

# BIBLICAL ECONOMICS TODAY

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## ISAIAH'S CRITIQUE OF INFLATION

BY Gary North

The prophets of Israel were seldom popular men. They had a habit—a nasty habit, in the eyes of the political and religious authorities—of speaking God's mind in front of the people. They did not hesitate to spell out the nature of the sins of the people, the government, and the "opinion setters" of their day. Their chief transgression, in the eyes of the authorities, was their willingness to speak about specific sins, instead of making themselves respectable and acceptable by mentioning only sins in general, which is always pleasant to the ears of sinners, who can then assume that the prophet is talking about someone else, preferably someone who has slighted or thwarted them in some way. The more general the sins, the larger and more enthusiastic the audience; the prophets violated this rule—a rule which is seldom violated by modern-day television and stadium evangelists, at least those who are supported primarily by the income from their television and stadium appearances, as distinguished from those who are supported by a local congregation which is supporting the television ministry. What the prophets of Israel did was to confront their listeners with God's criticism of sins practiced widely by the listeners, rather than the listeners' rivals. This is one of the best ways known to man to shrink the financial support of a ministry. Elijah, if you recall, had to be fed by ravens sent by God, so few were the "love offerings" of his non-existent financial supporters (I Kings 17:3-6). He had to rely on the miracles of God in order to have enough to eat (I Kings 17:16; 19:5-8), dwelling as a fugitive in a cave during part of his ministry (I Kings 19:9-10). His was not what you would call a "prime time" evangelism ministry. Had there been television talk show hosts in his day, they would not have invited him to appear. Too controversial.

### The Background: Biblical Law

It is impossible to understand the message of the Old Testament prophets without being familiar with the background provided in two important chapters of the Bible, Deuteronomy 8 and 28. In these passages, God set forth His system of social and national blessings and curses. Both sections have the same basic outline. The only difference is that Deuteronomy 8 focuses on the many blessings provided by God in the wilderness and in the promised land, even before Israel entered Canaan, whereas Deuteronomy 28 details the blessings and curses that the Israelites could expect in the future. Both chapters begin with God's announcement of Israel's requirement to adhere to His commandments. This is the basis of the prophetic messages: the

existence of a **covenantal law-order which has built-in sanctions**. This covenantal law-order is thoroughly specific, and so are its blessings and cursings. This is why the prophets were so specific in their cataloguing of social and national transgressions.

The blessings listed in Deuteronomy 8 and 28 are **external** blessings. So are the curses. They are not simply limited to the hearts and minds of the people. God tells them of a coming period of time "when thy herds and thy flocks multiply, and thy silver and thy gold is multiplied, and all that thou hast is multiplied" (Deut. 8:13). The goal of this wealth is to reconfirm the fixed nature of God's covenant with them: "But thou shalt remember the Lord thy God: for it is he that giveth thee power to get wealth, that he may establish his covenant which he sware unto thy fathers, as it is this day" (8:18). The words, "That he may establish his covenant," indicate a relationship which modern economists call "positive feedback": blessings reinforce the covenant, which in turn encourage people to become even more faithful to God's law-order, which brings additional external blessings, and so on, right down to the day of judgment. The Hebrews were given a law-order which did permit long-term economic growth, and which encouraged them to believe in the possibility of long-term growth, a perspective which no other culture possessed in the ancient world. (Even today, the idea of linear growth is the product of a world-and-life view which was originally Christian, although since the late seventeenth century, this outlook has been progressively secularized.)

On the other hand, there is the promise of temptation and rebellion. God's people are warned that the external blessings will be potential sources of temptation, for men will be tempted to say to themselves, "My power and the might of mine hand hath gotten me this wealth" (8:17). In other words, God's blessings are reinterpreted to conform to a philosophy of **man's autonomy**—the philosophy of secular humanism. When men do this, God says, their external blessings become a snare to them, and the predictable result is external judgment: "As the nations which the Lord destroyeth before your face, so shall ye perish; because you would not be obedient unto the voice of the Lord your God" (8:20).

Deuteronomy 28 is a much longer passage, indicating that the medieval schoolmen who divided the Bible into chapters recognized the unity of the section. It is a detailed cataloguing of the external blessings and external judgments that could be expected by the Israelites, depending on whether they adhered to God's law-order or rejected it. The **external blessings** are economic (28:4-6,11), military (vv. 7,10) and political (v. 13). The list of

**promised curses** is much longer than the list of blessings. The curses are also highly specific: economic (vv. 17-18), agricultural (vv. 16, 18, 24, 38-40, 42), medical (vv. 21-22, 27, 59-62), financial (v. 44), military (vv. 25, 31-33, 36, 48-57, 64-68), psychological (vv. 28-29, 65-67), familistic (vv. 30, 32, 41, 54-57), political (vv. 43-44), and ecclesiastical (v. 64). Even the ritual of burial will be unobserved (v. 26). The people had received their warning from God. The prophets simply called to their attention the fact that God's word is certain, and therefore they could expect external, comprehensive, and specific judgments for their collective transgression.

### Isaiah's Message

The familiar outline of the prophetic message is present in the first chapter of the Book of Isaiah. We are told that he preached in a particular period to a particular people (Isa. 1:1). Isaiah told them that God had been gracious to them, like a parent, but they had rebelled (vv. 2-4). Already the people were fearful (v. 5b) and covered with sores (v. 6). The military defeats had begun (vv. 7-8). God was protecting them from total destruction, temporarily, for the sake of a tiny remnant of faithful people (v. 9). In other words, they could already see before them a partial fulfillment of God's warnings and promises found in Deuteronomy. His testimony was before them, and He promised to bring to completion His catalogue of external judgments. Isaiah referred to Judah as Sodom and Gomorrah (v. 10), indicating the extent of their transgression and the likelihood of total national destruction looming before them.

What could they do to avoid destruction? Cease relying upon empty formal ritualism and return to moral action (vv. 11-16). "Learn to do well; seek judgment, relieve the oppressed, judge the fatherless, plead for the widow" (v. 17). By listening to God, their sins would be covered, and they would be made pure (v. 18). Again, Isaiah turned their attention to the promises of external covenantal blessings: "If ye be willing and obedient, ye shall eat the good of the land" (v. 19). At the same time, as always, there is the threat of external judgment: "But if ye refuse and rebel, ye shall be devoured with the sword: for the mouth of the Lord hath spoken it" (v. 20). Isaiah made certain that they understood the fixed relationship among internal holiness, national holiness, and external blessings. Likewise, he made certain that they understood the fixed relationship among internal rebellion, national rebellion, and external judgment. As a prophet, he simply pointed back to the revelation of God's law, reminding them of the reliability of God's word, and promising them that the blessings or judgments would necessarily follow, depending upon their collective response.

Isaiah then offered the people of Judah a list of their specific sins. God's law is specific, so his catalogue of sins was specific. The faithful city, Jerusalem, had become a harlot. What did this mean? Righteous men had lodged in the city before, but now murderers (v. 21). The capital city, where the king and the temple served as sources of judgment, had departed from God's law. The rulers had forsaken God. Why harlotry? Because they had sold their favors to lawless buyers. "Thy princes are rebellious, and companions of thieves; every one loveth gifts, and followeth after rewards, they judge not the fatherless, neither does the cause of the widow come unto them" (v. 23). This was a specific violation of the law against seeking or accepting bribes (Ex. 23:8; Deut. 16:18-19). "A wicked man taketh a gift at his bosom to pervert the ways of judgment" (Prov. 17:23). The righteous ruler is to dispense God's justice because this is what God requires. He is not to sell justice, either God's justice or some antinomian justice, at a profit. Justice is God's free gift to man. The harlot sells her pseudo-affection to someone other than the one who is her husband; the bribe-seeker sells pseudo-justice in the same way.

### Debasement

The *Oxford English Dictionary* provides the most applicable definition of "debase": "To lower in quality, value, or character; to make base, degrade; to adulterate. *spec.* To lower the value of (coin) by the mixture of alloy or otherwise; to depreciate."

What Isaiah told the people of Judah was straightforward: they were debased. They were debased spiritually. They were debased culturally. They were also debased economically. God would not tolerate this debasement forever. "And I will turn my hand upon thee, and purely purge away thy dross, and take away all thy tin" (v. 25). The concept of purging away dross also appears in the New Testament, in reference to the final judgment of each individual: "Every man's work shall be made manifest: for the day shall declare it, because it shall be revealed by fire; and the fire shall try every man's work of what sort it is. If any man's work abide which he hath built thereupon, he shall receive a reward" (1 Cor. 3:13-14). Puring dross was accomplished by fire. The metal was melted, and the precious metal was then chemically separated from the base, or less expensive, molten metal. The words of Peter, "Beloved, think it not strange concerning the fiery trial which is to try you" (1 Pet. 4:12a), refers to the spiritual trials of the Christian walk on earth, but the language of "trial by fire" refers back to the idea of purging away spiritual dross, and this idea in turn is grounded on the practices of metalurgy.

This leads us to a most interesting question. Why in the world should a prophet come before the people and use a metaphor based on metalurgy? Are people normally familiar with metalurgy? Are the mental reference points in most people's minds normally geared to mining and the production of metal? Why did Isaiah think that he could use the imagery of metalurgy to drive home a spiritual message? There must have been something in the historical setting of Judah, sometime around 750 B.C., that was so familiar to the listeners that they would instantly recognize the meaning of Isaiah's metaphor.

Isaiah knew exactly what he was doing. He knew everyone would easily comprehend the spiritual implications of his metaphor, once they connected the metaphor to a prevailing practice in their day. Like the parables of Jesus, Isaiah's metaphor of dross was based on day-to-day experiences in the lives of the listeners. What were those experiences? Isaiah spelled them out plainly:

**"Thy silver is become dross, thy wine mixed with water" (v. 22)**

Before we explore the economic implications of this verse, it is necessary to comment briefly on an important aspect of biblical exegesis. We must ask the question: Is this language historical and specific? Is it a metaphor itself? The 25th verse is obviously a metaphor: God will purge away all the nation's dross. But if this is an unusual metaphor, then we should expect to find a reference point. That reference point had already been provided by Isaiah. There is no earlier reference point that would provide the meaning of verse 22. We should conclude that verse 22 refers to a specific practice. Furthermore, the references in verses 21 and 23 are quite specific: unrighteous judgment (v. 21) and seeking after bribes (v. 23). Murderers were in the streets (v. 21), while widows and orphans were not receiving justice (v. 23). As biblical law receded from Jerusalem, murderers (v. 21) and thieves (v. 23) moved in. There is no neutrality in civil law; either God's law is enforced, or else some rival law code is enforced. There is no legal vacuum possible; when God's law is removed, another system replaces it. The criminal classes prospered under the reign of bribe-seekers and polluters (debasers) of God's law.

If verse 21 is specific, and verse 23 is equally specific, why should commentators argue that verse 21 is mainly spiritual, or worse, exclusively spiritual? Why did the prophet come before

both the rulers and the people and begin to list specific transgressions for which God intended to bring specific external judgment, only to disrupt the list with a spiritual metaphor—a metaphor for which he provided no specific, historical reference point? Yet this is precisely what most modern commentators imply; verse 22 is simply a metaphor. They do not see the economic implications of the verse, precisely because they do not see its historical, concrete reference points.

### The Inflation Process

What is the incentive for debasement? Personal profit. (God tells us that all such profit is short-run profit, at most lasting during a man's lifetime, and very often lasting even shorter periods.) The specific debasement of precious metals is thought to be profitable to the debasement artist because it enables him to increase his purchases of goods and services in the open market. How is this accomplished?

First, the metal worker purchases, or mines from the earth, a specific quantity of silver, gold, platinum, or whatever. These metals are in high demand; but their supplies are very limited. Hence, they command a high price, as denominated in the goods and services that people are voluntarily willing to give up in order to obtain these metals. The economist would say that these metals have a high marginal utility. Each additional ounce or shekel (a weight unit) of silver or gold commands a high exchange value, compared to each additional ounce or shekel of, say, copper or tin.

This fact creates a second source of income to the specialist in metalurgy. He can mine or purchase quantities of these less valuable metals. He then melts down the precious metal and the more plentiful metal ("dross"), mixing the liquids together. The resulting molten metal, if carefully combined, resembles the "parent metal," namely, the precious metal. Then the metalurgist pours the combined metal into ingots, and he can sell the ingots to buyers. Or perhaps he will mould them into jewelry or tableware, selling the products as "pure" silver or gold. He has taken pure metal, reduced its proportional content by adding less expensive metals, and has sold the result in the open market as pure. Clearly, this can be profitable in the short run, if his deception is not discovered, or if it is detected by the authorities, if they do not prosecute him for fraud. What is the source of his profit? The difference between the price he paid, in goods or forfeited time spent in mining, for the less expensive metal, and the income attributable to whatever amount of silver he did not put into his products, but which the unsuspecting public has paid for because they thought the products were pure. For example, if silver is worth, say, \$10 per ounce, and copper is worth about 6¢ per ounce, then the profit is \$9.94 per ounce of copper added to the molten metal. As a percentage return, per ounce of copper purchased, his profit is astronomical: for every 6¢ he spends, he gets a net profit of \$9.94, or 16,566% ( $\$9.94 \div \$.06$ ). He is obviously tempted to add as much copper as he can get away with, meaning until the buying public catches on and starts offering him fewer goods or services in return. He is limited, therefore, by the ability of the buyers or authorities to discern the fraud. He is also limited by competing metalurgists, who can more easily spot the fraud and report him to the civil government. But if the civil government refuses to enforce the laws against theft and fraud, other competitors will be tempted to follow the lead established by the original debaser, since the opportunities for income are so remarkable in this field. "If you can't lick 'em, join 'em," say his rival metal workers, especially since the profit potential is initially so huge.

This is the reason why civil governments have historically asserted the right to control the coinage. They may initially want to preserve the reliability of the monetary unit, but eventually the lure of profit is irresistible to governments, too. They become the inflators. They produce debased coins, or print pieces of paper called money, or enter blips on a computer that can be transferred to the unsuspecting public. Governments may share the monopoly of money creation with modern banks, both central (quasi-government institutions) and commercial, but only on the assumption that the bankers will buy the government's debt (bills, notes, and bonds) whenever the government cannot sell them without paying voluntary lenders (the public) rates of interest that are higher than the government wishes to pay.

We are told that ours is a world of scarcity. It is under a curse (Gen. 3:17-19). As the modern slogan goes, "there ain't no such thing as a free lunch." Then who pays for the added income of the inflators? They cannot get something for nothing, given the limits of scarcity. So who pays? Who are the losers?

The winners are easier to pinpoint. They are those who have first access to the newly created fiat money. They can spend the coins, buying goods and services at yesterday's prices — prices established on the assumption of yesterday's given quantity of coins in circulation. In the case of Isaiah's listeners, they did not use round coins, which were not invented until two centuries later (as far as archeologists can determine), but they did use ingots or other forms of exchangeable precious metals. Whoever gained early access to the debased metals had a competitive advantage over rival buyers who had not yet gained access to the metals. The early users were able to bid scarce economic resources away from their competing rivals in the open market. The stream of production shifted in the direction of those who possessed the fiat money first. The losers in any period of monetary inflation (debasement) are those who are forced by market competition to reduce their consumption of goods and services. Had their competitors not gained access to the newly created fiat money, they would not have had to reduce their purchases. The marginal buyers, as the economists call them—those buyers who could and would have made a purchase under the earlier, less inflationary conditions—are the ones who pay for the benefits of the debasers and the other buyers who have had early access to the fruits of the debasers' labors, namely, the dross monetary units. If this process continues, mass inflation destroys the currency.

As the newly created fiat money comes into circulation, and scarce economic resources are diverted into the hands of the initial owners of the fiat money, sellers begin to perceive the existence of new money. They had not counted on this new money when they first set their prices. However, there are now more people able to come down and buy their products and services. In fact, they find that they are running out of products, or running out of time, when they sell at the older, pre-dross money prices. So what do many of them do? Obviously, they begin to raise their selling prices. After all, their costs are rising, as denominated in the accepted monetary unit of account, and buyers are willing to pay the higher prices. The sellers are like auctioneers. If there are buyers available who will make higher bids, the sellers will do their best to sell to them. Never forget: **consumers compete against consumers, while sellers compete against sellers.**

As consumers perceive the existence of new economic conditions, they will bid higher prices for those scarce economic resources that they, as individuals, place highest on their "shopping lists," their scale of value preferences. Those who gain access to the newly created fiat money later in the process

are therefore faced with higher prices, since other buyers have already bid up the prices of the available resources, meaning consumer goods, tools, labor services, or whatever. The obvious losers are pensioners, annuity holders, cash-value life insurance policy holders, marginal businesses, mortgage owners, bond owners, preferred stock owners, and all other people who are long-term creditors whose debtors owe them fixed quantities of the official monetary unit. The monetary unit is being debased, which means their real income—their ability to buy scarce economic resources with a given quantity of money—is falling as prices escalate.

Who are the two most likely losers in such an economy? Isaiah singled them out in reference to the lack of justice in the society: the **widows and orphans**. Those who are weak, ignorant, and unprotected are the great losers under a debased monetary regime. Yet it is these people who are supposed to be protected by biblical law (Ex. 22:22; Deut. 10:18; 14:29, etc.). Mass inflation destroys them.

### The Spread of Debasement

Not only was the silver mixed with dross, but the wine was mixed with water. What the metalurgists could do, the wine manufacturers and sellers could do, too. Consider the marketing problem faced by manufacturers and craftsmen. Prices are rising. This eventually is translated into a rise in prices for raw materials, labor services, and tools of production. The **value of productive resources** is determined by the **value of the output** of those resources. Those who bid higher prices for consumer goods force the producers of consumer goods to compete against each other and bid higher prices for producers' goods.

The public gets used to familiar prices for the goods they regularly purchase. This is especially true of basic consumer goods, like food and clothing. So the buyers resist price increases, even though it is they, as competing buyers using newly created fiat money, who raise those bids. The sellers prefer not to raise prices. Yet their costs are escalating, as the inevitable result of the fiat money. They are faced with a choice: **raise prices or cut costs**. What many of them will do, especially those selling to the mass market, meaning the middle class, is to find ways to cut costs. This eventually means "cutting corners." They reduce the familiar higher quality of their product line because the buyers have far more difficulty in detecting reduced quality than they do in detecting increased prices. So water is mixed with the wine, and in the early stages of this process, only a sophisticated minority of buyers—if any—can detect the debasement.

Money is the link among all buyers and sellers. Money is the central economic institution. The quality of money determines the quality of other economic products. Because the government refuses to enforce the laws against fraud and theft in the field of monetary relations, it thereby creates an enormous incentive on the part of other manufacturers and sellers to engage in acts of fraud and theft analogous to the acts of the money creators. Debasement spreads.

### Conclusions

It is indicative of the effects of pietistic preaching in our day that universal monetary debasement continues unchallenged by God's representatives. This has not always been the case. Hugh

Latimer preached a sermon against monetary inflation to the young King Edward VI in 1549. England had been devastated by the monetary debasement practiced by the king's father, Henry VIII, and Latimer used Isaiah 1:22 as his text, calling attention to the evils of inflation. (William Letwin, *The Origins of Scientific Economics* [Garden City, New York: Doubleday Anchor, 1965], p. 85.) We should understand that when God's ministers fail to understand His word, and when they neglect to apply His standards in every area of life, thereby abdicating power to the enemies of God, they leave God's people open to the predictable, inevitable external judgment which comes to any society that systematically neglects God's social and economic laws. The alternative to God's social and economic law is not neutral "natural" law, but anti-law, lawlessness, and destruction.

Debasement is a way of life throughout the modern world: religious, cultural, judicial, political, and economic debasement. Debasement begins in the heart of man, but it cannot be confined there apart from the rule of biblical law. We know that evil works its rebellion in every area of life. We know that secular humanism is not neutral, but works its destruction in every institution that it controls, which today means most of them in our society. Why is it, then, that modern-day Christians seem unaware of, or in some cases outspokenly opposed to, the idea that regeneration also cannot be bottled up in the hearts of God's people? They seem unable to comprehend the **intense rivalry** between God and Satan, God's people and Satan's people, God's law and Satan's anarchy or tyranny (or both at once), God's institutional requirements and Satan's institutional requirements. They know that evil works from the heart outward, polluting every institution it touches, yet they categorically neglect or deny the equally true fact: **regeneration works from the heart outward, healing and restoring every institution that it touches, and destroying every institution that is innately perverse.**

Until Christians become a healing, "salty" remnant, working to challenge and then to restore the institutions of secular humanism and anti-God religion, they will find themselves at the mercy of the rebellious leaders of the modern world. They will see their hopes and dreams eroded and crushed by the debasement of our age. If they cannot even see ways to organize their own investments, plans, family activities, church boards, and educational institutions to thwart the horrible effects of **universal spiritual and institutional debasement**, including currency debasement, then how can they seek to challenge secular humanism's temporary control of society's institutions? If God's physicians cannot heal themselves, then they are unprofitable writers of prescriptions, spiritual and otherwise.

(For an extended critique of inflation from a biblical perspective, with specific recommendations about what must be done, personally, familistically, and socially to evade and then reverse the inflation process, see my book, *An Introduction to Christian Economics*, published by The Craig Press, P. O. Box 13, Nutley, New Jersey, 07110, \$6.50.)

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