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PAPER MONEY

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A couple of years ago I was privileged to write an essay for this newsletter entitled "Gold, Silver, and Precious Stones" (Vol. VII, No. 5; Aug./Sep., 1984). I want to return to the basic subject of that essay—the Biblical and theological nature of value—and take up the question of paper money. As before, my concern is to bring a theological perspective to the discussion. As always, I have asked Dr. North to read over this essay, and polish the economic side of it.

Ferns

From time to time I get in the mail an advertisement from some place or other that offers to sell me an item, but the price is not given in \$\$ (dollars) but in FRNs. For instance, "To obtain your copy, send 15FRNs."

Now, I'm not sure how this is pronounced. I used to say "fruns" in my head, but I've settled on "ferns." A fern, as most of you know, is a Federal Reserve Note (FRN). The point being made by these far-out, extreme, fanatical, weirdo, right wing groups (in the set of which ICE is undoubtedly a member) is a valid one: Our money has changed from what used to be a "dollar" to something else. Our "dollars" are not what "dollars" used to be, so let's emphasize the point by calling them "ferns."

Well, that's fine at the rhetorical level—nothing wrong with it. But, readers of high quality economic analysis, such as this newsletter provides, will want to think a bit deeper about the matter. After all, years ago when I was a boy, greenbacks (there's a neutral term for you!) did not say "Federal Reserve Note" at the top. They did not say "Dollar" either. They said "Silver Certificate."

So, the shift is not really from dollars to ferns, but from **sics** (SCs) to ferns. The sic greenbacks were denominated as "One Dollar," or "Five Dollars," and the same is true of the new fern greenbacks. (Somebody once told me that there used to be "Gold Certificates; or **gics**, but I've never seen one. They were before my time.)

Now, the old sics were supposed to be backed by a particular weight and fineness of silver in the vaults of the U.S. Treasury. The new ferns are not backed by silver or by any other precious metal. As a result, it is not unusual to hear people complain that ferns are not "real" money. Indeed, some have argued that the printing of fern greenbacks is a form of "official counterfeiting."

Is there a difference between a private citizen's counterfeit ferns and the U.S. government's official ferns, issued by the government-controlled but privately owned central bank, the Federal Reserve System? Well, obviously there is. The purpose of this essay is to explore that difference, to help us get a clearer understanding of the nature of paper money.

It's Only Paper

Let's play pretend. I have in my safe a piece of paper with the signature of William Shakespeare on it. It's pretty valuable, for some reason. People would pay a lot of money for it. I bought it at an auction for quite a lot of ferns. Agreed?

Now, I also have some papera with my own signature on them. Do you suppose that these are as valuable as the paper with Shakespeare's signature? (I don't mean 100 years from now, when I am more famous than the bard; I mean right now!) No? Why not? After all, it's only paper. What value has paper, compared with gold, silver, and precious stones?

Aha, but let's add a third piece of paper. This one seems to have Shakespeare's signature on it, but tests prove that the paper was only made 150 years ago, so the signature is clearly a forgery. It is a counterfeit. Worthless, right? (Unless it's a one-time forgery produced by, say, Abraham Lincoln.)

Still, though, what is the difference? It's only papara. And, from the point of view of beauty, my signature looks nicer than Old will's! Well, even if you disagree, you must admit that the forgery looks identical to that of Billy the Bard. Why is there a difference in value?

In my earlier essay, I pointed out that men grant (impute) value to things, but this imputation of value is not purely subjective. Actually, all value and beauty is in God Himself, and men impute value to earthly things insofar as they reflect God's glory. The Bible shows God's glory and beauty in the rainbow, and frozen in colored gems. The Bible shows God's glory in the burnished bronze of the sky at sunset, and frozen in the beauty of polished gold, and so forth.

But, a scrap of papara with Shakespeare's signature is not glorious and beautiful in this sense. Its value must come from somewhere else.

Relics

Now, the value of Shakespeare's signature comes from the fact that it is a **relic** of an esteemed person. Men always prize such things. From the time of the early Church, Christians have prized the **relics** of the (supposed) saints. Catholics prize their officially certified bones, and Protestants prize their marked-up copies of the Bible. Medieval Christians made the mistake of thinking that such **relics** were also possessed of magical power, but even when we take the magic out, the **relics** are still valuable. Why?

Gary North was once in a meeting where a man was trying to raise money for an expedition to Mt. Ararat to search for Noah's Ark. He brought with him a few **slivers** of wood that he said were taken from a large beam of wood that had been discovered in a deep crack in the ice on Mt. Ararat. He

said **experts** - whoever they were-believed it to be very old wood, possibly as old as 2,500 B.C. After the meeting, several of the dedicated Protestants in the room went up to see these slivers. Time after time, the viewers reached out to touch them. A search for magic? No; simply the desire to have a highly personal contact with what may have been a relic of a key Biblical event.

The most esteemed Person ever to walk this earth is Jesus Christ. He has left us a most impressive Relic: the sacrament of His Body and Blood. We don't worship this Relic, but we do esteem it. And, before Jesus came, God gave to Israel many memorials, such as memorial altars, memorial pillars, Passover, and the like. None of these things had value in themselves (after all, a memorial heap of rocks is still a heap of rocks), but they were esteemed as valuable because they were special reminders of what God had done for the people. (When the people treated them magically, however, righteous King Hezekiah had them broken up; see 2 Kings 18:4).

Similarly, and in lesser ways, human beings naturally esteem the relics of great persons. The value of Shakespeare's signature flows from the glory of God in this way: First, there is the glory and truth of God. This glory and truth is revealed in the work of Shakespeare, for his plays and poetry are beautiful in language, and generally true to Christian values in their content. Thus, Shakespeare is esteemed for his work. His works are a first-hand reflection of the glory of God, and thus have value. Shakespeare's relics are second-hand reflections of the glory of God, for they point to Shakespeare, who points to God.

It is only a scrap of paper! But men impute value to it because it reveals, albeit at several removes, the glory and beauty of God.

From this we see that not all pieces of paper are equal. Ferns are scraps of paper, but ferns may well have value that goes beyond other scraps.

Counterfeit Glory

Now, let's imagine that I have a plastic envelope with a lock of John Lennon's hair in it. Believe me, that lock of hair is more valuable to collectors than a lock of mine, or even of Gary North's. Is that because Lennon in his life and art reflects the glory of God? (!)

Well, that's pretty problematic! To understand the value of Lennon's relics we have to introduce one more category into our scheme: counterfeit glory.

Satan has never had an original thought. He is, to use Luther's apt phrase, God's ape. But, and here is the point, a counterfeit does imitate the glory of the original, or at least it tries to do so.

A man makes a bunch of counterfeit \$20 ferns. They are so good that he spends a lot of them before he is caught. Why didn't people catch on right away? Because they were good counterfeits. For a while, temporarily, they deceived people into thinking they were real money. After a while, though, the truth became known.

So it is with Satan's kingdom. It is often a good counterfeit. For limited periods of time, temporarily, Satan's counterfeits can fool people- but this is only because the counterfeit does indeed pay **tribute** to the honored reality by copying it. Nobody counterfeits South Viet Nameese paper money. Those who counterfeit American money are paying tribute to the **real** value of American money.

Today, the publicly revolutionary and even decadent lifestyle promoted by Lennon and his weird wife are, sadly, much prized in certain circles. His devoted followers cherish their copies of the record album cover featuring backside and frontside full nude photographs of the loving couple. (They conveniently forget, or choose to ignore, the half dozen mansions that this self-professed working man owned.)

As a result, his relics are prized. Temporarily. He once remarked that the Beatles were more popular than (Temporarily, at best.) Two hundred years from now people will still be reading Shakespeare, but nobody will remember who John Lennon ever was.

Lennon was able to create an interest in his decadent lifestyle because of his music. Did his music have beauty? Did it reflect the glory of God? To some extent, yes. The two "real" kinds of music are art music (classical, in the broad sense), and folk music (in the broad sense). Modern pagan pop music is a counterfeit of earlier (Christian) folk music. The genuinely musical aspects of pop music are counterfeited from folk-and to that extent pop music inevitably reflects the real beauty of folk music, and thereby reveals to some extent the glory of God.

So, to understand the value of a lock of John Lennon's hair, we have to go through five steps. First, there is the glory and beauty of God. Second, there is the reflected glory of God in skilled men's artistic creations. Third, there is the counterfeit of that glory in Satan's drug-saturated kingdom. Fourth, there is the artistic worth of Lennon's labors in this counterfeit realm. And fifth, there is the relic (a lock of hair) that points to those labors.

Those of you who have read my earlier essay can see that we are pushing its thesis into new areas. Gold, silver, and precious stones directly and by virtue of creation reflect the glory of God, and they are permanent reflectors. Gold and silver are like glorious polished mirrors, and a silver liquid spray paint solution is sometimes actually used to make mirrors. Thus, their relative value is constant over time compared to less glorious and less scarce goods and services, and their value is much more closely tied to God.

A signature by Shakespeare or a lock of John Lennon's hair also will have value, but at several removes. They reveal the glory of God more indirectly, and they are not going to have constant value throughout all history. Someday Lennon will be forgotten. Maybe even someday Shakespeare will be forgotten. When that happens, their relics will be worthless.

The Attributes of God

We have established that scraps of paper can have value if they point to valuable things, even if the scraps are not "backed" by gold or silver. Ferns, of course, are not relics. They do have value, however, though they are not backed. A fern is a minute share of stock in the **credibility** of the United States government. It is pretty hard to come up with any other description of what a fern is, because a fern is backed up only by the say-so of the American state. What kind of value is this? To understand this we must, once again, go back to theology.

God has given the state the power of the sword, to compel obedience to law (Romans 13). By itself, this means if they force you to take ferns, you have to take them rather than be shot. Some governments pay their debts in just this manner, but in such societies people don't want the government's money. They much prefer to participate in any number of underground economies. The U.S. ferns, however, are not in that category. People are quite willing to receive them, and to treat them as valuable.

Everybody does. It's not simply a matter of most people being deceived into thinking ferns have value. Good old conservatives and gold bugs are quite happy to trade in ferns, because ferns do have value. What kind of value?

The value lies in the credibility of the U.S. government. What makes our government credible? Three factors: **stability, trustworthiness, and power.**

Unlike most countries of the world, the United States government is highly stable. American money will not be here today, and gone tomorrow. Of course, when the

American government appears unstable (e.g., 1979-80), the value of the dollar goes down, but generally speaking, ours is one of the most stable in the world.

Second, our government is relatively trustworthy. Not wholly so, of course, as the deliberate inflation of our government-printed money shows. Compared with other nations, however, the U.S. government can be counted on to keep its word. The Mexican peso surely isn't as sound as a dollar.

Finally, our government is powerful. It has the ability to do what it says. Anyway, people think it does. Our society as a whole is wealthy, and that general wealth and power means that we could switch from ferns to solid money if we wanted to. Because this is known, people will accept ferns.

Let's take an example. A friend says he will come over and fix your car next week. Can you count on him? The only way you can count on him is if he is stable, trustworthy, and powerful. Is he dying of cancer? Then you cannot count on him (instability). Is he always promising things and never doing them? Then you cannot count on him (untrustworthy). Is he a great scholar who knows nothing about fixing cars? Then you cannot count on him (impotent in this area).

Now, what are these qualities? Why do we prize them? Because they are attributes of God. God is eternal, and thus totally stable. God is wholly trustworthy. And God is all powerful. Man as the image of God should possess at the human level a reflection of these attributes. And so should human societies.

A society or government has credibility if it has these attributes in considerable measure. Paper ferns printed by the government of Chad don't have much value, because that country has little credibility. Chad's lack of credibility is directly due to its failure to show the three attributes we have discussed.

Government Money

Well, then, what's wrong with ferns? They are backed up by the credibility of the U.S. government, and standing behind that are the attributes of God. They aren't "counterfeit" anything. They are justly and properly treated as valuable. Why complain?

The question raised here is this: Should the state be in the business of producing money based on its own credibility, or on the credibility of the entire social order it represents? What does the Bible say?

The Bible only speaks to this question indirectly. In the ancient world, if a state produced money, it had to coin it, using precious metals. Paper had not been invented. Since the value of gold coins or ingots is independent of the state, the modern form of value as we have discussed it did not occur. Assyrian money was never a share of stock in the general credibility of Assyria. You have to have paper money, or computer credit, to have this kind of economic value.

What the Bible forbids is inflation. A state can inflate the money supply by clipping coins as they cycle through the state banks, by issuing coins of mixed metals, or (in the modern world) by printing up larger quantities of paper money. The Bible strikes at this in the law of God:

Deuteronomy 25:13. You shall not have in your bag differing weights, a large and a small.

14. You shall not have in your house differing measures, a large and a small.

15. You shall have a full and just weight; you shall have a full and just measure, that your days may be prolonged in the land that the LORD your God gives you.

16. For everyone who does these things, everyone who acts unjustly is an abomination to the LORD your God.

Why have two weights for your scales? One to buy with and the other to sell with. Pieces of gold and silver were valued by weight. When you were getting someone else's gold, you'd put the heavy weight on the balance, to get more. When you were trading your gold to someone else, you'd use the light weight, so as to lose as little gold as possible.

Obviously this is cheating, and God took a hard line against it. What does it have to do with inflation? New money is printed up. This new money goes out and inflates the money supply, and as a result prices go up. People bid higher for goods and services because the government has issued more money, so they have extra cash to take to the "auction." The "goods vs. goods" value of all goods has remained somewhat the same, but the value of paper money has gone down.

This violates the principle in Deuteronomy 25. By manipulating the money supply, the government can always buy cheap and sell dear. For instance, let's say the government has contracted for twenty new jet bombers, for a total expense of three billion dollars. The government just prints up the money and pays using three billion new ferns. The government gets to buy its aircraft at yesterday's prices. But the aircraft company, by the time it gets around to spending these three billion dollars, finds that they don't go as far as they would have six months before, because of the higher prices caused by the newly created money.

An honest government would never do such a thing, and ours did not do it as constant policy for many decades. Our Christian forefathers, however, understood the temptations of power and the evil that lurks in the heart of man. It is unwise to give the power of printing money to the government, because it is too easily abused.

There is a second problem. Remember above that we spoke of counterfeit glory? It is true that a good government reflects the attributes of God. It is also possible for an evil government to try to make itself god and seize God's attributes wrongly. How can we tell the difference, in the area of money?

In my earlier essay, I sought to demonstrate that the value of gold, silver, and precious stones is directly tied to the glory of God. A true godly government will recognize this fact, and will not try to restrict the trade and sale of gold, etc. An ungodly state, however, will try to force people to use nothing but ferns, and put restrictions on trade in gold. A rise in the general price of gold reveals the counterfeit glory of the government's money. When a state does that, it has moved from reflecting God's attributes to counterfeiting them. Such a system is wrong, and must be replaced.

So, if a government prints ferns, it must never inflate them, but merely replace old, crinkled ferns, and it must not restrict people's alternative right to use gold and other precious substances. But is there any reason why an honest government should not print up ferns? Yes, there are two.

First, since money is perfectly well taken care of in the form of gold, silver, and precious stones, there is no earthly reason why an honest government would have any interest in coining money, or in issuing ferns. (A dishonest government might have interest, and I mean interest: loaning money out to people at interest.) There is no reason for the state to be in the banking business at all. The state should maintain and enforce just weights and measures, to prevent the kind of cheating spoken of in Deuteronomy. But there is no reason why the state should do more.

Second, beyond that, state-issued ferns have no value beyond that of the state. Remember Assyrian money? It had value beyond that of the Assyrian government, because it was gold and silver. Even after Assyria fell, its coins continued to have value. The same was true of Rome's precious metal coins. So, if a state does choose to get into the bank-

ing business, it should issue money in the form of gold, silver, platinum, copper, and the like. Such money would have a value independent of that of the state, a value closer in degree to the ultimate value of the glory of God.

Fiat Money

Fiat money. Why "fiat"? The word refers to a command. God commanded the creation into existence (Gen. 1). He said, "Let there be . . .," and there was. This is sometimes referred to as the fiat creation. God possesses a word of original creativity and ultimate power.

The state "commands" money into existence. Such money is called fiat money. The state may command money into existence, but it cannot command value into existence. It does not possess a word of original creativity. But it pretends that it does.

Is it immoral for the state to issue ferns? That's a somewhat tricky question. At one level, it clearly is. Rushdoony, North, and others have pointed out that ferns are by intention fiat money. The state prints these new dollars, and simply says they are money. It commands its citizens to accept them as if they were as valuable as fully redeemable IOU'S to gold or silver. At this level, the state is playing God, trying to create value out of nothing.

This is all true, but does not go far enough. If the government of Chad prints up twenty billion dollars and ~~says~~ that these are money, who would believe it? No one, obviously. In other words, the state may think it can create value out of nothing, but it in fact cannot do so.

The fact is that ferns do have value, and are money, but for a reason different from what the state asserts. People treat ferns as money not because the state tells them to, but because of the credibility of their backing, as we have seen. People have faith that someone else will accept them in the future.

We have seen that American ferns are backed by the stability, trustworthiness, and power of the U.S. government. This still does not give them value as money. The reason they were valuable as money is because our nation was once on a gold and silver standard. People got used to paper money as substitutes for precious metals. Then the government misused this trust, this public acceptance of the paper.

Remember, all those ferns just replaced sits (silver certificates). The market value of the sits was still there, invisibly backing up the new system. The exchangeability of dollars for silver was gone, but the general confidence backing was not. People **believe** that the U.S. economy is strong, and strong enough to the point where ferns might be turned back into silver if necessary. In fact, you can go to a coin shop and turn your ferns into silver— at a price the same as it was a decade ago, too. So far, so good.

So, ferns originally were not really fiat money at all. They were merely substitutes for real money, and they became money. Fiat money comes in when the government begins to inflate the number of ferns (more government IOU'S to precious metal than government metal on reserve), so that each fern becomes less and less valuable compared to gold and silver. This, of course, is immoral.

To summarize: sits were backed by gold and silver on a fully redeemable basis. This is far preferable to what we

have today. All the same, ferns are still backed by the memory of the stability once produced by gold and silver. This is a much shakier situation than before.

The Eschatology of Value

If our leaders recognize the inadequacy of ferns and issue them anyway, they are acting immorally. Beyond this, however, ferns are inadequate and problematic. The value of ferns is temporary, though real. Over the long haul, we'd all rather have gold, or at least the monetary stability that "hard to dig out of the ground" gold provides. This brings us to our final observation, which is that value is **eschatological**.

Eschatology is the study of the dynamic progress of history toward its climax. God made the world beautiful, but He called upon man to rework it and make it even more beautiful. This is the process of glorification, and it is humanity's job. Now, another way of saying that is that God made the world valuable, but man is to make it more valuable.

As people grow and mature, they trade in things that were good and adequate for things that are better. A young man in college, with little money, buys an old, beat-up Honda Civic. He keeps it going. It's a good car, but hardly his ideal. Once he gets a good job and makes a little money, he trades it in for a late-model Ford. Now, just because he trades in his old Honda for a better car does not mean that the Honda was evil, or immoral. It was just inadequate. You could drive it, but given a choice you'd rather drive something else. (If he really makes a pile of money, he will be able to afford a brand-new Honda Accord.)

In fact, all economic transactions are **eschatological**. In every free economic transaction, you trade for something of greater value to you. You are always seeking to move up, to do better, to improve your condition. You move forward. On a larger scale, that is what we need to do with the American economy: get rid of ferns and get back to gold.

Ferns are like old Hondas. Those old little Honda cars were made of metal so thin and light as to be virtual cardboard. They were dangerous, risky, compared to a heavy Chrysler. Also, those Hondas break down, now that they're old, and it is hard to get them fixed. They cost more than they're worth. Now, it's true that the Honda has real value as an automobile. It will go forward, backward, uphill, downhill, and turn around. But, why take the risks of a Honda when you can be safer in an Oldsmobile?

So it is with ferns. Ferns do all right as money, because they do have value, as we have seen. They'll take you forward, backward, uphill, downhill, and round and round. They're not counterfeit; they're real money. They won't last like gold, however. They are problematic, especially in the hands of crooks such as those in our government today. So, let's trade them in for something better, something with a surer foundation of value.

Conclusion

It is improper to object to ferns as if they are counterfeit money, or have no real value. They have value for exactly the same reason gold has value: both reflect in varying degrees and ways the attributes of God. Functionally, however, ferns are problematic in ways that gold is not. Thus, a wise economic choice is to go with a barter system, which will gravitate toward gold, silver, etc., and dispense with ferns.