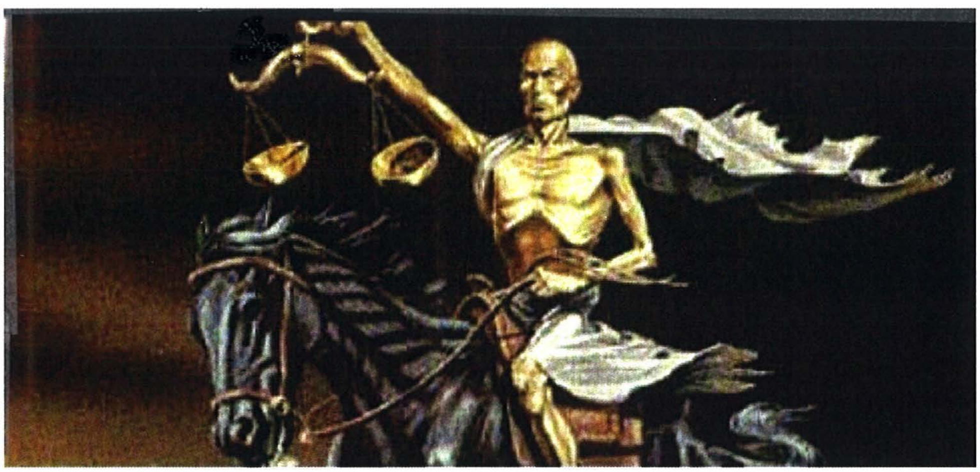
Name ______________________________

CHAPTER 4

Inflation

The Results of Inflation

Everyone has experienced the results of inflation! We experience inflation when we visit the grocery store and milk costs 10 or 15 cents more than it did the previous month. Or we stop at the gas station and discover that the price for a gallon of gas has gone up again. The price of a home which sold for $100,000.00 twenty years ago might cost more today. The price for a new car may increase, so that the purchaser is paying more money today than he would have paid a few years earlier for basically the same car.



The Third Seal Judgment of Rev. 6:5-6

If you think inflation is bad today, read **Revelation 6:6** concerning the future tribulation period which, if the rapture should take place soon, could be less than a decade away. A "penny" (a denarius) was the average amount of money a man would earn for one day of work. It was a day's wage. A measure equaled slightly less than one quart in dry measure. This small amount of wheat would be enough wheat to feed one person, but certainly not enough to feed a a family of eight! Or, three measures of barley could be purchased for the same price. Wheat was considered the better food and more nutritious, but barley was also an important grain. The Lord Jesus fed the five thousand with fish and barley loaves. Three measures of barley would not be a huge amount.

Think of the amount of money a working man might earn for one day of work. Suppose he takes the money he earned for that one day and goes to the grocery store and he is only able to buy one small box of cereal. Would that be very much to feed a family? This is similar to the situation that is someday going to take place in this world, under the famine circumstances described in Revelation 6:6. The famine described in Revelation 6:5-6 will be a horrible time in human history and people's focus will be simply trying to survive (trying to stay alive!).

Since the early 1930's the U.S. dollar has lost most of its purchasing power. What people paid 5¢ for back then would cost $1.00 or more today!

Before 1933 the U.S. dollar was defined as 1/20 of an ounce of gold. The United States dollar was backed up by gold. In fact the U.S. government once minted a $20 gold coin which weighed about 1 ounce. If someone living back then were to cut up an ounce of gold into 20 pieces, each piece would be worth one dollar. What about today? Check your newspaper for the current price of an ounce of gold and figure out how many pieces you would have to cut an ounce of gold into for each piece to equal one dollar. These would be very small pieces!

Look at a dollar bill. Above the portrait of George Washington you will see the words "THE UNITED STATES OF AMERICA." Above these words, at the very top of the dollar bill, what three words do you find? ____________________ ______________________ ______________ From 1878 to 1964 there were dollar bills that had something different written at the top. On those bills you would find the words "SILVER CERTIFICATE." At that time our dollar bills were backed up by silver.

If you had lived in 1960, you could go into your bank and give them a dollar bill (a "silver certificate") and they would give you a silver dollar in exchange.

Silver Dollar

But as the years passed the value of the silver dollar became more than one dollar and the government would no longer allow silver dollars to be exchanged for dollar bills. Instead of "SILVER CERTIFICATES" we now only have "FEDERAL RESERVE NOTES."

Yes, the dollar which we carry in our pockets and pocketbooks and which we save in our banks is losing its value! The dollar is losing its purchasing power! It is not able to purchase as much as it used to. The dollar buys less and less. The dollar is worth less and less and the dollar is not able to purchase as much as it used to.

It is true that people have more dollars than they used to have. Wages have increased and workers earn more per hour than they once did. Salaries are generally higher than they were thirty years ago. But even though we have more money and more dollars, the dollar bill buys less and less.

The Cause of Inflation

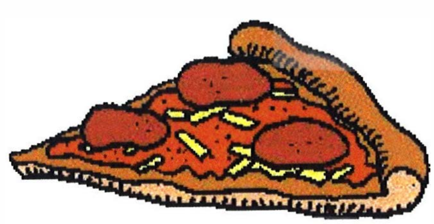
Everyone knows about the results of inflation, but very few seem to understand the real cause of inflation. Inflation involves an increase in the quantity of something. For example, when you inflate a balloon, you are increasing the quantity of air in the balloon. The balloon has expanded and become larger.

When it comes to money, the *Webster's New World Dictionary* defines inflation as "an increase in the amount of currency in circulation, resulting in a relatively sharp and sudden fall in its value and rise in prices; it may be caused by an increase in the volume of paper money issued or gold mined." In other words, inflation is caused by the increase in the quantity of money! When you have too many dollars floating around, the value of each dollar decreases.

For many years our nation has been printing too many dollars. The economy has been flooded with newly printed money. Of course, the government is responsible for this, because they are the agency one who can print money legally. If you were to print twenty dollar bills, this would be called counterfeiting, and you would be sent to jail. If the government does it, it is not illegal and it results in inflation, and we all suffer as a result!

Why does the government need to manufacture and create more money? For many years now it has been our nation's practice to spend more money than it takes in by way of taxes (this is called ***deficit spending***). Every year the government spends more money than it really has. Where does it get the money that it does not actually have? The way in which this is done is somewhat complicated (the Federal Reserve System does this through various loans), but what it boils down to is this: The government creates new money out of thin air (money that is of no value and that is not backed by gold), and this money is then introduced into the economy, and thus the dollar in general loses its value.

Here is an illustration that might help: Suppose your class in school were to have a pizza party.



If only ten slices of pizza were available for 30 people, then each piece would be given much value! Each piece would be in great demand! If, however, someone were to bring an additional 100 pieces of pizza. then the value of each piece of pizza would be greatly diminished. So it is with money. When people have more dollars, they value each dollar less. With more and more dollars floating around in circulation, each dollar is worth less and less. Each dollar is able to purchase less and less.

Some people are fooled into believing that high prices and high wages cause inflation. These things are the result, but not the cause of inflation. It would be foolish to say that wet streets cause rain! Wet streets are the result of rain, not the cause.

If workers demand higher wages, then it seems that the company owners would have to charge higher prices for their products so that they could pay for the high wages. As the workers go to the store and see the higher prices for everything, then they will demand even higher wages. This is called the wage and price spiral (it keeps going upward and upward). But is this really the cause of inflation?

Let us first consider wages. Imagine that you are a father with ten children. On Saturday morning you line them up in your kitchen and assign each a chore. You have ten cookies on a plate, and to each child you promise a cookie upon completion of his or her assigned task. The next week you begin the same routine, but one child announces that she will not work unless she is paid two cookies (she wants a wage increase). When the others hear her demand, they all ask that their cookie salaries be doubled.

You are forced to inform them that you only have ten cookies and therefore there is no way you can raise their wages to twenty cookies ***unless your wife increases the cookie supply by baking more cookies***. Without more baking, you can only give some of your gang more cookies if you give others less cookies. You cannot have a general rise in cookie wages unless you bake more cookies!

The same thing is true in our nation's economy. If there is no increase in the supply of money, an increase in wages would not cause inflation, but it would cause unemployment. In our illustration, five of the children would receive a wage increase (two cookies instead of one), but the other five would have to be laid off!

Now consider prices. Imagine that you are at an auction. As with the other people there, you have a certain amount of money in your wallet with which to bid on the things you want. Suddenly a millionaire bursts into the room carrying a bushel basket full of $20 bills. He proclaims the good news that you all are going to be richer by two hundred dollars! Will you be able to buy more goods with the extra money? The amount of goods available to be auctioned has not changed. You and the other people now use your new money to bid against each other for the items that are for sale. As a result you are paying much higher prices for the same merchandise. [Note: These illustrations of the cookie wages and the auction are adapted from *Tax Target: Washington* by Gary Allen, 76 Press, 1978, pp. 52-53.]

Our nation's economy is like a huge auction. You cannot have a general rise in prices without an increase in the money supply. We have more money, but the money we have buys less. Suppose that, by a strange miracle, every family in the United States were to wake up one morning to find four times as much money in their pockets and in their bank accounts as they had on the night before. Every family might think of all the things they will now buy with the extra money. The first shoppers might be able to buy things at the old prices but soon the prices would rise. A general increase in the money supply will result in a general increase in prices and wages, and this is what has been happening in our nation for several decades (*What You Should Know About*

Inflation, 2nd Edition, by Henry Hazlitt, Funk and Wagnalls, p. 138).

Inflation Protection—Some Helpful Hints

1. Earn money through hard work and honest labor so that the dollars you possess are the result of honest and diligent labor (Ephesians 4:28).

2. Before spending one penny, consult the One whose penny it is (1 Corinthians 6:19-20). Remember that your money belongs to the Lord and it should not be spent apart from His direction and guidance. Ask questions like, "Lord, do You really want me to buy this?"

3. Avoid spending money which you do not have. Avoid debt. This is the problem our government faces (deficit spending, or spending money which they do not have). The popular credit card system allows people to purchase goods before they have the money to pay for them. It is much better to purchase things with money on hand rather than to go into debt. If you want to owe someone something, follow the advice of Romans 13:8! It is better to go without certain things than to get yourself into debt. If you do get into debt, be sure to pay back quickly what you owe. The same principle applies to borrowing. It is important to return the borrowed item as soon as possible (even library books, etc.).

4. Be frugal and thrifty as a faithful steward of God. This is important not only concerning money, but also concerning the stewardship of time. We should be careful how we spend our money and careful how we spend our time (Ephesians 5:16), because our money and time do not really belong to us! They belong to Him.

5. Put your money in God's bank (Matthew 6:19-20). There can be no better investment! How can a person lay up treasures in heaven?

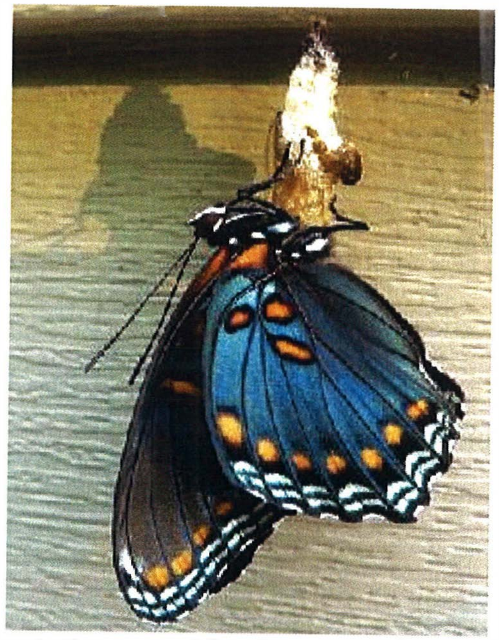
6. Be generous in meeting the needs of others (1 Timothy 6:18: Romans 12:13). Remember the words of our Lord (Acts 20:35). Remember whom God loves (2 Corinthians 9:7). Remember that our giving will never exceed God's gracious outflow (2 Corinthians 9:8,11).

7. Trust God to provide your needs (Philippians 4:19; Matthew 6:33). God is not affected or hindered in any way by inflation. God's provision does not depend on earth's problems. God is not worried about inflation or the economy! God is not governed by earth's problems. God will never say, "I cannot provide for you today because inflation is too high. I cannot afford to help you in this economy."

Religious Inflation

In the economy there are dollars which have real value (dollars earned by hard work), but mixed in with these are dollars of no value (dollars created by the government's printing presses). As a result the dollar in general loses its value.

In the religious world, there are Bible believers who use certain terms such as "saved," "faith," "born again," "Christian," "filled with the Spirit," etc. These terms have real value and are loaded with meaning because the well-taught believer understands how the Bible defines these terms. The problem comes when multitudes of people begin using these same terms in a way that has no value or true meaning.



"You must be born again!"

For example, suppose a person were to ask this question to a group of people: "How can a person be born again?" If ten mature believers step forward and all give God's answer, then the term "born again" would have great value. On the other hand, if ten "religious" people come forward and each one gives a completely different answer, then confusion would result, and the term "born again" would be of little value to the person who asked the question. People may give all kinds of false definitions about what they think "born again" means, and these definitions are not worth anything. Only God's definition of "born again" is valuable. If we are going to know God's definitions of terms, then we need to be good students of God's Word, the Bible. To see if you understanding God's definitions of terms, how would you answer the following questions?

What does "born again" mean?
What does it mean to be justified?
What does it mean to be redeemed?
What does it mean to be sanctified?
What does it mean to be glorified?

In our world we may see a great **increase** in religious activity and vocabulary, but it may be very cheap and of little value. **Too much is without Heaven's touch**. The Holy Spirit of God gives value and worth to such things. Without Him, man is left with cheap substitutes and empty phrases. Just as we should not get too excited if **everyone** were somehow to receive a gift of $20,000.00, so we should not get too excited about a general increase in religious activity. If God is not in it, what good is it? Read Psalm 127:1.

Name ____

Inflated People

Don't be puffed up!

The worst kind of inflation is not money inflation, but people inflation. Paul wrote to the Corinthians and said, "Now some are _________________ _____" (blown up, inflated with pride–1 Corinthians 14:18; see also 1 Corinthians 14:6: 5:2; 13:4). Such people put a value on themselves which greatly exceeds their true value and worth. There is an unhealthy increase in the quantity of exalted thoughts about themselves. In Romans 12:3 believers are warned not to think of themselves M___________ H___________ than they ought to think. Those who are inflated (1 Cor. 8:1) think that they know something, when in reality they know ______________________ (1 Cor. 8:2). The inflated person thinks that he is S_________________ when he is really N_________________ (Galatians 6:3).

The cure for this kind of inflation is to begin to see yourself as God sees you (as revealed in His Word). How does God see you apart from Christ (Romans 3:10-19? Ephesians 2:1-3,11-12; 14:17-19 Titus 3:3)?
____ How does God see you IN CHRIST, assuming you are really saved (1 Corinthians 1:2; 1:30: 6:11; 2 Corinthians 5:17; Ephesians 1:7; Romans 6:18,22; 8:1; Colossians 3:12; 1 John 3:1)?
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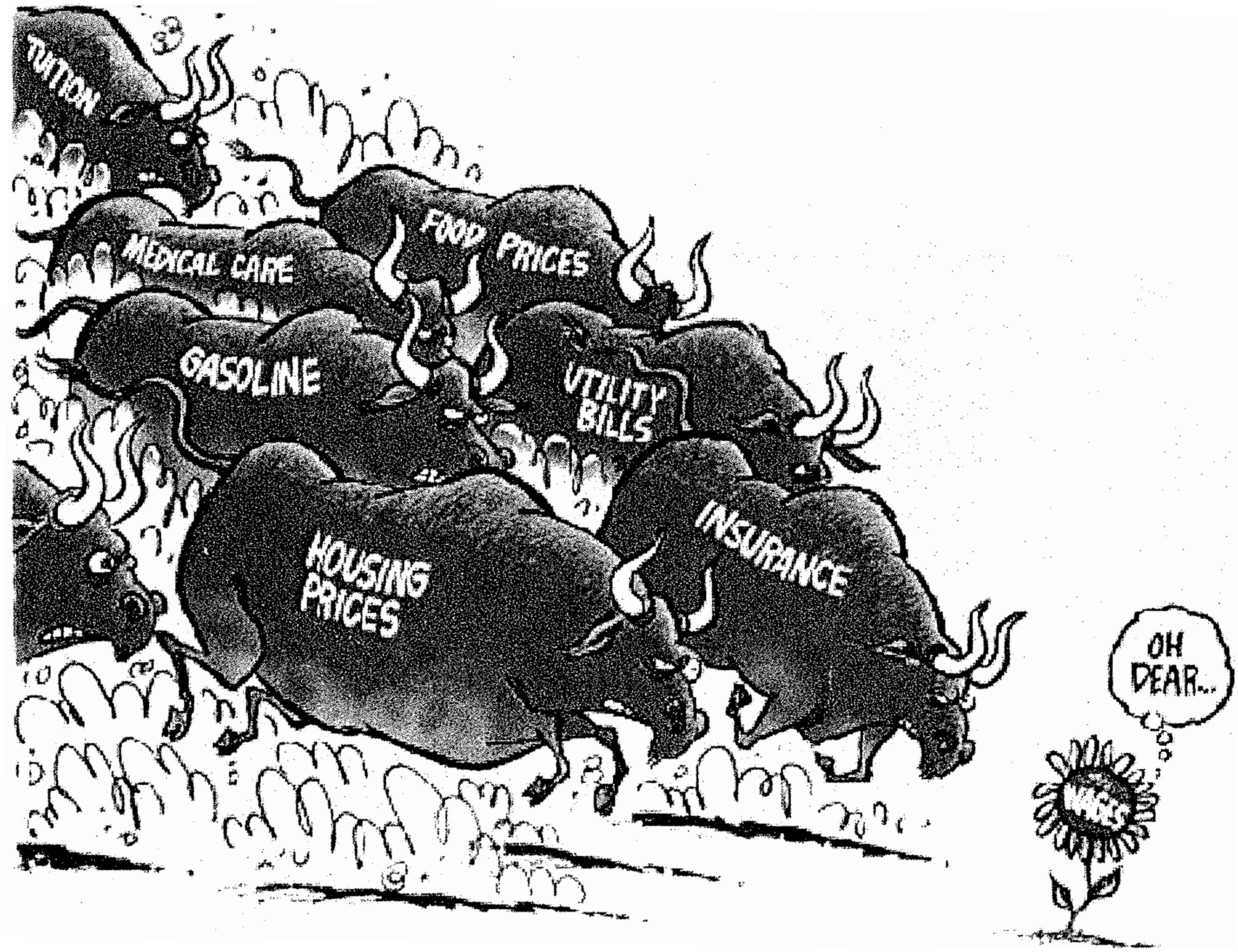
TUITION
MEDICAL CARE
FOOD PRICES
GASOLINE
UTILITY BILLS
HOUSING PRICES
INSURANCE
OH DEAR...


High-income person
Middle-income person
Prices rising
Low-income person