

TENTMAKERS

Financial Counsel for Pastors, Deacons, and Seminarians

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WHY GOLD?

by Gary North

I first became aware of the profit potential in buying gold and silver coins when I began a summer-long intensive study of economic theory in 1963. I was working at the now-defunct William Volker Fund in California. I spent the whole summer reading books like Ludwig von Mises' *Human Action*, Murray Rothbard's *Man, Economy and State*, Wilhelm Roepke's *A Humane Economy* and his less well known book, *Economics of the Free Society*. Hayek's *Collectivist Economic Planning*, and other free market classics. None of them dealt with investing as such, yet all of them provided basic theoretical knowledge that could be used to draw conclusions from economic events. I decided that the price of silver would begin to rise, and that silver coins would begin to go off the market. That summer, I began converting as much of my salary as possible into silver coins. By September, the coin shortage began—not because of any widespread conversion of the public to free enterprise, but because of the inevitable results of Gresham's Law. Bad money drives out good money.

What struck me as being preposterous, though typical, was a story I read in the fall of 1963. The coin shortage was creating trouble for the toll booth operators in the East. They kept having to make change, and they were running out of coins. Where could they get coins in large supplies. One enterprising toll booth official figured out one possible answer was the local churches. He would go to them on Sunday night or Monday morning with cash. He would collect all the silver coins the churches had taken in that weekend. The churches sold him their silver.

I had entered seminary that month, and I mentioned to several people my theory concerning the coming of a silver coin shortage and the profit potential in buying silver. I was regarded as a nut. The government, I was told, controlled the money supply, and the government wouldn't allow such a thing to happen. Then I read the story of the toll booth strategy of buying the silver from churches, and I knew I wasn't going to convince my fellow seminarians. If the pastors couldn't see what was coming, surely the students wouldn't. They didn't.

The churches shouldn't have had much silver to sell in 1963. They should have had tithing members. The members should have been writing large tax-deductible checks, not tossing in coins. The children should have tossed in coins, but I have doubts that the contributions of children in 1963 would have been able to relieve, temporarily, the East Coast toll booth crisis. At the same time, it was obvious to me that the pastors were being foolish to turn in silver coins. They should have taken the coins out, replaced the coins with cash, and used the silver coins as their pensions, not some pathetic pension program sponsored by the ill-informed denominational pension committee, or the fast-talking salesman from the ministerial life insurance company. But what was obvious to me in 1963 did not register with the pastors then, and I suspect

that it still hasn't. They are still relying on the pension committees and the ministerial life insurance salesman to protect their futures. There is a Gresham's Law phenomenon in the investment advice business, too: bad advice drives out good advice. At least this seems to be the case in ministerial circles.

Oblivious Pastors

In 1963, pastors were oblivious to the obvious. They couldn't understand that the monetary policies of the Federal government were creating price inflation, and that the rising value of silver would eventually make the value of the silver in American coins more valuable than the face value of the coins. The coins would go into hoards or to the smelters, when that happened. In 1963, it began to happen.

We know that Abram's wealth was great, and that he was heavily invested in gold, silver, and cattle (Gen. 132). It was understandable in 1963 that the majority of American pastors were not rich in cattle, but why weren't they at least comfortable in gold and silver? One reason was that the government had artificially depressed the Prices of the two metals for so long that everyone assumed that their prices would never rise. Few people paid much attention in the first week of June 1963, to the executive order from the White House that removed the requirement of the Treasury to redeem Federal Reserve Notes with silver. (I did, which is what alerted me to the coming shortage.) It was then that men should have seen what was coming, namely, the destruction of the dollar.

Why did the pastors fail to see it coming? Why do they still seem to ignore the obvious? What is it about the calling of pastors that apparently insulates the members of the profession from the logic of economics? The hard reality of the economy hits church members, and this produces secondary effects on the pastors, but what about economics, as distinguished from the economy? They don't understand economics. Why do pastors seem to show up a day late and a dollar short when it comes to predicting what's happening to the economy? Why aren't they able to make reasonable projections of economic trends for the benefit of their congregations, not to mention themselves? Is there something about pastoral training in our day which is lacking, when compared to the training of the nineteenth century, when a theologian like Robert L. Dabney could end his career teaching conservative economics at the university of Texas? Why should J. Gresham Machen have been so knowledgeable about economics, foreign policy, and modern theology, while his successors have remained so quiet and/or confused about economics and foreign policy?

The very word "pastor" indicates the pastor's function. He is a shepherd. This implies that he must supervise sheep. Today's Christians, like those in the past, are sheep. People need guidance.

But today people need guidance in so many different fields. The division of labor has made specialists of us all, and pastors find it difficult to keep up with the problems of their congregations. But one area that affects virtually everyone in a congregation is the economy. At least in this area, a pastor should be ready and able to provide counsel. Maybe he can't tell each member exactly where to put his assets, but he can set forth general guidelines that will benefit most members. Yet pastors are woefully unprepared to offer such counsel, as is testified by their own economic plans for retirement. They are oblivious to the obvious, for they personally remain captives of their denominational retirement programs, the Social Security System, cash-value life insurance, and annuities. They face guaranteed financial ruin in their years of old age, and to offer solid advice to laymen, they would have to rethink their own financial futures. Such a rethinking is very painful, so they seem content to drift along, unwilling or unable to come to grips with the implications for their own retirement programs of 10% price inflation, 15% price inflation, or more.

Losers

If I were a pastor who had his money in any conventional retirement program, especially one sponsored by a ministerial insurance company, I would want to find out what is happening to presently retired pastors. I would make certain that a special meeting was called at the next synod, general assembly, or association annual meeting. That special meeting would bring together five or ten presently retired pastors, who would tell their stories to younger ministers, elders, and the committee supervising the pension funds. I would tape those stories and make them available to everyone locked into the church's pension program. I would search out winners in the pension game, and find out what they did to survive. But more important, I would search out known hard-pressed retired men, to find out what they failed to do. I would make it a point to bring those men in front of other pastors, who will probably face similar problems. The fruit of an investment program over a lifetime is what remains when a man is no longer able to work full time. Where are the losers? What happened to them? What could they have done to have avoided disaster? And most important for the younger men, what can they do today that might preserve them from a similar end of a career?

Pastors seem to think that pension committees know what they're doing. They operate in terms of naive faith. They assume that their retirement capital is being preserved. They feel guilty or embarrassed about prying into the present and past performance of the denominational pension fund. They don't want to confront the managers of the fund. They will pay dearly for their reticence later on.

What needs to be done is to find out how today's retirees are doing. How well have they been protected? The pension committees should be required to make public the income being received by retired ministers, not on a name by name basis, but at least by an identifying number or letter. Retired pastors deserve privacy, but the pension fund managers should be able to tell anyone that pastor A is receiving \$550 per month, while pastor B is receiving \$450. Today's fund contributors should be able to assess their own futures by the present income of retired pastors. They should know what is in store for them. The fund managers should be required to submit an annual summary of present benefits, and it should be sent automatically to every participating pastor, while being made available, possibly for a dollar or two, to any other church member. What was the compounded rate of return per

year per pension?

Any retirement fund or insurance retirement program that does not make such data easily available to present contributors is automatically suspect. If it were my money, I would puff it out unless a reform is promised and is forthcoming. Pastors need to know what the plight of the losers is today.

Inflation and Gold

Gold is the best-known inflation hedge known to man. For thousands of years, holders of gold have possessed a means of insulating themselves from the corruption of State bureaucrats and State economists. Gold is difficult to mine, so it cannot be produced in vast quantities overnight. This means that its supply is limited, in relation to the expansion of unbacked fiat money by the State. This means that its paper money-denominated price rises over time.

I have advocated owning gold since the mid-1960's. I have told people to buy it throughout the last decade and a half. They could buy U.S. and British gold coins legally, and that's what I recommended until bullion ownership by Americans was legalized in 1975. I told people to buy gold in my *Introduction to Christian Economics*, which came out in June of 1973, when you could buy a British gold sovereign for about \$25. Today, that same coin cost over \$150, depending on the gold price. (It's a quarter-ounce coin, and it has about a 20% premium over its gold content. Divide today's gold price by four, add 20%, and that's about what you'll pay.) Have I ever been asked to provide information to any pension committee of any church or Christian organization? Of course not.

It was obvious what would happen to gold back in 1973. It was obvious in 1970. Yes, I strongly recommended sovereigns in May of 1970, when the price was \$10 each. But too many men in positions of Christian leadership neglected to keep themselves informed about the world economy. Why was this the case? Is it that they think they and their congregations are immune to the external whipsawing of the national and world economy? No one is immune today. No group is immune. Certainly the dollar's value is not immune. Pension programs are not immune (*Business Week*, 5/12/60).

The economy is coming loose at the seams. The recession is accompanied by rising prices. People are worried about keeping their jobs, and their enormous debt load is good cause for them to worry. Bankruptcies are increasing. Certain segments of the American economy are suffering declines unprecedented in the post-World War II era. The government is being pressured by many groups to do something to reverse the recession, but the traditional anawer of Keynesian economists is to run huge Federal deficits and then finance a growing percentage of these deficits by means of fiat money. The fiat money does its work well: the recession slowly recedes, but then prices rebound upward. We can expect higher levels of price inflation after this or any future recession—until the final depression.

When war clouds threaten, people buy gold. When mass inflation hits, people buy gold. When price controls are imposed and visible markets break down, people buy gold. Only in stable times, or in depressionary times, does the price of gold fall and stay down. We don't appear to be in such times today.

So buy some gold coins, or silver coins, or even pennies. The goal is to buy now, while you can. Things are going to get a lot worse before they get worse.

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