set aside to invest and to take care of themselves in some emergency; it also destroys the very system itself. Monetary policy is the center of economic policy. So all the talk about improving conditions, about making people prosperous by credit expansion, by inflation, is futile![6]

Many economists understand the importance of gold-backed paper money; though a full restoration of the gold standard doesn't seem to be immediate – there seems to be a march towards it. S.S Tarapore, a member of the APP Advisory Board on the Gold Standard Project 2012, notes:

> China, Russia, India, Mexico and Thailand have undertaken sizeable increases in their gold holdings in the last three years — this is a prudent policy. China increased its gold holdings from 600 tonnes to 1,050 tonnes and India increased its holdings from a little less than 360 tonnes to 560 tonnes. Gold still accounts for only 7.5 per cent of India's total reserves.
>
> The major developed countries with a high proportion of gold reserves have reaped a bountiful harvest as much of their gold purchases were at prices as low as $35 per fine ounce. With the structural weakness of the US dollar as a reserve currency, the role of gold will become more important.
>
> Countries with a low proportion of their reserves in gold would be well advised to gradually step up their proportion of the yellow metal. In recent years, the Reserve Bank of India (RBI), in a brilliant move, was the first country to undertake a large bulk purchase of 200 tonnes from the IMF; India should gradually increase its holdings of gold.[7]

6 Bettina B. Greaves (ed), *Ludwig von Mises on Money and Inflation*. p. 32.

7 Tarapore, "Drifting back to Gold Standard", Business Line, *The Hindu*, May 20, 2011. http://www.thehindubusinessline.com/opinion/columns/s-s-tarapore/drifting-back-to-gold-standard/article2032360.ece Accessed on August 2, 2013.

Arbitrary and unwise printing of paper money, irrespective of the holdings to back in reserves, can cause massive and catastrophic inflations. Germany, during the World War, and Zimbabwe in recent times are two examples of this.

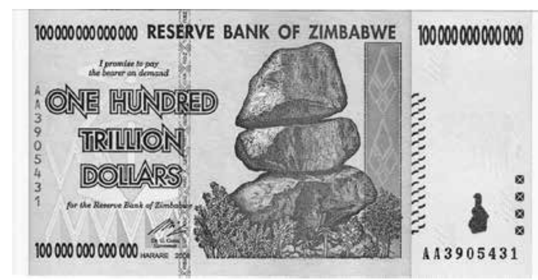
> Germany went to war, the government didn't realize, and still less did the people realize, that what one needs to fight the war is not paper money but arms and various other things. So they printed paper money. And they printed paper money day and night. The result was that the German paper money from pre-World War I deteriorated in value. The parity with the American dollar in 1914 expressed in German marks was 4.2 as it had been for 60, 80, and 100 years before. You know what the cost of a postage stamp is. The German monetary policy of increasing the quantity of money, printing it continually, until a German postage stamp in the early 20's of our century cost several million marks. Imagine the situation that developed in 1923 when someone who bought a stamp in order to mail a letter to the next village had to pay several hundred million marks. Twenty million marks was more than the wealth of the richest
>
> nine years later, the dollar was 4.2 billion marks, something which is purely fantastic because there are no people who have an idea, a living idea, of what a billion is. This was the outcome of the economic doctrine that money was a creation of the government. The fact that the government had printed money, that the government had increased the quantity of money, did not improve the situation of the German armed forces or the German resistance.[8]

Zimbabwe is a recent example. It is said that when Zimbabwe was born in 1980, the Zimbabwe dollar was more valuable than the U.S. Dollar. But, as Pritam Hans mentions,

> After the 1990s land reforms in free Zimbabwe, farm production as well as manufacturing declined drastically. However, the government continued to print money for its expenses. Zimbabweans started losing faith in the local currency. As inflation surged drastically, the Zimbabwean dollars were printed in denominations as high as 100 trillion. After the currency lost its value, people started using US dollars. In April 2009, the country put its currency on hold and switched to US dollars.[9]

8 Bettina B. Greaves (ed), *Ludwig von Mises on Money and Inflation*, pp.40-41.
9 Pritam Hans, "Solving the Riddle".

According to the Quantity Theory of Money (QTM), which was challenged by John Maynard Keynes (1883-1946), more supply of money would only mean more inflation as surplus money incommensurate with available resources lead to hike in prices. Keynes had challenged it with the suggestion that spending money, contrary to hording money, and government expenditures would boost economy. How pragmatic Keynes' suggestions are in the long run is a matter of debate among economists. With regard to the Zimbabwe crisis, it was reported on October 2008 that a loaf of bread in Zimbabwe, which "cost Z$500 at the beginning of August, now costs between Z$7,000 and Z$10,000, even when it can be found."[10] CNN reported on December 7, 2008: "After the $100 million note began circulating on Thursday, the price of a loaf of bread soared from 2 million to 35 million Zimbabwean dollars."[11] The inflation was torpedic and acute. By December 2008, the Zimbabwe dollar had fallen to such extent that $Z500,000 amounted to only around US$0.25. The Zimbabwe Government responded by declaring inflation as illegal. It proceeded to arrest a number of corporate executives for changing prices.[12]



The largest denomination of a Zimbabwean banknote (100 trillion) (Photo Courtesy: Wikipedia.org)

10 Sebastien Berger, "Zimbabwe inflation hits 231 million per cent", *The Telegraph*, 09 Oct, 2008. http://www.telegraph.co.uk/news/worldnews/africaandindianocean/zimbabwe/3167379/Zimbabwe-inflation-hits-231-million-per-cent.html . Accessed on August 2, 2013.
11 "Hyperinflation forces Zimbabwe to print $200 million notes," CNN.com, Dec 7, 2008. http://edition.cnn.com/2008/WORLD/africa/12/06/zimbabwe.currency/index.html?iref=mpstoryview#cnnSTCText Accessed on August 2, 2013
12 "Hyperinflation in Zimbabwe", Wikipedia article. http://en.wikipedia.org/wiki/Hyperinflation_in_Zimbabwe. Accessed on August 2, 2013.

Mises observes, in such conditions, that while in the past, the only way to increase government expenditures was by taxing the citizens, in modern times governments that would like to avoid unpopular taxes and also go about spending are easily tempted to print money in excess.[13]

Indian history reminds of one Indian emperor whose attempt to enforce representative money only ended up in total failure. Muhammad

augment the silver coinage. However, forgery was easy and the treasury began to suffer loss, also because people were unwilling to trade their gold and silver for the new brass and copper coins. Consequentially, the sultan had to withdraw the lot, "buying back both the real and the counterfeit at great expense until mountains of coins had accumulated within the walls of Tughluqabad."[14] In modern times, governments take great care to prevent forgery. Perhaps, soon even paper money will not be necessary as electronic transfers gain increasing prominence. In the electronic world, thieves don't forge currency; they simply hack computers; so the technology to safeguard the digits would be more valuable. Perhaps soon, there won't even be paper money; there would only be digits. We are certainly in an age where gold and silver are no longer popular money; though, we can buy gold and silver with money – they are still valuable as metals. Does that mean that the uncorrodable gold and silver have corroded, as far as their monetary use is concerned?

Christian Responses to Gold Corrosion or Money Debasement

Christian Reconstructionism is an American Calvinist school of Christian economics that maintains the applicability of the Bible to even the political and economic areas of human life, as well, beyond personal salvation. The school had its most important expositor in the writings of Rousas John Rushdoony (1916-2001), a Calvinist philosopher, historian, and theologian who is widely credited to be the father of Christian Reconstructionism. Rushdoony's *The Institutes of Biblical Law (Craig Press, 1973)* upheld the wisdom of the Mosaic Law as prescribed in the Old Testament and as applicable for global healthy governance.

13 Bettina B. Greaves (ed), *Ludwig von Mises on Money and Inflation*, pp.43-45.

14 John Keay, *India: A History* (New Delhi: Harper Perennial, 2000), p. 269.

Christian Reconstructionism has been met by much criticism even from Christians who regard it as religion seeking political power, and unworthy of the New Testament spirit. Rushdoony had interpreted the Great Commission of Jesus in also dominion terms, according to which theocracy must continue to grow through regeneration and conversions until the Second Coming of Christ. Thus, Christian Reconstructionism is postmillennial in perspective and believes that "that God's kingdom will advance throughout history, that all authority in "heaven and in earth" has been given to Jesus, that God's kingdom is represented by the stone that is cut without hands and becomes a mountain that fills the whole earth (Daniel 2:34, 44-45)."[15] Dispensational premillenialists, on the other hand, object to such a viewpoint and believe that the world will continue to grow worse socially, politically, and economically until the Day of the Lord. It is necessary to understand that Daniel's stone is not cut by human hands. Since Luther, Christian political thought has focused on the separation of the secular from the sacred – the Church is separate from the state; thus, ensuring religious freedom for all.[16] Harvey Cox had argued as early as 1975 that secularization was Biblically inevitable. Cox announced secularization as the legitimate consequence of the impact of biblical faith on history.[17] However, apart from the eschatological concerns, the biblical analysis of modern economics by Christian Reconstructionists cannot be disregarded by theologians – though the issue of whether Biblical laws ought to be contested politically is a matter of theological debate. One should have no loss from studying what the Biblical definitions are and what departure from the Biblical norms constitutes. With regard to this, the words of Margaret Thatcher, former Prime Minister of Great Britain, are worth listening to:

15 Gary North and Gary DeMar, *Christian Reconstruction: What It Is, What It Isn't* (Texas: Institute for Christian Economics, 1991), p.87. www.garynorth.com

16 Rushdoony, however, argued that the idea of separation originated from Pietism which, in his words, "concerned itself only with the soul and surrendered the world to the devil." According to him, "With Pietism, Protestantism ceased to be the army of God, going forth to conquer in Christ's name, and the church became instead a kind of new monastery, where men could retreat from the world and its problems and contemplate heaven. R.J. Rushdoony, "The Heresy of the Faithful," in Gary North's, *Introduction to Christian Economics* (Craig Press, 1974), pp.388,389.

17 Harvey Cox, *The Secular City*, rev. edn.(New York: Macmillan Publishing Co., Inc., 1975).

> May I also say a few words about my personal belief in the relevance of Christianity to public policy – to the things that are Caesar's? The Old Testament lays down in Exodus the Ten Commandments as given to Moses, the injunction in Leviticus to love our neighbour as ourselves, and generally the importance of observing a strict code of law.
>
> The New Testament is a record of the Incarnation, the teachings of Christ, and the establishment of the Kingdom of God. Again we have the emphasis on loving our neighbour as ourselves and to "Do-as-you-would-be-done-by."
>
> I believe that by taking together these key elements from the Old and New Testaments, we gain a view of the universe, a proper attitude to work and principles to shape economic and social life.[18]

Institute for Christian Economics

Gary North (b.1942) is the son-in-law to R.J. Rushdoony and founder of the Institute for Christian Economics in Texas which has been publishing books and periodicals related to Christian Economics since the late 70s. In his 1974 book, *An Introduction to Christian Economics,* he critiqued credit-propelling economic policies as committing nothing less than the crime of turning silver to dross and mixing wine with water (cf. Isaiah 1:22).[19] He states that "currency debasement is the oldest form of monetary inflation".[20]

Back in 1974, North saw pumping of paper currencies into the economy without proportionate gold to back them up as encouraging multiple indebtedness, diluting money, and creating inflation.[21] Quoting the Old Testament law regarding lending (Exodus 22:25-27) that didn't permit a person to borrow more than the collateral of his raiment (which, of course, could be taken back in the evening but returned again in the morning, to prevent him submitting the raiment as collateral elsewhere and incurring multiple debts), he noted that the modern banking system violates this same principle by its policy of perpetual indebtedness. In his words,

18 Margaret Thatcher, "Christianity and Wealth" (A speech delivered to the assembly of the Church of Scotland by the British Prime Minister, May 21, 1988), *Biblical Economics Today,* Vol.XI. No.5, Aug/Sept 1988 (Texas: ICE).

19 Gary North, *Introduction to Christian Economics* (Craig Press, 1974), pp.4-18.

20 Gary North, *Introduction to Christian Economics,* p. 7.

21 Gary North, *Introduction to Christian Economics,* p.15.

> The importance of this law for monetary affairs cannot be overstated. Contemporary society— indeed, society since the Middle Ages —has ignored this restriction on multiple indebtedness with impunity. From an economic standpoint, the chief private violators institutionally are the fractional reserve banking system and the limited liability corporation. The entire public sphere of civil government rests on the violation of the principle. The whole structure of modern credit is based upon the idea that men should never escape from perpetual debt. The public debt of the federal government, already approaching half a trillion dollars (excluding future commitments like Social Security payments, bank insurance, and other "agency" debt), is steadily eroding the monetary unit, in the process described by the nineteenth century theorist, Charles Holt Carroll, as "the organization of debt into currency," or the monetization of debt. The central bank of every nation—the Federal Reserve System in the United States—prints up the money to finance the deficits of the central government, and in return for this fiat currency, the government gives an interest-bearing bond to the bank. The Federal Reserve System receives about $4 billion a year in this way at the present time, and it will go higher as time (and unsalable government indebtedness) continues. (The government pays out over $20 billion in interest altogether—to insurance companies and other institutional investors, including local banks, as well as to citizens. The FRS returns most of its interest payments to the Treasury each year, however.) From a biblical standpoint, this is utterly corrupt: "The wicked borroweth and payeth not again" (Ps. 37:21a). The civil authorities do not intend to reduce this debt and repay the principal. They favor perpetual indebtedness. Laws that are transgressed in God's universe will be found to contain their own built-in punishment. The French Revolution came when the king had to assemble the Estates-General, for only they could raise needed new taxes, and the interest of the bloated French national debt was absorbing half the revenues of the kingdom annually. The British interest payments were about the same in this same period. It had been the attempt of the British government to impose new taxes on the American colonies that had triggered the American Revolution. Massive national indebtedness is highly dangerous.[22]

According to India's Government Debt Status Paper of July 2013, the internal debt of the Central Government at end-March 2013 stood at

22 Gary North, *Introduction to Christian Economics,* p. 11.

Rs.37.3 trillion and the external debt stood at Rs.3.3 trillion.[23] The report also states that Public Debt had shown a steady decline from 48.1 per cent of GDP in 2002-03 to 37.1 per cent in 2007-08. At end-March 2013, however, it stood at 40.6 per cent of GDP.[24] North's biblical analysis of the situation as multiple indebtedness and ethical violation ("The wicked borroweth and payeth not again" (Ps. 37:21a)) is not negligible. On May 06, 2013, Tamal Bandhyopadhyay wrote in LiveMint,

> Till 2005, the government's annual market borrowings—net of redemptions of old bonds—were below Rs.1 trillion. Between 2001 and 2005, the amount varied between Rs.97,588 crore (2003) and Rs.54,201 crore (2005). In 2003, the average 10-year bond yield was 6.15%, and in 2005, it was 6.69%....
>
> In 2006, the size of the government's annual borrowing programme crossed Rs.1 trillion (fiscal deficit 3.97%) and remained range-bound at around Rs.1.1 trillion for next three years, soaking up less than one-fourth of bank deposits and the 10-year bond yield veered between 7.55% and 7.96%.
>
> Since then, the borrowing programme has gone up many times but the bond yield has not gone up proportionately. In other words, the government is borrowing more and more, leaving very little money for the private borrowers, and yet it is not paying the real price for its borrowings as the central bank is artificially keeping the yield low to bring down the cost of government's borrowing programme. Indeed, it is paying the market price but the market is manipulated by the RBI through liquidity management. The central bank has been following an accommodative monetary policy for the government.
>
> ... the government borrowing has been rising by leaps and bounds—from Rs.3.65 trillion in 2010 to an estimated Rs.4.67 trillion in 2013, accounting for over half of the banking sector's deposit mobilization (in 2012, it was 62%) and yet, barring one year, the 10-year bond yield never crossed 8%. In 2012, it rose to
>
> trillion to bridge an estimated 5.3% fiscal deficit. So, far it has borrowed Rs.60,000 crore. If indeed the deposit portfolio of the banking sector grows at around 14%, as estimated by the RBI, the government will soak up at least 50% of deposits, leaving the remaining to private borrowers.[25]

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23 Ministry of Finance, "Government Debt: Status Paper" (New Delhi: Dept. of Economic Affairs, July 2013), pp. 4, 5.

24 "Government Debt", p. 7.

25 Tamal Bandyopadhyay, "BANKER'S TRUST | Why RBI should give up govt debt management," LiveMint & The Wallstreet Journal, May 06, 2013, www.livemint.com. Accessed on August 6, 2013.

Economist S.S. Tarapore notes: "Internal debt, unlike external debt, is a silent, sudden killer. The public debt Ponzi must be stopped before it disrupts government finances."[26]

In his book, *Baptized Inflation: A Critique of "Christian" Keynesianism (1986),* in which he critiques Keynesianism as upheld by Douglas Vickers, a "Christian" who was also a Keynesian, Christian economist Ian Hedge ponders on what we may recognize as the law of conservation. He writes:

> The Keynesian system, as we have seen, is built on the fallacy that "demand creates supply," i.e., that demand creates *economic* supplies. If only there could be more monetary demand in the world, then all our employment problems would be solved. More goods would be purchased, industries would grow, more people would be employed – utopia restored.
>
> The error here is the failure of Keynesians to distinguish between the *desire* which people have for goods and services, and their ability *to pay* for such items with productive *assets*....
>
> If we define "demand" as the present existence of desired wealth at market-clearing prices, as J. B. Say and the classical economists did, then of course this Keynesian truism is, well, true enough. Demand indeed "creates" supply, just as supply "creates" demand. Supply and demand are reciprocals. For every buyer there is a seller; in fact, they are both buyers and sellers simultaneously. They are exchangers.
>
> What the Christian economist ought to say, however, is that only once in history did pure, unadulterated, *fiat* demand create supply: when God spoke His world into existence by fiat command during the first five days. He spoke, "Let there be," and there was.
>
> Humans must act re-creatively; only God is originally creative. We do not speak things into existence. We do not "demand" things into existence. *We restructure the world,* just as Adam was to care for the garden, by means of our minds, our bodies, and our earthly possessions. We recreate. We think God's thoughts after him. We do not create demand by supply, or create supply by demand. We recreate as best we can on the assumption that other people are doing the same. We *plan* our production for a

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26 S.S. Tarapore, "Is our public debt a Ponzi?" *Business Line, The Hindu*, May 30, 2013. http://www.thehindubusinessline.com/opinion/columns/s-s-tarapore/is-our-public-debt-a-ponzi/article4766367.ece

> market. We aim production at that *expected* future market. So do other producers. We *forecast* the economic future as best we can. We deal with inescapable *uncertainty.*
>
> In this sense, and in this sense only, does supply constitute demand, or vice versa.[27]

In other words, the ability to print money doesn't make the government financially infinite (or as wealthy as God), as anyone will understand. Someone or the other has to pay for every penny spent. For Mises, it is the middle-class (generally, the fixed-income job holders) who most often pay for it through simple savings as deposits in banks, or by investing money in pension schemes, life insurance policies or bonds, to secure their future. However, because of systematic inflation and reduction of the purchasing power of money, they are stripped of their wealth.[28] Thus, though the taxes might not be heavy, an economic system based on fiat currency system only destroys the middle class.

president of a bank in Vienna. A young man in his twenties had taken out a life insurance policy much too large for his economic condition at the time. He expected that when the policy would mature, it would make him quite rich, at least up on the middle-class status. However, when he reached his sixtieth birthday, the policy became due. "The insurance, which had been a tremendous sum when he had taken it out thirty five years before, was just sufficient to pay for the taxi ride back to his office after going to collect the insurance in person."[29]

Institute for Principle Studies

The "About us" page of IPS explains: "The Institute for Principle Studies was founded in 2005 as a research and educational organization that provides a Christian alternative to the many well-established secular think-tanks."[30]

In his IPS essay, "The Federal Reserve: An Economic and Ethical Disaster",[31] Dr. Shawn Ritenour, Professor of Economics at Grove

27 Ian Hedge, *Baptized Inflation: A Critique of "Christian" Keynesianism* (Texas: Institute for Christian Economics, 1986), pp.238,239.

28 Bettina B. Greaves (ed), p. 26.

29 *Ludwig von Mises on Money and Inflation,* pp. 30, 31.

30 http://principlestudies.org/?id=abo

31 Shawn Ritenour, "The Federal Reserve: An Economic and Ethical Disaster," June 2009 http://principlestudies.org/articles/?id=IPS_Essay4_FederalReserve.html

City College, Pennsylvania, wrote: "the chief function of the Federal Reserve is to increase the quantity of money in existence," which, of course, didn't mean real money as such, but inflation.[32] According to Ritenour, inflation adds no social benefit. He writes:

> Increasing the money supply can never provide a general benefit to the whole of society. ...inflation merely results in higher prices. Increasing the money supply does not spontaneously increase the stock of land, labor, or capital goods. Therefore, increasing the money supply does not allow us to produce more consumer goods we can use to satisfy our ends. Rather, inflation merely increases the amount of money being spent on the same quantity of goods. Because more money is spent, the demand for producer and consumer goods increases, so overall prices increase and the purchasing power of the dollar falls. There is, consequently, no general social benefit from inflation.

However, he continues also to observe that somebody's loss does mean someone else' profit.

> Increasing the money supply does, however, benefit some people at the expense of others by redistributing wealth. When the Federal Reserve increases the money supply, not all cash balances
>
> usually from commercial banks. These early recipients benefit from inflation. Suppose a borrower buys a house with some of the newly created money. This increases the demand for houses. The seller of the house receives the new money second and spends some of it on a new pair of shoes. This increases the demand for shoes. The shoe maker then spends the new money he receives on groceries, thereby increasing the demand for groceries. The early recipients are able to spend the new money on goods before the prices of those goods increase. As the new money percolates through the economy, though, prices of goods begin to rise, so that at some point the increase in cash balances for some people is just enough to offset the general increase in prices. People on fixed incomes, however, do not get any of the new money but still have to pay the higher prices. Wealth is, in essence, taken from them and transferred to those who received the new money first. While monetary inflation does not provide an overall social

32 Cf. "...inflation is the new money pumped into the market," *Ludwig von Mises on Money and Inflation,* p. 22.

> gain, it does benefit those who receive the money sooner at the expense of those who receive it later or not at all....
>
> Additionally, as explained earlier, inflation results in a redistribution of wealth. It increases the wealth of those who receive new money sooner and takes it away from those who receive the new money later or not at all. Such redistribution of wealth is not the result of voluntary exchange of private property, but solely due to the state coercively monopolizing money production and using that monopoly to increase the money supply. Inflation generated by the Federal Reserve, our government-created money monopolist, ends up taking wealth from some and forcibly transfers it to others. This is akin to government-sponsored theft, and is a clear violation of the basic biblical principle, "Thou shall not steal" (Exod. 20:15).

While gold as money seems to get increasingly debased (inflated), people have not lost sense of the value of the yellow metal itself. In the past few years, India has seen a great rise in the demand for gold as people found it better to invest in the yellow metal than keep their money to "rust" in banks or bonds. The Reserve Bank of India was concerned with the rising import of gold as it was putting pressure on the Current Account Deficit (CAD). The Economist reported on July 1:

> Unable to get a decent real return from bank accounts given relatively low interest rates, savers have taken their money out of the formal financial system. Household savings directed into banks and investment products and the like have fallen from 12% of GDP to 8%. Savings in physical assets have risen from 11% to 14%. India's appetite for gold partly explains this shift. Last year the country imported more than $50 billion of the yellow metal, creating a big hole in the balance of payments.[33]

So, on May 15, this year, the RBI announced to launch inflation-linked bonds every month, "starting June 4, to attract household savings of up to Rs 15,000 crore this fiscal so as to discourage investments in gold."[34] It seems that the real gold has already become anathema to the Indian economy, at least for the government.

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33 "Indian inflation-indexed bonds," *The Economist*, Mumbai, July 1, 2013. http://www.economist.com/blogs/schumpeter/2013/07/indian-inflation-indexed-bonds

34 "RBI to issue inflation-indexed bonds from June 4", *Business Today,* New Delhi, May 15, 2013. http://businesstoday.intoday.in/story/inflation-indexed-bonds-interest-rate-features/1/194972.html

Analysis of James' Indictment (James 5:1-9)

Gold is known to be rust-free and free from corrosion over prolonged geological time. However, the Bible predicts its corrosion. There are various perspectives from which James 5:1-9 may be interpreted. Some may see the global distress that would descend during the reign of the world dictator, the Antichrist, on all who have wealth; for, "no one may buy or sell except one who has the mark or the name of the beast, or the number of his name." (Rev 13:17 NKJ) Others may see it as the ultimate worthlessness of the shining metal at the coming of the Day of the Lord; for it's not gold nor silver, but only the blood of Jesus that can redeem a man from the Great Wrath to come. Space doesn't permit to dwell on this rich segment of Scripture on the rich in detailed discussion. However, on the basis of the limited overview of modern economic issues above, related especially to currency debasement, we may proceed to make the following observations:

Treasure Hoarding: "You have heaped up treasure in the last days." (Jam 5:3 NKJ) Saving for the future is not considered as evil in the Bible. Proverbs gives the example of ants who provide supplies in the summer and gather harvest in the winter (Prov.6:6-8). God gave Joseph the wisdom to save food during the 7 years of plenty in order to provide for the 7 years of famine that was about to come. In His parable of Talents, Jesus observed that the man with one talent could have deposited his money in the banks, at least, if he wasn't willing to put it into use now (while in the bank, it would be useful for someone else in some way or the other, at least). However, God doesn't approve of those who put their trusts in uncertain riches, who trust in human security systems of life, who think that saving money somehow will secure their future.

> Command those who are rich in this present age not to be haughty, nor to trust in uncertain riches but in the living God, who gives us richly all things to enjoy. Let them do good, that they be rich in good works, ready to give, willing to share, storing up for themselves a good foundation for the time to come, that they may lay hold on eternal life. (1Ti 6:17-19 NKJ)

Withholding Right Wages: "Indeed the wages of the laborers who mowed your fields, which you kept back by fraud, cry out; and the cries of the reapers have reached the ears of the Lord of Sabaoth." (Jam 5:4 NKJ). The Name "Lord of Sabaoth" literally indicates that it is God who rules and gives man the reward of his labor. Therefore, the Christian is also advised to serve their earthly masters as serving the Lord, and not serving men (Eph.6:7). Becoming rich (or assuming income) at the expense of anybody else is a crime that invites divine displeasure, because it is a crime against the economy of the Lord of Sabaoth.

Materialism: "You have lived on the earth in pleasure and luxury; you have fattened your hearts as in a day of slaughter." (Jam 5:5 NKJ) Ethics and economics cannot be separated from each other. The ends do not justify the means. Moral sensibility and moral responsibility must

the whole world, and loses his own soul?" (Mar 8:36 NKJ). Economical laws must also be ethical in essence, or else they are fattening only as in a day of slaughter.

Injustice: "You have condemned, you have murdered the just; he does not resist you" (Jam 5:6 NKJ). In the olden days, when people fell short of supplies, they raided weaker kingdoms and plundered them; either killing them all or making slaves of them. In the case of King Ahab who coveted Naboth's vineyard, Queen Jezebel came up with the vicious plan to eradicate Naboth in order to confiscate his piece of ancestral property (1Kings 21). Armed power has a way of saying, "Either give it to me as I demand, or I will charge you with offense against the laws – that's easy, you know; and you won't even be able to do anything!" There have been many who became "rich" in that way. Economists don't consider what happened in Zimbabwe a few years ago as ethically right; for, the government to forcing inflation and at the same time declaring inflation as illegal. Someone has to pay for what is being spent. And, one way of murdering the just is to force the economy into ethical corruption; where it becomes extremely difficult for the just to be just – "(for that righteous man, dwelling among them, tormented *his* righteous soul from day to day by seeing and hearing *their* lawless deeds)" (2Pe 2:8 NKJ); however, "the Lord knows how to deliver the godly out of temptations and to reserve the unjust under punishment for the day of judgment" (2Pe 2:9 NKJ). ■

NEWS REPORTS

1. Rejuvenation of NATA

NATA – National Association for Theological Accreditation – was formed in 1997 by a group of theological colleges which felt the need for an agency to help them with accreditation, guidance and standards. Initially it was mostly Malayalee Pentecostal friends under the leadership of the Rev. Dr. John S Thannickal of New Life College (Nav Jeevan Ashram) Bangalore who rallied together, so much so, that they considered the name as NAPTE – National Association for Pentecostal Theological Education. But later when Baptist and other interdenominational colleges also joined in, the Pentecostal identity was dropped. Membership list climbed upto a height of 80 but realistic active participated reached only to nearly 40 colleges. During the second decade, attempts were made to revive, but it went through an inactive period. When some leaders such as the Apostle Dr PJ Titus moved on to glory and Dr Thannickal turned 80, it was felt that some strategic effort should be put into renewing and reviving NATA to serve the increasing number of colleges in India.

Hence, Dr. John Thannickal invited Dr. Siga Arles in April 2012 to take over as the Chairman of NATA and to give leadership to stabilize

theological education in India, as revealed in his doctoral research titled *Theological Education for the Mission of the Church in India: 1947 to 1987*, he already had linked with NATA at its formative years. Now he readily accepted to give his time on a honorary basis to NATA. During May 2012, at the NATA Annual General Meeting, Dr. Thannickal passed on the mantle to Dr. Arles and formed a new Executive Committee, with Rev. Johnson Titus of Church on the Rock Theological Seminary of Vizag as Vice-Chairman, Rev. PP Joy of New Life College as Secretary, Rev.Dr. Stanley Choi of Asia Evangelical College and Seminary as Treasurer, Rev. Barnabas Sajja of Ichthoos Bible College of Gudiwada, Rev.Dr. Paphino of Logos Bible College (Nagaland) and Rev. Sunil Francis of Goa Institute of Theology, as members.

During August 2012 NATA held a promotional meeting in Andhra Pradesh and received about 18 colleges into membership. During October 2012 NATA visited many colleges and held a regional meeing in Nagaland with 15 colleges. In Bangalore and in Tamilnadu NATA visited several colleges and revived membership. The AGM during April 2013 drew many new colleges and strengthened the vision to