

Acts 18:3

# TENTMAKERS

Financial Counsel for Pastors, Deacons, and Seminarians

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## PAPER COLLECTORS

by Gary North

Dr. Hans Sennholz, who is chairman of the Department of Economics at Grove City College in Grove City, Pennsylvania, has referred to the strong desire of Americans to invest in pieces of paper. They hold stocks, bonds, savings accounts, mortgages, pension programs, and any number of other forms of investment paper. These investments entitle the owner to a stream of income—paper money income—over some period of time. Again, the paper collector invests paper money in order to receive future paper money.

A modern economy is utterly dependent upon people's willingness to accept pieces of paper in exchange for services rendered, or products sold, or capital invested. Paper money has become the standard means of payment all over the civilized world. Why, then, shouldn't people become paper collectors? There is a very simple reason: the governments of every industrial nation are now creating more and more fiat money, returning to the barbarism that has marked revolutionary regimes, defeated governments, and lawless central governments. The governments are deeply involved in a process of wealth redistribution, from those who collect long-term pieces of paper (creditors) to those who buy "hard" goods in the present by means of loans (debtors). Those who cling to the traditional notions of thrift—at least traditional forms of thrift—are steadily being wiped out. Those who abandon traditional concepts of thrift—who eat, drink, and are merry, for tomorrow mass inflation hits—are the winners.

at least when compared to thrifty paper collectors.

### The Protestant Ethic

Save for the future. Work hard. Reinvest your earnings. Put aside for a rainy day. These slogans, when put into action, made possible the economic growth of the West. They formed the basis of the industrial revolution and the other economic revolutions that followed. Yet in a context of mass inflation by government money managers, these slogans can become suicidal. Consider the thrifty pensioner who put his money into long-term bonds that paid 3% interest. Or the holder of an annuity. Or the man who bought common stocks that pay about 4%. He followed the rules. He put his money where it would help develop new industrial processes, and create employment, and meet consumer demand more efficiently. He made progress possible. And what does he have to show for his efforts? A lot of pieces of paper that

entitle him to a few hundred dollars a month. Meanwhile, prices are rising at 10% or 12% per annum, and threaten to go much higher after 1980. He has been squeezed unmercifully by Federal monetary policies. He has been faithful, only to discover that the dollar has not been faithful. He has followed the rules that he learned at his thrifty mother's knee, only to find that fiat money has upset the validity of her traditional rules of thrift. The man, now facing retirement, has seen his dreams for the future eroded away by inflation. He has seen his traditional paper investments reduced to a pittance. And he faces slow, agonizing erosion in the future, as his capital assets are overwhelmed by the flood of paper. He has been deceived.

I have been lectured to by Christian investment counselors about the evils of buying gold and silver. What jobs do such purchases create? What good does it do the economy? What technological breakthroughs, apart from gold mining techniques, is your money encouraging? All very fine questions in 1945. And all very irrational today.

First of all, if I help my family in the future, it helps part of the economy. It keeps me and those I love that much farther from the future welfare rolls or charity rolls. It gives me a psychological cushion. Second, it is not the investment in gold and silver that is economically unproductive. Rather, it is the destructive economic policy of the government—the policy of money creation—that is destructive. The person who is trying to escape the crisis is not to blame for the crisis; the creator of the crisis is to blame: civil government. Third, if and when the money system collapses, those holding alternative forms of money can then invest in conventional ways. Those holding "hard money" can begin to redirect the future structure of production. If decent people hold such assets, then production will meet their needs. The debauchery of the present culture may not find so many willing buyers, if it is mainly decent people who are wise enough to hedge their assets from the inflation debacle. Of course, if well-meaning traditional Christian investment counselors convince their all-too-trusting clients to "stick with paper," then it will be the speculators, the fast-buck artists, and the criminals who will dominate future consumer demand, for they are the ones putting their investments into unregistered, untraceable "hard assets" today. Not having the economic counsel of the defenders of traditional thrift instruments, they are far more likely to escape the devastation of modern inflation.

What is destroying the Protestant ethic is, of course, the loss of Protestant theology in the modern world. But that loss is now reflected in the social and economic policies of our era, and the most noticeable, universal economic policy is inflation.

### The Economic Counselor

The preacher, elder, or deacon who begins to encourage the flock to transfer their savings from paper into things is risking the hostility of "paper sellers" in the congregation. These men are quite likely to be prominent members. They have high incomes today, denominated in paper money. They are men of influence, at least for the moment. Their counsel is regarded as "professional." So how can a non-professional come before the flock and recommend that the members shun this other man's recommended investments like the plague?

Obviously, it isn't easy. Paper collecting is a way of life. Generations of professional counselors have shoved their clients into paper. But in the last fifteen years, traditional forms of paper investments have faltered. They have fallen way behind the returns earned by those shunning paper. In fact, the person who purchased all of next year's consumer goods this year, 1965-79, earned a far better return on his investment than those holding stocks, bonds, and mortgages. All he did was to buy a year in advance, and then sit back and watch prices go up—prices he didn't have to pay because he had bought his goods a year earlier.

Why not recommend Joseph's "Genesis strategy"? Why not encourage the flock to start buying up next year's durable consumer goods this year? Why not encourage co-operative buying in bulk? Why not get them used to the idea of buying "umbrellas" for that future rainy day, not wet newspapers? Why not get them to sit down and start estimating their actual household costs, item by item, in advance? Why not encourage them to make lists of each item used, day by day, week by week, month by month? It is very good discipline from a budgeting point of view. It lets people find out where their money is really going. But more important, it lets them buy up goods in advance, in bulk, with discounts, or on sale.

If they don't have the capital to do it, let them borrow the money. That's right, borrow the money today. Not for new TV sets, but for a year's supply of dehydrated food. Not for a

trip to Hawaii, but for tools and equipment. Not for entertainment, but for daily living. Better to get a year ahead on the necessities by means of debt than to get caught short some year and become a public charity case. Debt is a form of servitude, but the proper use of debt is to buy those items that could become vital in the future, thereby keeping a family from becoming real servants—or worse, real burdens on the deacons—in the future. Cash purchases are far better than debt (Rem. 13:8), but short-term debt for emergencies is allowed by the Bible (Deut. 15), and it can be used by mature church members who have no other choice. (They buy homes this way.)

What about interest charges? Get the loan from a bank at 13% or 14%, and you get the money free of charge. Prices are rising at 12% or more, and the interest payments are deductible on a person's income tax. Again, mass inflation is wiping out the old rules. It is better to buy now and pay later, if the items you are buying now are future necessities that you would have had to buy anyway, but at a much higher price.

If someone is a former "credit card junkie," then he or she may not be able to take this advice. That person may not be able to use debt to protect himself in advance. Such people exist in churches, and pastors and deacons should know who they are and counsel them accordingly. But one thing is certain: these people will be hurt as much by "paper chasing" as the next person. They should not be encouraged to invest in paper, except for a small emergency hedge or as a temporary resting place for shopping money. And better to invest in a money market fund paying 10% than a bank paying 6%. Pastors had better know the difference. (One such money market fund is Capital Preservation Fund, 458 Hamilton Ave., Menlo Park, CA 84301. Another is the Dreyfus Liquid Asset Fund, 767 5th Ave., New York, NY 10022.)

### Conclusion

The love of money is the root of all evil. These days, it is also a major root of financial disaster. Stop chasing paper. Start substituting useful things—especially things useful in future periods of economic strain—instead. And if you are determined to hold paper money, try Confederate money. It is appreciating today quite well. Hold your Confederate money, boys, the South can't rise again (and therefore can't print any more of the stuff, unlike the Federal Reserve System).

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