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Symposium on
Inflation

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Symposium on Inflation

Gary North, Editor

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The Ministry of Chalcedon

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EDITOR'S INTRODUCTION

Gary North

Inflation is one of the major scourges of the twentieth century. Nation after nation has been plagued by inflation in this century, yet the blight continues. In fact, the blight gets worse, since the division of labor in the world economy keeps increasing, and the threat to this international division of labor which inflation poses increases right along with it. The problem is now a worldwide phenomenon. It is no longer confined to nations in wartime or the defeated nations immediately after a war. It is now a universal phenomenon of peacetime economies.

Why should this be the case? The obvious answer is the growth of the welfare State. The welfare State is messianic. It hopes to save men through legislation. It is necessarily parasitic, for it must rely on the confiscated money of its citizens, or its satellites, in order to expand its services. At zero price, there is greater demand for scarce economic resources than there is supply. Hence, the welfare State cannot possibly meet all the demand generated by its offer of free services. The welfare State is inherently self-destructive, for it operates in terms of a presupposition that nature is fundamentally productive, that it is not under the curse of God (Gen. 3:17–19). The welfare State is supposedly able to overcome the problem of scarcity because nature is inherently bountiful, and it is only the existence of evil human institutions that restrains nature's basic productivity. Therefore, statisticians conclude, by restructuring the institutions of modern capitalism, the planners can overcome the God-imposed limits on nature.

But the planners find that their programs never catch up with demand. They always want to define poverty as the bottom one-third of the nation, and try as they will, they can never collect enough taxes to fund sufficient programs to lift everyone in the nation to the top two-thirds. There is always a bottom one-third.

If any single individual must be honored with the medal, "Inflationist of the Twentieth Century," it has to be the English economist and homosexual, John Maynard Keynes. (His name is pronounced CANES.

Some low-brow conservatives have referred to him as Sugar Keynes or Candy Keynes, but I'm a scholar and would never dream of stooping to such crass tactics.) Keynes always said he was a defender of the market. He was convinced that the market would enable people to buy many of the things they liked. For example, an unregulated free market allowed him to travel {2} to Tunisia on vacation to buy the sexual favors of Arab boys at remarkably reasonable rates.¹ But Keynes was not convinced that the free market could provide full employment to all those who were willing to work at a competitive wage. He was convinced that the State had to intervene to make capital inexpensive enough for all men to be employed. In fact, he actually believed that State intervention could reduce the cost of capital to zero. In his most influential work—the most influential economics book of the twentieth century—*The General Theory of Employment, Interest, and Money* (1936), Keynes wrote these words in the concluding chapter:

Interest today rewards no genuine sacrifice, any more than does the rent of land. The owner of capital can obtain interest because capital is scarce, just as the owner of land can obtain rent because land is scarce. But whilst there may be intrinsic reasons for the scarcity of land, there are no intrinsic reasons for the scarcity of capital.... But even so, it will still be possible for communal saving through the agency of the State to be maintained at a level which will allow the growth of capital up to the point where it ceases to be scarce. I see, therefore, the rentier [lending] aspect of capitalism as a transitional phase which will disappear when it has done its work. And with the disappearance of its rentier aspect much else in it besides will suffer a sea-change. It will be, moreover, a great advantage of the order of events which I am advocating, that the euthanasia of the rentier, of the functionless investor, will be nothing sudden, merely a gradual but prolonged continuance of what we have seen recently in Great Britain, and will need no revolution.²

Here is the religion of the messianic State. Keynes knew exactly what he was saying, although his followers would prefer to think he was just

1. On Keynes's recommendation of "bed and boy" in Tunisia, see Michael Holroyd's biography of Keynes's one-time pervert lover, *Lytton Strachey: The Years of Achievement, 1910–1932* (New York: Holt, Rinehart, Winston, 1968), vol. 2, 80.

2. John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (New York: Harcourt, Brace & World, 1936), 376.

using hyperbolic language. He was using very precise language. He was calling for fascism, in the name of “responsible” free enterprise. “The central controls necessary to ensure full employment will, of course, involve a large extension of the traditional functions of government.”³ Why is this necessary? Why, to save capitalism from itself! He also called for decentralization and the reign of self-interest. Decentralization produces efficiency, and “compared with any other system, it greatly widens the field for the exercise of personal choice.”⁴ (Especially in Tunisia, he might have added.) But the free market cannot be trusted. While this expansion of government as the director of investment might “seem to a nineteenth-century publicist or to a contemporary American financier to {3} be a terrific encroachment on individualism, I defend it, on the contrary, both as the only practicable means of avoiding the destruction of existing economic forms in their entirety and as the condition of the successful functioning of individual initiative.”⁵ This is the same old line of fascism: the “government-business partnership.” Keynes knew that his system was basically fascist, as he admitted in his introduction to the 1936 German language edition of *The General Theory*: “The theory of aggregate production, which is the point of the following book, nevertheless can be much easier adapted to the conditions of a totalitarian state [*eines totalen Staates*] than the theory of production and distribution of a given production put forth under conditions of free competition and a large degree of laissez-faire. This is one of the reasons that justifies the fact that I call my theory a *general theory*.”⁶ You will not find *this* quote cited by your typical defenders of Keynesian fascism, since they do not want to think of themselves as economic fascists. But they are.

What has Keynes got to do with inflation? Very simple: he called for the expansion of the money supply as a means of fooling workers to

3. *Ibid.*, 379.

4. *Ibid.*, 380.

5. *Ibid.*

6. A side-by-side reprint of the German edition's introduction and an English translation appears in James J. Martin, *Revisionist Viewpoints: Essays in a Dissident Historical Tradition* (Colorado Springs, CO: Ralph Myles, 1971). The quote in question appears on 202–4 (German) and 203–5 (English). The original translation appeared in the *Rampart Journal* 3 (Spring 1967), 36–41.

take fewer real goods for their labor services. You see, in a depression, when prices are falling, workers resist any reduction in their money wages. But if the government can increase the money supply, thereby raising prices, workers will stay on the job. They will be able to buy fewer goods than they would have been able to buy had the government not inflated the money supply, but this deception is necessary if we are going to get men back to work. If they won't work for less money, then they will work for fewer goods, which is the main thing. What we need, then, is flexible monetary policy. This is a *moral* imperative: "Having regard to the large groups of incomes which are comparatively inflexible in terms of money, it can only be the unjust person who would prefer a flexible wage policy to a flexible money policy, unless he can point to advantages from the former which are not obtainable from the latter."⁷ Obviously, Keynes was not much concerned with the plight of those with fixed incomes, such as pensioners, since rising prices would hurt them. So who was the focus of his concern? Labor union-protected and other State-protected workers who were unwilling to reduce their wage demands, and who were therefore being fired, because businesses could no longer afford to hire them.

Keynes was never someone to let an opportunity go by to drive home {4} the same point by changing a phrase or two. So on the same page that he informed us that only unjust people prefer stable money policies, he was careful to say (not prove, of course) that only foolish people favor stable money policies: "Having regard to human nature and our institutions, it can only be a foolish person who would prefer a flexible wage policy to a flexible money policy, unless he can point to advantages of the former which are not obtainable from the latter." Conclusion: the government's best bet is to inflate the money supply until people go back to work.

He claimed he was only for stable prices. That's what all Keynesians claim, until there is the faintest hint that their own policies of monetary inflation, if stopped suddenly (or even gradually), might raise unemployment. Then it's back to the old slogan: Better a bit of price inflation than increased unemployment. So Keynesian policies produce more and more price inflation, until disintegrating markets give

7. Keynes, *General Theory*, 268.

us both price inflation and rising unemployment (for example, in 1975–76 and 1980). We have created an international inflation because for two generations, most of the government policy-makers, not to mention the graduates of the most prestigious business schools, have been enthusiastic Keynesians. And Keynes knew only one cure, had only one prescription: monetary inflation and government intervention. His general theory had been designed to solve the problems associated with depression and deflation (price deflation). It was not general at all; and now that it has been applied to the world's economies for over four decades, we are all trapped in a suicidal, politically irreversible inflationary spiral.

Keynesianism is the dominant economic philosophy of the non-communist academic and policy-making world. The statism implicit and explicit in Keynesianism has captured the minds of a generation of American academic economists, and only the Friedmanites, who are themselves methodologically Keynesians, have been admitted to the position of “loyal opposition” to the Keynesians. (Friedman himself once commented that “We are all Keynesians now,” referring to the basic methodology of economics.) Every academic economist in a major university is a defender of State-created, State-manipulated money. Try to find an article in any scholarly journal favoring a fixed money supply and gradually falling prices. You can't. Why not? Because men of our era believe that the market cannot be trusted to provide the proper quantity of money. They believe that the State's planners are sovereign, and that they alone have the wisdom to control the flow of money to the market. The result of this faith is universally visible today: the destruction of every national currency unit, and the eventual destruction of all fixed-income monetary instruments: bonds, annuities, retirement funds, mortgages, life insurance savings, and preferred stocks. Those who voted for Keynesianism shall retire with Keynesianism—and be ruined. {5}

Modern inflation is the product of an idea: that the State can create bread out of stones merely by printing money.⁸ We are now witnessing

8. Ludwig von Mises, “Stones Into Bread, The Keynesian Miracle,” in Henry Hazlitt, ed., *The Critics of Keynesian Economics* (New Rochelle, NY: Arlington House, [1960] 1978), 305–15.

the death of that faith. The elderly tenured economists who used their position to propagandize two generations of college students are now retired or retiring. Their pitiful pensions have guaranteed them a future of increasing economic misery. God will not be mocked. They are being replaced, usually with younger Keynesians, but increasingly by Friedmanites and even by a few Marxists. The entire structure of economic education is today totally dominated by humanists (as has always been the case), but these humanists have not come up with workable solutions to the economic problems that the world now faces. As the problems have become more intense and more visible, the economists have suffered ridicule. Milton Friedman sounded the warning in his 1971 address to the American Economic Association, and the remainder of the decade only made things worse.

We have been driven into a widespread system of arbitrary and tyrannical control over our economic life, not because “economic laws are not working the way they used to,” not because the classical medicine cannot, if properly applied, halt inflation, but because the public at large has been led to expect standards of performance that as economists we do not know how to achieve. Perhaps, as our knowledge advances, we can come closer to specifying policies that would achieve these high standards. Perhaps, the random perturbations inherent in the economic system make it impossible to achieve such standards. And perhaps, even if there are policies that would attain them, considerations of political economy will make it impossible for these policies to be adopted.

But whatever the future may hold in these respects, I believe that we economists in recent years have done vast harm—to society at large and to our profession in particular—by claiming more than we can deliver. We have thereby encouraged politicians to make extravagant promises, inculcate unrealistic expectations in the public at large, and promote discontent with reasonably satisfactory results because they fall short of the economists’ promised land.⁹

Modern secular economics is facing a crisis, and it shares this crisis with the whole world of secularism. But economics is special, for economics lies at the very heart of men’s concerns. After all, the love of money is the root of all evil (1 Tim. 6:10a). When the economy is in

9. Milton Friedman, “Have Monetary Policies Failed?” *American Economic Review* 62 (May 1972): 17–18.

desperate trouble, throughout the world, and the economists can do nothing except advocate policies of monetary inflation, while decrying price inflation, then the cat is out of the bag. We are at the end of the road, {6} Keynes's road. In the long run, he once said, we are all dead. In the long run, so are evil economic policies. It was not merely Keynes's sexual preferences that were perverse.

Keynesian policies of deficit spending, monetary inflation, and government regulation of the economy can only survive when the productivity of the free market is sufficiently high to offset the terrible economic losses that statist economic intervention produces. We have arrived at the point when the ever-expanding parasitic bureaucracy, financed by the ever-expanding money supply, is about to overcome even the productivity of the free market. We are at the crossroads in the early 1980s, when the government deficits, and the money supplies of the various nation-states, are about to overwhelm the productivity of voluntary contracts. In short, the 1980s will produce the economic disasters that the "doom and gloom" prophets have been predicting for fifteen years.

When this disruption comes, pragmatists—and their name is legion—will be faced with a hard set of decisions. Should they avoid the shifting pragmatism of Keynesian interventionism and return to a free market? Or should they continue onward to a more forthright, more tyrannical economic and political fascism? Will the two systems exist side by side, with the free market operating underground, and the fascist bureaucrats controlling the official markets? But what we have to say is that traditional, "nice guy" Keynesianism is doomed as an economic philosophy. One sign of this is that intellectual Christians who teach in colleges (and even occasionally in some second-rate university) have finally adopted Keynesianism in the name of Jesus Christ. When tenured, aging Christians in backwater colleges adopt any idea or system of thought in the name of relevance or "universally accepted truth," and they begin to reinterpret the Bible in terms of this system, you know at least two things: the system they're pushing is at least a generation old and unquestionably about to be superseded, and second, that they will not use systematic biblical exegesis to defend the temporary humanistic truth that the more innovative humanists are about to abandon. When tenured Christians start beating a reworked

humanistic drum, you can bet that the fad they've just adopted in the name of contemporary relevance is some discarded, unworkable instrument that went out of style ten years earlier. (If you think I'm referring to the deadly dull pontifications of the Calvinistic Keynesian economist, Douglas Vickers, especially his book, *Economics and Man*, whose pages could charitably be described as chloroform in print, you might be correct. But the book is scholarly, at least—as demonstrated by its gray sludge prose—which is more than you can say for the socialist ravings of Ron Sider, whose *Rich Christians in an Age of Hunger* might better be titled *Successful Christians in an Age of Envy*, or *Guilt-Ridden Christians in an Age of Hustlers*.) {7}

Christians had better be ready to present a cogent criticism of the Keynesian inflationary policies that have brought the West to the brink of disaster. They had better be ready to offer principled, effective alternatives to the coming fascist economy.¹⁰ There will undoubtedly be apologists for any regulation or infringement on personal freedom that the State can come up with, and they will be found in the “best” universities and the “most conservative” Christian seminaries in America. After all, they have continually been buying used humanistic drums from the tenured academy for two generations or more; we should not expect this Christian market for outworn humanist ideas to dry up overnight.

In this issue of the *Journal of Christian Reconstruction*, we have offered some scathing criticisms of modern inflationism. The Bible is very clear on the question, although not so clear that poor Douglas Vickers, buried in his own gray sludge, can make sense of it. I have reworked my now-familiar analysis of Isaiah 1:22 into a more systematic presentation: “Isaiah’s Critique of Inflation.” It will not convince Keynesians, of course, but then again, Isaiah failed to convince the court priests of his day, too. The Bible forbids inflation of the monetary unit, even when done by “progressive monetary experts” who direct the central banks of the world. To debase the currency is to reflect the nation’s ethical debasement, and to promote the nation’s industrial debasement. The end result is the destruction of a nation’s creditors,

10. Charlotte Twight, *America’s Emerging Fascist Economy* (New Rochelle, NY: Arlington House, 1975).

including the retired professors of economics who helped defend the policies of inflation, but who failed to grasp the implications of inflation for pension fund income.

Tom Rose and **Robert Metcalf** tackle a very important problem: the theft involved in all monetary inflation. When the government or its central bank creates new, fiat money, all holders of existing money, or long-term credit instruments denominated in paper money, are robbed. They experience a reduction in purchasing power of their money capital. The policy of monetary inflation, if pursued by the State or its monopolistic agents, is immoral. (Keynes may not have recognized immorality when he saw it, and he may even have promoted it. But Keynes was never one to worry about morality. "If it feels good, do it," was his motto, and inflation "feels good" to statist power-seekers and their court economists. For a while. And when it ceases to feel good, they can always blame private speculators.)

What have been some results historically from policies of monetary debasement? We have three articles detailing three famous German periods: the great inflation of the early 1920s, the repressed inflation of the 1930s and 1940s, and the abolition of the controls under Ludwig Erhard in 1948. {8}

Donald Kemmerer deals with the great inflation. What would have worked to defend a family from the ravages of inflation? Nothing. They all knew that there was no sure thing, no automatic defense mechanism. However, they all admitted that gold would have been better than anything else. He shows how the official economists of the government and the central bank continued to explain the rise in prices as the product of a shortage of money! He also shows that the price inflation was not a straight-line phenomenon. There was actually a period in late 1920 and early 1921 when it appeared that inflation was beaten, and the mark's value rose in relation to foreign currencies.

Hans Sennholz lived through the fascism's price control tyranny of Germany. What effects did controls have on the German economy? The results were predictable: shortages, reduced economic production, and a loss of personal freedom. The controls succeeded in covering up the signs of rising prices, but they did not solve the problem of scarcity. In fact, they made it worse.

Bruce Bartlett focuses on the immediate post-war German inflation which was imposed by the Allies. The black market was the basis of economic survival. People were paid “in kind”—not in money, but in goods. Bartlett also shows how rapidly the German economy recovered once the controls were unilaterally scrapped by Erhard. Another myth was that Keynesian economics produced the miracle, and Bartlett buries that one in its proper grave.

The article by **Jim West** requires careful reading. He begins by analyzing the old slogan that confidence is what undergirds a nation’s monetary system. He then provides an extended discussion of the nature of faith, and its relationship with external reality. If a faith is faith in a lie, then we cannot expect the system undergirded by such faith to survive. Then he deals with the American Constitution’s attitude toward government, namely, an attitude of distrust. The Founding Fathers refused to place great trust in the State. Checks and balances were one strategy of restraining State action. Another was an original commitment to gold and silver money. But rebellious men do not like restraints on their actions. They have a bloated self-image of their own reliability. Their monetary systems tend to resemble their own self-image: bloated. The restraint of honest money is anathema to them. Self-inflation leads to monetary inflation, which in turn leads to price inflation.

What is the answer? **Mark Skousen** outlines a market solution to the money question: competitive banking within a legal framework requiring 100 percent reserves. No warehouse receipt may be legally issued by anyone if there is no backing for that receipt. Money as a warehouse receipt is the very heart of honest monetary policy. There is no monetary system which restrains men’s theft more effectively than a policy of 100 percent reserves. {9}

Without fractional reserve banking, and with the free market establishing the terms of exchange, the State would not be able to impose the indirect tax of inflation.

The Bible says that inflation is immoral. History proves that price inflation is devastating to an economy. There are biblical answers to the inflation problem. When the crisis hits, as it will surely do, Christians need to have answers ready. There will be a wave of crackpot analyses and solutions, as there was in the 1930s. Keynes was a crackpot, and his

followers are crackpots—tenured crackpots, mathematically proficient crackpots, Civil Service-protected crackpots, but crackpots nonetheless. The era of the Keynesian crackpots is rapidly coming to the end. It is imperative that Christians provide answers that are accurate and workable. It will do no good to baptize still more statist prescriptions with holy water. We have to know what inflation is, where it comes from, what the Bible says about it, what it has done to previous societies, and what biblical solutions there are to the problem. Inflation is teaching us a lesson, but without the proper presuppositions, we will flunk the exam.

1.
SYMPOSIUM
ON INFLATION

ISAIAH'S CRITIQUE OF INFLATION

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 financing 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 nonexistent financial supporters (1 Kings 17:3–6). He had to rely on the miracles of God in order to have enough to eat (1 Kings 17:16; 19:5–8), dwelling as a fugitive in a cave during part of his ministry (1 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 {11} 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 encourages 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 a 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 prediction 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 {12} (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 relationships among internal holiness, national holiness, and external blessings. Likewise, he made certain that they understood the fixed relationships 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 {13} 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 thereon, he shall receive a reward" (1 Cor. 3:13–14). Purging dross was accomplished by fire. The metal was melted, and the precious metal was then 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), refer 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 metallurgy.

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 metallurgy? Are people normally familiar with metallurgy? 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 metallurgy to drive home a spiritual message? There must have been something in the {14} historical setting of Judah, sometime around 750 BC, 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 the 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 22 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 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 {15} 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 unit of weight) 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 metallurgy. 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 metallurgist pours the combined metal into ingots, and he can sell the ingots to buyers. Or perhaps he will mold 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 \$.06 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 \$.06 he spends,

he gets a net profit of \$9.94, or 16,566 percent (\$9.94 divided by \$.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 to discern the fraud. He is also limited by competing metallurgists, 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 {16} 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 com-

petitive 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 debaser 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 {17} 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, then 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 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 metallurgists 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 {18} 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.

The Social Costs of Inflation

Dealing with a problem as broad as the “social implications” of practically anything almost inevitably involves the use of a very wide intellectual brush which unfortunately lays down a coat of content embarrassingly thin. It is possible to set forth a few guidelines that are little more than commonsense aphorisms. Such is academic life. But we are not just quibbling over an academic footnote; we are discussing an economic blight so horrendous, and on such a wide geographical scale, that the fate of Western Civilization hangs in the balance, whether or not the world’s academic footnote-mongers want to admit it. Professor Jacques Rueff offered his warning a decade ago, before the advent of double-digit price inflation (but not before the advent of the monetary inflation which has produced today’s price inflation): “Since 1945 we have again been setting up the mechanism that, unquestionably, triggered the disaster of 1929–33. We are now watching the consequences, as they follow their ineluctable course. It is up to us to decide whether we are going to let our civilization drift farther towards the inevitable catastrophe. For those with foresight, our most pressing duty at this juncture is to impress on Western thinking that monetary matters are serious, that they require deliberate consideration and should be dealt with seriously.”¹¹

I shall begin my analysis with a series of six commonsense propositions. *First*, the majority of men prefer to experience change within a relatively {19} stable atmosphere. *Second*, society rests upon a whole series of semipermanent institutions, customs, and voluntary associations. *Third*, that which is familiar in society has a tendency to be taken for granted. *Fourth*, the costs of social change are always high in the

11. Jacques Rueff, *The Age of Inflation* (Chicago: Regnery, 1964), xiii.

eyes of someone affected by the changes, and frequently this means a majority of the members of society. *Fifth*, when change is involved, other things never remain equal. *Sixth*, and most important for the purposes of the present analysis, the middle class is the backbone of Western, bourgeois, modern society.

1. Reference Points for Social Change

The majority of men are basically conservative. They accept change in order to improve what they already have. If nothing else, men have a vision of order; there is some permanent ideal toward which even the revolutionary is striving. Only the moral and political nihilist lives in terms of a theology of chaos. *Men prefer to see change come within a stable framework.* An obvious example of this preference is the history of immigration. Immigrants establish linguistic retreats within the new culture. They attempt to bring part of the culture of the old country along with them. It is this preference for familiar lifestyles that leads, almost inevitably, to the classic generation gap between first and second generation immigrants. And, oddly enough, it leads to a modified gap between the second and third generations, as the grandsons try to find cultural roots of their own personalities in their grandfathers' heritage. The sons had wanted to be "real Americans," and they had rebelled against their parents. The grandsons are automatically Americans; they want to be Americans with distinction.¹²

Karl Marx lashed out against what he regarded as "the idiocy of rural life" in his *Communist Manifesto*. He saw in rural life the preference men have for stability. He wanted to see that world overthrown by the change-oriented bourgeoisie of the cities. But numerous researches in the last hundred years indicate the terrible cost of urban "freedom" and "modernity." Emile Durkheim's classic study, *Suicide* (1897), concluded that the very freedom from restraining traditions and institutions found in urban life leads to an increase in the suicide rate. Men who do not cling to stable moorings often fail to cling to life. Thus, concludes the American sociologist, Robert Nisbet: "In the realm of simple observation and common sense, nothing is more obvious than the *conservative* bent of human behavior, the manifest desire to preserve, hold, fix,

12. Cf. Will Herberg, *Protestant, Catholic, Jew* (Gloucester, MA: Peter Smith, [1955]), ch. 8.

and keep stable. Common sense tells us that, given the immense sway of habit in individual behavior and of custom, tradition, and the sacred in collective behavior, {20} change could hardly be a constant, could hardly be ubiquitous.” This does not mean that all change is somehow invalid, but only that social and economic analyses based on the assumption that *change is normal and normative* are bound to result in fallacious conclusions. In short, “changes can only be understood against the background of persistence that must, if we are to understand change, be our point of departure.”¹³

Economic policies that are calculated and actually imposed by the civil government of any society in order to stimulate change, even “preferred” change, are playing with social fire. Policies of State-stimulated economic growth—so popular in the post-war world—have now resulted in continual budget deficits, financing by means of money creation, social disruptions, and a continual call for further government intervention into the economy. This is not simply an American phenomenon; it is common to the entire Western world. In the 1930s, the great fear among the then “new economists” was *stagnation*. Population was stagnant, the economy was stagnant, professorial salaries were stagnant. What was to become of us? Today the policies of endless monetization of federal debt have brought us to a new crisis, and the old tools and incantations of the Keynesian technocrats no longer function as designed. In the 1930s, Alvin Hansen (Paul Samuelson’s mentor) was wringing his hands over the stagnation caused by capitalism. Today, Alvin Toffler is wringing his hands over the unlivable world of change produced by capitalism. Capitalism just cannot keep its statist critics happy.

The whole concept of progress, argues the biologist, Gunther Stent, demands permanent standards by which progress or retrogression can be made. A world of chaos, where whirl is king—such as the world of modern art—leads to social breakdown and pessimism. Men no longer know whether the world of change that surrounds them is beneficial or progressive.¹⁴ Is it any wonder that the policies of monetary inflation have led to disenchantment, and that the changes produced by State-

13. Robert A. Nisbet, *Social Change and History* (New York: Oxford University Press, 1969), 217.

enforced economic growth have led to a reaction among whole segments of the population? Men prefer their change in bite-size doses that can, to some extent, be predicted in advance. Mass inflation is destroying the landmarks by which people judge the progress of their lives.

2. Society's Institutional Structure

In their reaction to the holocaust of the French Revolution, with its armchair theories enforced by the guillotine's blade and conscript armies, nineteenth-century conservative social theorists refocused attention on the {21} complexity of social life. Men are more than citizens. Social life is protected and made productive by a panorama of voluntary institutions that provide the sense of permanence and meaning in life. Families, churches, clubs, private businesses, guilds, intellectual associations, traditional educational organizations, and local political and charitable associations all provide men with familiar surroundings. They help soften the blows of change, reducing costs for those who are not able to leap rapidly into a wholly new way of life. Apart from these institutions, with their local sovereignty, there is nothing left to provide meaning and order for men except raw, naked power—political power, usually exercised by a centralized State. Men construct intermediate institutional buffers, thereby preserving social and cultural order.

There is also continuity in thought and action. While men's ideas are always subject to error, no man can constantly rethink everything he knows throughout his working day. There is not enough time. Creative thought needs patterns from which to advance, if only by reacting. A mind without fixed reference points is the mind of an infant or a lunatic. While intellectual guilds are often narrow-minded and antiprogressive, they are nonetheless mandatory for creating "rules of the game" and promoting an international division of intellectual labor.¹⁵

14. Gunther Stent, *The Coming of the Golden Age: A View of the End of Progress* (Garden City, NY: Natural History Press, 1969).

15. On the control of thought and perspective by academic guilds, see Thomas Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1971). Cf. Alfred de Grazia, ed., *The Velikovsky Affair* (New Hyde Park, NY: University Books, 1966).

In business, there can be no long-run survival apart from the “rules of the game” and profit-and-loss accounting. One of the most crucial requirements of modern enterprise is a *system of accounting*. It is the primary flaw of socialism that it cannot make rational economic calculations, simply because it has no free markets in which consumer goods and producer goods can be exchanged in terms of the value imputed to them by acting individuals.¹⁶ But what kind of accounting is possible in terms of a unit of account that is wildly fluctuating? The frantic switch to LIFO (last in-first out) from FIFO (first in-first out) accounting methods has been made mandatory by the unpredicted shifts in the nominal (monetary) value of business inventories. Business are getting taxed on the basis of inventory profits, yet when the businessmen reenter the market to purchase raw materials, labor, and capital equipment, they will be faced by drastically higher prices. Capital is being destroyed throughout the Western world because of the erroneous calculations of entrepreneurs who have been misled by false economic signals. These false signals {22} have been generated by upward price changes, and these, in turn, have been created by the fiat-money financing of federal budget deficits. The loss of capital will inevitably be translated into reduced wealth for the masses of the population—the primary beneficiaries of capitalist production methods.¹⁷

As central governments intervene in order to save industries bankrupted by central government economic policies, we see the *political centralization of production*. The familiar small businesses go under or are absorbed into larger structures. These are regulated and tend to be directed by political interests. Monetary inflation is helping to finance federal takeovers, while simultaneously disrupting businesses that are still independent. Change is basic to productive enterprise, but it is reasonably predictable change, not the disruption of today’s inflationary juggernaut. The bankruptcies of Franklin National Bank, the German Herstatt bank, the Swiss branch of Lloyd’s Bank, and numerous smaller

16. Ludwig von Mises, “Economic Calculation in the Socialist Commonwealth” (1920), in F. A. Hayek, ed., *Collectivist Economic Planning* (London: Routledge & Kegan Paul, 1935). Cf. Mises, *Socialism* (New Haven, CT: Yale University Press, [1922] 1951), pt. 2, sec. 1.

17. Mises, *Human Action* (New Haven, CT: Yale University Press, 1949), chap. 20.

banks, have all come as a result of rapid shifts in the international currency markets—shifts guaranteed by the abolition of the international gold standard and policies of domestic inflation. We now live in a world where inflationary domestic policies of so-called full employment are in direct conflict with international solvency.¹⁸ The disruptions in international trade are no longer the results of generally progressive and profitable speculation; they are the State-imposed disruptions of fiat money and controls.

The campus disruptions of the mid-1960s were not the product of any single cause, but one of them was undoubtedly related to wartime military activities that were financed by the creation of fiat money. By failing to tax directly, governments are not even willing to count the costs of the one thing they do best: wage war. The unwillingness of government officials to count the cost of government because of their fear of a tax revolt has led us into a world of economic uncertainty. Not since the depression of the 1930s, say the professional pollsters, have Americans been so confused and pessimistic about the economy. The same can be said for the professional economists. The standards are adrift in a raging sea of fiat money and unstable values.

3. The Familiar Is Taken for Granted

Stable money, like a faithful wife, is taken for granted. Unfortunately, we live in an age noted for neither marital nor monetary stability. One of the reasons why, in the initial stages of monetary expansion, prices do not {23} immediately rise proportionately to the increased money supply, is that entrepreneurs, including consumers, do not recognize the economic implications of the newly created money. They continue as before. Increased production keeps down visible prices; increased product quality also reduces the initial impact of monetary inflation. But as the process continues, more and more people sense that the familiar price level is not going to persist any longer. In later stages of inflations, the price level rises with the increased money supply, and in the final stages of the great historical inflations, the price level has exceeded new money. The German inflation of 1922–23 is the classic

18. Gary North, “Domestic Inflation versus International Solvency,” the *Freeman* (February 1967); reprinted in North, *An Introduction to Christian Economics* (Nutley, NJ: Craig Press, 1973), chap. 5.

example. "Real money" actually decreased, i.e., the so-called ratio between new money and the price level. Hence everyone, from the consumer to the bankers, called for *more money*, since prices were obviously rising even faster than people could get access to money sufficient to catch up.¹⁹ When change became so familiar that people calculated it accurately, and acted in terms of their projections, the pace of change speeded up. The time-lag between the foreign exchange rate and domestic prices finally disappeared, as the public finally caught on to the game. Prices soared.

The problem is not just the pace of change, but the inequality of how change affects different individuals. The plight of the pensioner is obvious. Small businessmen find it hard to compete; then, after price controls are imposed, large, visible businesses go under. People cannot adjust fast enough; the information comes too late, or else the psychological impediments against rapid action make men hesitate. And he who hesitates in mass inflation is lost.

Socially, men do accept the *familiar* as *normal*. Even more important, they accept the familiar as *normative*. Break men's faith in the institutional structure which is familiar to them, and you risk serious turmoil. Revolutionary activity is all too likely, given the mentality of the nihilists. The institutional barriers to revolution are too badly shaken to resist the actions of the revolutionaries. Men's trust in the familiar institutions wanes, and sheer power replaces the less grinding orthodoxy of legitimate authority.

Let us face facts: only a small minority of any population can be successful entrepreneurs. The entrepreneur sees the future more clearly, takes risks, plans objectively, competes aggressively. His reward is profit; his goal is profit. The public is simultaneously the source of his profit and the beneficiary of his planning. But only a few men can handle the psychological burdens of entrepreneurship. Even they need some kind of basic rules of the game. Destroy the rules of the game—and the rule of rules is predictable {24} monetary policy—and you inject a note of desperation into the economy. Productive businesses—

19. Constantino Bresciani-Turroni, *The Economics of Inflation* (London: George Allen & Unwin, 1937), 44n, 81, 155ff.

productive in terms of monetary stability, that is—are wiped out. The public loses.

As their world crumbles, men turn to radical alternatives. They will not live forever in total instability. But the ability of most men to analyze the source of their troubles is extremely limited. Instant answers are demanded—painless answers. Only demagogues and fools can provide such answers. The backlash of ignorance and desperation spells the death of freedom in most cases. The case for freedom is complex, and in times of social turmoil, no one wants to be confused by more complexity. The age of total quackery is the product of the Establishment's inflationary quackery. But in times of turmoil, the orthodox quacks of the universities, the textbooks, and the federal planning agencies are no match for the itinerant quacks of populism.

Stability is usually considered normative. Men believe that familiar ways have a right to exist. By destroying stable money, modern political economists have gained the resentment of literally millions of people. As it stands today, the army of the disgruntled can only grow larger, for inflation inevitably produces the slaughter of the innocents. But the innocents remember, and the innocents vote.

4. The Costs of Change

Change is expensive. There are no free lunches. We give up things to gain things. Thus, if men are ever to be happy with change, it has to be change that they have seen as personally beneficial and/or at least legitimate. Change is acceptable to the masses of men only if certain rules are abided by, including open competition and open entry, thereby helping to reduce production costs. If some men claim special privileges, others will follow their lead. The guild mentality is popular, but it exists only because most people believe that the guilds insure that everyone gets his "fair share." Destroy that confidence, and you risk a revolution. It is one thing to trade economic efficiency (e.g., free trade) for a "fair deal" (tariffs protecting some industry), but if no one thinks the game is fair any longer, there will be a backlash.

A man may take risks if he thinks that he has an opportunity to better his position. But men do not like to be forced by external agencies to take abnormally risky chances. *Yet monetary inflation has produced a world in which men are forced to take heavy risks to survive.* They are being forced into roles that they normally would prefer to avoid. They

are told to become entrepreneurs on a scale that they never would have chosen voluntarily. They are in unfamiliar water, and they do not like the feeling. When personal financial disaster comes, as the increasingly fast-paced inflationary economy guarantees to most people, there will be {25} tremendous resentment. Men will blame it on someone else, but given the inability of most people to analyze economic propositions, they will blame the wrong source. Even if they blame the civil government, they will probably not see exactly what went wrong.

5. Other Things Never Remain Equal

When an economic change occurs, it never affects only one thing. Arnold Toynbee speaks of a kind of cultural wedge that exists in social change. Some underdeveloped nation might want to get Western health care, but the social costs of health care are extensive. Attitudes among the population must be changed to get them to come to the clinic, or will be changed when they do. Population statistics will change, as death rates slow down. Religious principles may be radically altered. All kinds of changes that can barely be predicted by the nation's bureaucrats appear like locusts. And these are the products of the desired changes.

The ability of macroeconomic models, econometrics, and computer technology to handle economic change is so minimal as to be pathetic. One study of professional economic forecasts concerning the most superficial aspects of the economy has demonstrated clearly that forecasts based on the commonsense premise that everything next year will change about as much as it did this year have proven to be more accurate than the professional econometric forecasts most of the time!²⁰ Yet this conclusion was based on forecasts of the early 1960s—*before* the really erroneous forecasts became common. Inflation has baffled the professional forecasters. Look at the professionals' record for late 1972; most of them predicted mild inflation for 1973.²¹ The professionals, especially the paid functionaries of the federal government, have underestimated even the government's official aggregate statistics. How can such methods handle the minute data of individual responses to inflationary change? How can they hope to foresee the reactions of the

20. Victor Zarnowitz, *An Appraisal of Short-Term Economic Forecasts* (New York: National Bureau of Economic Research, 1967).

public to the inflation, not just in the supermarket, but in the streets? Obviously, they can't.

The incredible complexity of society puts it beyond the ability of men to do more than guess about the reactions of a population to any change. But when the change is imposed by the State, continuing over long periods of time, disrupting most men's pocketbooks, and almost random in its {26} blessings and curses, you can expect trouble in the long run. No one knows where the inflation will end, or when. When it does, the result will be depression—a total reversal of the economic expectations of those conditioned by inflation.²² Winning speculators will now become losers. They will resent it.

The vast majority of men need time and incentives to adjust to change. Inflation gives them progressively less time to adjust as it accelerates. This, above all, is the source of the *revolutionary violence* that inflationary economies inevitably risk. The pace of change is too fast. It conditions men to continual turmoil, and then the intensity of change increases to new plateaus. There is a breaking point—or series of breaking points—in any social arrangement. No one can say where these points are, but they do exist. The spread of change and its effects are, at best, only vaguely predictable in times of relative stability. In times of inflation, no one can do more than guess. But limits of social change do exist. The economist who blithely tinkers with abstracted graphs and equations without comprehending the complex nature of the web of human institutions is a menace. The only redeeming feature about his work is that nobody can read his published articles except other economists, and they only read them to gain footnotes to write even more unreadable articles.

6. The Middle Class in Inflationary Times

21. Examples of these appalling forecasts are numerous. The worst, typically, came from the President's Council on Economic Advisors, which predicted a possible 2.5 percent increase in prices for 1973: Economic Report of the President—1973. The First National City Bank of New York, in its Monthly Economic Letter (June 1972), had predicted exactly the same rate, 2 to 3 percent (9). See also Business Week (November 18, 1972), 76. The final result was over 8 percent price inflation in the Consumer Price Index.

22. Mises, *Human Action*, chap. 20. Cf. Phillips, McManus, and Wilson, *Banking and the Business Cycle* (New York: Arno Press, [1937] 1971).

Here is the backbone of modern industrial society. These are the people who produce the vast army of skilled labor, especially intellectual labor, for the industrial system. They also have the most votes. Inflation, as it accelerates, shatters the hopes of this class, because it destroys their budgets.

Budgets are pegged to familiar prices. It takes time to adjust your thinking to the reality of upward prices. Graduated income taxes constantly take a bigger bite out of nominally increasing incomes. The middle class falls behind.

But in upsetting men's budgets, inflation upsets other features of middle-class life. Men have hopes for the future. Indeed, it is this future-orientation of Western peoples that is the primary source of the West's productivity and growth.²³ Men plan for the future in terms of the present, and *the present is no longer a reliable guide for the future when it is characterized by inflation*. Men's retirement hopes are the obvious example, but so are their hopes for their children's educations, leisure activities, and the capital they will accumulate over a lifetime. Men's expectations {27} are pegged to familiar price levels, and this is exactly what cannot be relied upon in times of inflation. Change their budgets, and you alter their ability to achieve their goals.

Furthermore, men's own *self-evaluations of themselves* are to a great extent influenced by their monetary income. This is the reason why industrial society is possible: men are geared to think in terms of self-improvement through increased income. Not all societies think this way; indeed, it is the very essence of backward societies that the majority of the members do *not* think this way. The erosion of a man's income can lead to self-doubt, which is why wages are always "sticky" on the downside. But if a man's purchasing power is eroded at the very same time that his *nominal* income is increasing—and all increases are deserved in every man's eyes, of course—then he will seek out a scapegoat. Someone is deliberately depriving him of his just reward. The enemy is personalized, and the increasing fragmentation and splintering of political life today is producing endless conspiracy theories, both right wing and left wing. Inflation is creating a *revolution of rising*

23. On the question of future-orientation, see Edward C. Banfield, *The Unheavenly City* (Boston: Little, Brown, 1970), 47ff., 54, 62, 72, 125, 217ff.

expectations—expectations that are being thwarted by the very process of inflation.

Inflation and Revolution

Inflation cannot stay at one level. Either it progresses to a higher level of monetary expansion and price increases, or else it turns into economic depression.²⁴ There are no soft landings. A shifting series of newly rich classes appears, as rampant inflation calls into existence rampant speculators who try to cope with it. People resent the thwarting of their expectations. Social resentment, the foundation of the redistributive psychology, is fostered. No one's money is safe, either from the shifts in economic policy or from his neighbors' envious eyes. This rise of *envy* threatens the very existence of Western capitalism.²⁵ Inflation almost insures its increase.

The Chinese inflation of Chiang Kai-shek's regime broke the back of the Chinese middle class—the basis of Chiang's political support. In comparison to the inflation, men believed, Mao's forces could not be worse. They were, in retrospect, far worse, but that did Chiang's position little good. Wherever you find a long-run double-digit inflation, there you will find strong elements of revolutionary activity, promoted or at least tolerated by resentful middle-class voters. The lessons of Latin America, Asia, and post-war defeated European nations have not been learned. We have been dazzled by the apparent success of Keynesian tools {28} to pull us out of that horror of American horrors, the Great Depression. The result is easily predicted: the Great Inflation. Like old dogs, old economists do not learn new tricks. Unfortunately, the predictable stability of Keynesian responses to every problem—more spending, more fiat money—is producing international instability.

No single theory of political revolutions satisfies all scholars or is equally applicable in every historical instance of revolution. But most theorists are agreed on one point: an extremely potent revolutionary

24. Mises, *Human Action*, chap. 20. Cf. Murray Rothbard, *America's Great Depression* (Kansas City, KS: Sheed & Ward, [1963] 1975).

25. Helmut Schoeck, *Envy: A Theory of Social Behavior* (New York: Harcourt, Brace & World, 1969).

social factor is the thwarting of rising expectations. When people expect economic growth to benefit them, and the growth either does not benefit them or even disappears altogether, society has a tiger by the tail. The great archetype of all revolutions, the French Revolution of 1789, came in the wealthiest nation in Europe, the most highly bureaucratized, and one of the most progressive intellectually. When the growth of the economy was stopped by the combined forces of bad harvests and fiscal crisis in 1788, the scene of social crisis was set in France. The failure of the Ancient Regime was compounded because it had succeeded so well for too long. The perpetual expansion of public debt—half the nation's revenues went to pay the interest on the debt²⁶—was to end in a wave of inflation, which has always been the cheapest way for governments, especially “progressive” governments, to reduce their own fiscal burdens. Perhaps Louis XVI, the conservative king, would never have resorted to such a monetary debacle to pay off the nation's indebtedness, but his enlightened successors were far less restrained by conservative moral principles.

The end of that “democratic” policy, lest we forget, was Napoleon. In Germany it was Hitler.

The Destruction of Pragmatism

The horrors sketched earlier in this essay are not to be pushed into the back of the critic's mind simply because they are unpleasant. The fact of the matter, however, is that the majority of citizens reading such a report would tend to reject its approach as extreme. This is the response of pragmatism. We live in a culture which is explicitly pragmatic. Keynesian planners declare their commitment to piecemeal social engineering.²⁷ If it works, it must be good. But what are one's criteria for “working” or “good”? The pragmatist really is a religious man. He assumes the existence of a relationship between his *mind's* assessment of a “working” set of operations and his criteria of “good.” He is committed {29} to a world devoid of first principles—in fact, this is his

26. J. F. Boshier, *French Finances, 1770–1795* (Cambridge: At the University Press, 1970), 24.

27. Cf. Barbara Ward, *Spaceship Earth* (New York: Columbia University Press, 1966), 9–10.

own operating first principle. To break the mentality of a pragmatist, the overwhelming failure of his universe must be made so obvious that he can no longer escape. He must face the facts of life: perpetual debt and perpetual monetary inflation result in social chaos. No more economic and political tinkering will hold off catastrophe any longer.

Without a breakdown, there is no possibility—no reasonable, predictable possibility—that today’s Western man will depart from his traditional policies. The same old magic will be performed, even when the rabbits coming out of the hat are dead. When there are no more rabbits, and even no more hat, the pragmatic culture of our era will receive a massive dose of future shock. Nothing else is likely to bring mankind to face squarely the cause and effect relationship of honest money and economic productivity.

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.²⁸ 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

28. William Letwin, *The Origins of Scientific Economics* (Garden City, NY: Doubleday Anchor, 1965), 85.

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 {30} 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 or otherwise.

INFLATION IS IMMORAL

Tom Rose and Robert M. Metcalf

“Buy the truth, and sell it not; get wisdom and instruction and understanding.”—Prov. 23:23

“... he who practices the truth comes to the light, that his deeds may be made manifest as having been wrought in God.”—John 3:21

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From *The Coming Victory*, by Tom Rose and Robert M. Metcalf (1980).

During this century, several breakdowns have occurred in the political-economic realm. One of the greatest of these failures was in the government-sponsored departure from sound money—that is, of money redeemable in gold.²⁹

Ideally, money should be 100 percent gold or some other valuable commodity which has been raised to monetary status by the value that men freely place upon these commodities. Correctly defined, money is not what government rulers define as legal tender, but rather, money is anything that the people freely and generally accept in payment for goods and services. Over eons of time, gold and silver have become the most generally acceptable commodities used by man for money, but other scarce and valuable commodities might, at least in theory, be used. The key factor is that whatever commodity is used for money should be raised to the role of money by the free value imputations of the people rather than by government fiat.

The Bible recognizes only hard money as real money. Gold and silver are both so acknowledged. And in the Bible, money is valued by honest weight, with deviation from that honest weight calling for punishment.

29. See *All About Gold*, by Tom Rose, which explains how the Franklin Roosevelt administration, by executive fiat, took America off the gold standard. Also, the article by Robert M. Metcalf, “Real vs. Shadow Money” (*Commercial and Financial Chronicle* [May 1968]), gives a short explanation of money, inflation, and the steps to soundness.

And the gold of that land is good....(Gen. 2:12)

The great danger of having government-decreed money is this: history shows that governments inevitably come to be the greatest *legal counterfeiters* in the world. Time after time, civil rulers themselves have been {32} the greatest danger to the money of a people. Throughout history rulers have systematically debauched the currency and rendered it worthless by inflating the money supply and creating money substitutes. Experience has shown that *illegal counterfeiters* do not hold a candle to civil rulers in debauching the currency! And we have no reason to expect better behavior from rulers today than people have received in the past.

Thus, if one lesson can be learned from history, it is this: *the care of money is much too precious and important to be entrusted to civil rulers!* The development of money and money substitutes is best left to the private sector. Now, since there can also be wrongdoing in private sector money handling, as will be seen, there must be rule of law protection in this area as well.

Money Is of Far-Ranging Importance

Money pervades every aspect of life—from impersonal business transactions to the most personal aspects of family life. Thus the money questions—What is money? How can we preserve its purchasing power?—are of vast importance to the welfare of a people.

There are three uses to which money is put: as a medium of exchange, as a measure of value in transactions (such as in long-term contracts), and as a store of value (in savings). Therefore, in devising a sound monetary system, we must at all times keep these three uses in mind. *Good money will stand up under the tests of these uses over the long run.*

The soundest monetary system is based on whatever commodity the people value most highly and will generally accept in exchange for goods and services. Through the centuries, all over the world, people have used gold and silver for this purpose. However, in their voracious appetite to spend more of the people's money than the people have been willing to pay in taxes, government leaders have invariably taken these steps: (1) They officially adopted whatever monetary system the people themselves have evolved and then designated it as a “legal ten-

der.” (2) They have created money-substitutes that are redeemable into gold and silver. (3) Finally, after the people came to accept the money-substitutes at par with gold and silver, government leaders have taken the real money—gold and silver—out of circulation (often nationalizing it) and decreed by fiat that the *money-substitute* is money and must be accepted by the people in payment of debts. Once this third step is taken, the door to debauching the people’s currency is opened, but the trusting public remains ignorant of what is being done to them.

Central Banks

Accompanying the designation of substitute money as “legal tender” by the civil government is the rise of *fractional reserve banking*. Under {33} fractional reserve banking, banks are able to create money, either by printing banknotes or by creating deposits (checkbook money) through making bookkeeping entries on their ledgers. Such newly-created money is *credit-money*—that is, it is not 100 percent backed by gold or silver. In other words, the amount of gold or silver held on reserve to back such credit money is *only a fraction* of the banknotes or checkbook money issued. Although this practice may be innocently done, it is nevertheless fraudulent; it is the gratuitous creating of new “money” which did not exist previously. And this newly created money can be loaned out at a profit by its creator (that is, the banking institution which creates the new money earns interest on it).

Such money creation is done at the expense of everyone else who holds money at the time. By dilution, the value of money already held by the general public is lowered at the very moment of credit creation.³⁰

It is extremely difficult for the average person to discern how commercial banks create new money today and thereby dilute the pur-

30. This process is clarified by an illustration: If there are x numbers of dollars existing at a given moment, and if a bank grants a loan of \$1,000 by creating new money through a bookkeeping entry instead of lending truly saved-up funds of some depositor of the bank, then the total number of dollars existing will become x plus \$1,000. Obviously the value of each previously existing dollar has just gone down slightly, i.e., it has been reduced in real purchasing value by $\frac{1}{x + \$1,000}$.

chasing power of previously existing money. The process is camouflaged by the workings of modern central banking which supports our system of fractional reserve banking. In order to help the reader grasp how the process works and thereby really understand the moral issue involved, the following practical example is provided.

A potential borrower comes to the commercial bank seeking a loan of \$1,000. The banker creates a demand deposit (checkbook money) of \$1,000 by giving the borrower a checkbook in which the banker shows that the borrower now has “\$1,000.” Thus the existing supply of money has been increased by \$1,000. In exchange for the newly-created money, the borrower signs a note or “IOU” for \$1,000 which the banker holds as an asset.

Note well what has actually taken place: First, both the banker and the borrower have created liabilities; the banker has created a demand deposit of \$1,000, which is a liability to the bank, and the borrower has put his signature on a \$1,000 note, which is a liability to him. Then each party exchanges his own liability for the liability that was created by the other. It is at this point that the “magic” of fractional reserve banking occurs. The borrower considers the banker’s *liability* (the newly created \$1,000) as an *asset* which he can spend. And the banker considers the borrower’s {34} *liability* (the \$1,000 note or IOU) as an *asset* which will later be redeemed through repayment. In short, the nation’s money supply has been “magically” expanded by \$1,000 through the simple process of having two parties create *liabilities* which they then exchange, and, upon exchange, each party counts the other party’s liability as an *asset*!

No moral question arises when private parties create and exchange IOU’s, for two parties can create and exchange an unlimited amount of IOU’s. But the situation immediately involves morality when one of the liability creators is a bank. Why? Because the bank’s newly-created liabilities (demand deposits or checkbook money) serve to *dilute* the purchasing power of every other dollar that was already in existence. Clearly, the process of quietly eroding the purchasing power of the people’s previously existing money is a subtle form of theft! It should be prohibited by law.

In fact, however, this is the very type of fractional banking system we now have. It has slowly evolved into its current form since the first

goldsmiths learned centuries ago that they could safely issue more certificates against the gold they held for safekeeping than the amount of gold they actually had on hand. What would have been recognized as fraudulent in those early days, if it had not been subtle and done in secret, has come to be entirely respectable today.³¹

Of course, another far-reaching result of inflating the money supply by either the national government or the banks is that every asset whose value is stated in terms of a fixed dollar amount also has its value accordingly eroded away. Such assets include savings accounts, life insurance, and bonds—the very kinds of assets that are generally held or encouraged to be held by the thrifty middle-class people of a country. And it is in the great middle class where a country's real strength must lie.

Generally, a further result (not a *cause*) of inflation is the rise of prices, wages, and interest rates. Basically, they are results, although a large-scale monopoly condition does give an incentive to politicians and monetary authorities to inflate the money supply and thereby monetize the increased prices or wages that are coercively imposed. Examples of such monopoly situations are the oil production nations' cartel, the labor unions' monopoly powers granted by most Western governments, and price fixing in key industries, which should be duly prohibited by law. And the biggest inflation push of all comes from the reckless, widespread drive to lay hands on other people's money through government action. {35}

From Coin Clipping to Central Banking

Another manner in which money is created out of thin air is by the government's doing it directly. In former times, rulers called in existing coins and melted them down so they could be reissued after adulteration with a baser metal. More recently, as paper money substitutes came into use, the authorities simply printed more paper money. Today, since the modern money substitute is largely credit (checkbook

31. For a fuller exposition of money, banking, and inflation, see the chapter entitled "Money," in *Economics: Principles & Policy*, vol. 2, by Tom Rose (Milford, MI: Mott Media, 1980); and part 1 of *An Introduction to Christian Economics*, by Gary North (Phillipsburg, NJ: Craig Press, 1973).

money), the process is even more indirect, underhanded, and insidious.

As is now so common throughout the world, when government spends more money than it collects in taxes, it simply issues IOU's (bonds, treasury notes, or bills) for the difference. Great parts of these bonds are merely accepted by the central bank of the country, which in the United States is the Federal Reserve Bank. In turn, the central bank credits the treasury of the government with the checkbook money it requires to cover the deficit.³² In effect, the new checkbook money is created out of nothingness.

Any deficit spending by government that is not paid for by issuing bonds bought out of the people's savings is just as much a form of taxation as the more outright kinds of taxes. People's savings are simply taken away from them by the indirect and secret tax of inflation. The embezzlement comes from diluting the purchasing power of the money that the people hold. *This insidious power must be taken from our federal government by constitutional amendment.*

The federal government must be prohibited from engaging in deficit spending unless citizens are willing to cover the debt by purchasing government bonds. In short, debt (i.e., bonds), if allowed at all in emergency time such as war, should *only* be bought with money that has actually been saved. Government debt should *never* be purchased with newly created money, which is inflationary.

Gold Put In, Fiat Money Put Out

To secure a sound and stable currency, we must ultimately restore and maintain a full commodity monetary standard (probably gold)—both nationally and internationally. Actually, the international market is already moving in this direction, and gold is the commodity most widely agreed upon. It is essential that the money-creating power be taken completely from the hands of politicians and governmental rulers if mankind is to have a sound, noninflatable medium of exchange

32. Here, again, we have a borrower—the U.S. Government—and a banker—the Federal Reserve Bank—exchanging liabilities which each then counts as an *asset*. And we must remember that the central bank is either owned or sponsored by the government itself!

which will retain its value. Let me repeat. *The power to create money or the power to legislate {36} or pronounce what is to serve as money is much too important to entrust to government, for governments have been the world's most notorious debauchers of currency since the beginning of history.*

In addition, bankers themselves have also come to be great inflaters of the money supply because modern banking operates on a fractional reserve basis. Our banking system should be steadily changed over a period of time to a 100 percent reserve basis. This would make it impossible to lend out money which has not first been earned and saved.

God gave the various commodities their unique characteristics. Of these, gold has such unique qualities that it is perhaps the ideal commodity to serve with near-perfection as money: it is beautiful, almost indestructible, easily divisible, portable, and scarce, so its value tends to remain stable over long periods of time. And because of these characteristics, men all over the world have freely chosen gold to serve as money.

On the other hand, paper money mandated to be money by government fiat, or decree, has without exception proved ultimately to be disastrous. Fiat money is a bitter delusion. Likewise, the situation becomes a growing disaster when banks are allowed to *create* new money (paper banknotes or bookkeeping checkbook deposits loaned to borrowers). There is just too great a temptation for fallible men to resist when both the bank and the borrowing customer can profit from new money creation, thus embezzling the purchasing value of other people's money by diluting it.

Private banks are social institutions that have naturally evolved to handle money and money substitutes. So long as there is no proper Rule of Law in the area of money as in other areas, there is no inherent need that banks be either chartered or regulated by the civil authorities as they now are in our country. All that is needed is that banks, like individual citizens, be made to adhere to the right Rule of Law, including the laws of contract and the prohibition of falsely issuing representative money against gold or silver not actually held on reserve. The danger posed by the growth and abuse of government regulation is so great that the prohibition against fractional reserve banking should be

sufficient to overcome literally centuries of unbiblical banking practices. Government regulation of banks will hopefully not be necessary under a 100 percent reserve basis. However, the ease of covering up the present (unwitting) wrong practice of bankers' creating new money by issuing checkbook money to borrowers makes strong self-regulation within the banking industry an imperative.

The early medieval banks of Italy were not subject to government regulation. Until they fraudulently began to issue certificates against gold that did not exist, they were models of well-run financial institutions whose owners *personally* guaranteed bank liabilities. Many of the potential evils of banking that are said to exist could be eliminated by doing away with {37} the legal "corporate shield" which allows bankers to act without subjecting their personal fortunes to risk.

The Return to Sound Money

Just how the people of our country can arrive at a sound 100 percent gold-based banking system from our present inflation-prone system of money-by-government-fiat is a real problem. Since money pervades every aspect of society and even the most intimate social relations, any step toward correction must be taken carefully and judiciously, lest unnecessary shocks be given to the economy. Accordingly, the best answer lies in relying on the free market instead of additional government controls.³³

The free market can normally provide viable solutions because it allows interested parties to negotiate to the mutual advantage of those directly involved, leaving others free to go about their own concerns. Attempted solutions by government fiat, on the other hand, tend to have massive impacts on the whole economy, so they are often counter-productive. Such government "solutions" by fiat tend to have greater,

33. This is to be noted, however, about free market actions: sometimes there can be *general harm* at the same time as there is *particular benefit*. While the parties who are directly concerned may receive goods from freely negotiated actions, the public at large may sometimes be hurt. The matter of money creation by the banks is one example. That is why it is biblically ordered for "governing authorities" to exist. Judges were provided so the people would be protected by the rule of law, differences could be settled, and equity would prevail.

often far greater, ill effects than the alleged troubles they are supposed to cure.

What are some possible free-market solutions to America's troubled Federal Reserve-based monetary system? One solution is to permit people to make private contracts in terms of gold instead of in dollars. This historic right was prohibited to Americans in 1933 by government fiat, but it has been restored by an amendment to a bill passed by Congress. Another free-market solution is to require banks to return gradually to a 100 percent gold-backed money. From the very time such monetary reform is commenced, the immorality of allowing banks to create new money out of thin air and thereby diluting the value of everybody's holdings of money or money denominated savings would be prohibited. Existing loans made by such wrongful money creation would of course be liquidated by repayment, thus ultimately (and safely) bringing the system to 100 percent reserve ratio soundness. Another part of the solution is to allow banks to hold deposits guaranteed in foreign gold-based currencies.³⁴ {38}

The net effect of such free-market solutions is always to shift the power of decision-making—from governmental authorities to the specific individuals and institutions that have an economic interest in the decisions. Because such a shift lessens the autocratic power of politicians and bureaucrats as it increases the influence of the people in the private sector, the entrenched government bureaucracies invariably resist such moves. Strong leadership will be required.

Since 1939, the American dollar has lost more than 80 percent of its purchasing power. And this happened during an era when government control over money and banking has never been greater! Do we need any better proof that governments are incapable of responsible money management? Clearly, our national government has used the Federal Reserve system as an “engine of inflation” insidiously to plunder the people through continued massive monetary inflation.

34. For a fuller treatment of this entire subject, see the chapter “Money,” in Rose, *Economics*, vol. 2, chapter 9, “The Reformation of America’s Monetary System,” in *Economics, Money and Banking—Christian Principles*, by E. L. H. Taylor (Phillipsburg, NJ: Craig Press, 1978); chapters 23 and 24 of *The Inflation Crisis and How to Resolve It*, by Henry Hazlitt (New Rochelle, NY: Arlington House, 1978); and the recommendations in *Age of Inflation*, by Hans Sennholz (Belmont, MA: Western Islands, 1979).

A Long Binge

We have reached a point of economic and financial crisis in these United States because our government leaders have misled the people into a long-continued inflationary binge. The so-called “reflation policy” followed by the Roosevelt Administration during the Great Depression of the 1930s has continued through the ‘40s, ‘50s, ‘60s, ‘70s, and now the ‘80s. Under the guise of maintaining “full employment” and of fostering “economic growth,” our politicians and bureaucrats have expanded government spending tremendously. And all this time they have been creating new paper or checkbook money to finance the ever-growing deficits.

There are those who, in their conservatism, contend that even the elimination of government deficit spending must be done in gradual stages in order to avert potential economic dislocations. Their idea is to reduce deficits gradually over a period of years in order to smooth out the effects of a new non-inflationary policy. But the question is: Can we agree that deficit spending and the accompanying monetization of the debt (through the creation of new money) is nothing but a form of insidious theft? Further, is not theft a moral wrong? Then can we rightly attempt to eliminate a moral wrong gradually rather than all at once? Will a drunkard ever stop drinking by taking a gradualist approach? Can a whoremonger start living the moral life by reducing the frequency of his immoralities? Would we recommend that a thief gradually reduces his number of thefts until he can find new work? Moral action in the monetary sphere calls for the same degree of integrity as elsewhere—that is, immoral actions must be stopped *at once*.

If we can agree on the immorality of creating new money to cover government deficits, then the path of correction becomes clear: we must stop the immoral practice just as quickly as possible. This approach is {39} not only good *morals* but also good *economics*, for, with speedy correction, the economy would readjust quickly, once and for all. On the other hand, a gradual tapering off would entail a series of painful adjustments over a period of years, with practically certain political actions taken in the meantime to reverse the new policy. If it is to be shortened, a dog’s tail should be cut off all at once, instead of bit by bit. Likewise, if a basic change in economic policy—based on morality—is to be made, the change should be made swiftly and surely so

that the corrective healing process can begin to take place as quickly as possible. The more sudden corrective process may be severe, but it is far preferable to the results of the late inflationary blow-off. They are the two alternatives we are now looking at.

Through this long-continued inflationary binge our political leaders have ignored the historic lessons of stable, gold-based money, of sound banking principles, and of limited and economical government. If the corrective steps we have mentioned are not taken soon, we are likely to experience a climax in a hyper-inflationary boom followed by a catastrophic crisis—one whose exact nature cannot be predicted in advance. It could well be as devastating as the same type of hyper-inflation experienced by Germany in the 1920s. That one led to the Hitler dictatorship and the horrors of World War II.

Whenever widespread catastrophic events occur there is a tendency for the people to turn to government authorities for quick “legislated” solutions. Ironically, the people tend to turn for help to the very agency that *caused* the problem! This happened in the 1930s after the government mismanaged the economy in the 1920s. The result was the imposition of socialistic/fascistic government controls and regulations. A similar but even more dire crisis today could lead to a repetition of the process with perhaps a total loss of freedom in America *unless* enough Christians are forewarned and forearmed so they can take the leadership in returning our nation to soundness.

Better is a poor and wise child than an old and foolish king who will no longer receive instruction. (Eccles. 4:13)

REFLECTIONS ON THE GREAT GERMAN INFLATION

Donald L. Kemmerer

This country's major domestic problem is inflation, according to the public opinion polls of the last few years. And when the rising trend of prices comes up in conversation, someone is bound to mention the great German inflation of 1914–23 and raise the question of whether the American inflation will some day reach a similar disastrous climax. Is this a plausible prediction?

Frederick Lewis Allen, once editor of *Harper's*, was reputed to have enunciated a profound law, "Everything is more complicated than it seems." He was, of course, being facetious, but there is still much truth in the comment. A closer look at the tragic events leading to the German inflation strongly suggests that the American inflation will not come to a similar conclusion. But it also suggests that the American inflation is worsening, the people should be increasingly alarmed, and international miscalculations could throw this nation into a tail-spin similar to the one that Germany experienced.

To the man on the street or the woman in the supermarket, inflation means noticeably rising prices. Ask them what causes the price level to rise and you will receive a variety of answers, including, "No one seems to know." Increasingly, however, the public is realizing that the rising price trend is the result of "too much money chasing too few goods." Although that situation could arise from a destructive war, or a prolonged general strike, or a crop failure, or a devastating plague (as in fourteenth-century Europe), it is almost always the result of printing too much money or over expanding the supply of bank deposits against which checks may be written. In the United States and Britain, where most people pay their bills with checks, it is the expanding supply of bank deposits that is the main cause of the inflation or rising price level.

Inflations are not a purely modern phenomenon. The ancient world had them, and they have occurred many times down through the centuries. Usually the cause was augmenting the money supply by reducing the gold or silver content of the coins. The “invention” of paper money in the colony of Massachusetts in 1690—the government issued promissory notes acceptable for taxes and thus for virtually any transaction—made it easier for governments to borrow and hence to increase the money supply at a more rapid pace than before. In some of the American colonies in the {41} eighteenth century, the price level rose twenty- or even thirtyfold. The worst inflation of that era was that of the paper dollars issued by the Continental Congress to help finance the American Revolution. By 1781 it took 1,000 “continentals” to buy what one had bought six years before, a situation that led to the expression, “not worth a continental.”

The inflation of the “assignats” in the French Revolution fifteen years later was nearly as bad. The dollars issued by the Confederate Government during the Civil War likewise lost their buying power rapidly. But the all-time record for a modern, industrial nation is held by the German inflation of 1914–23, at the end of which it took 1,000,000,000,000 (one trillion) marks to buy what one had bought in 1914. Other belligerent nations of the World War I era also had devastating inflations, worse than any that mankind had known until then, but none as colossal as that of Germany. After World War II, there were also runaway inflations in Greece and China. All of these inflations were associated with a war or revolution, but a war is not necessary to produce a serious inflation, witness the many-zeroed inflations that have taken place in Brazil, Chile, Argentina, and other Latin American nations where wars are rare and revolutions are a way of changing administrations. All an inflation requires is a chronic unwillingness of governments to pay their debts. As long as a gullible public will accept those government IOU’s whose buying power melts away in their hands like a piece of ice in July, the inflations can go on and on and further on.

Why was the German inflation of 1914–23 the worst on record? Also, what can we learn from examining its history and its consequences?

In 1914 Germany was a nation of sixty million people living in an area somewhat smaller than Texas. Germany’s iron and steel produc-

tion was greater than Britain's and second only to that of the United States. In foreign trade, Germany was ahead of the United States and second only to Britain. Germany's army was the best disciplined in the world and second in size only to Russia's. Down to about 1900, Germany's universities were the training grounds for many of the world's leading scholars. Germany went on the gold standard in 1873, her gold mark equal to about 23.8 American cents, and thus had a dependable money. There was much gold in actual circulation. Germany had an efficient tax system. Her national debt, although larger than that of the United States, was still modest and not a serious burden to her economy. Germany's railroads were highly efficient and brought in substantial profits to her governments. And the German people were widely respected as efficient and conscientious workers. But there was also an arrogance about the Germans, especially the Prussians, that made many people resent them and fear them. Kaiser Wilhelm II was the emperor, but there was a chancellor and a Reichstag (parliament). There were also several kingdoms, each with its {42} king and court. It was not a very democratic country.

If in 1914 a German economist or leading government official had read a description of financial conditions in 1923, he would surely have replied, "That can't happen here."

When Germany launched the attacks that started World War I on August 1, 1914, her only major ally was Austria-Hungary. Germany's enemies included Russia, attacking from the east, and France, Belgium, and England (with her powerful navy) on the west. As the months and years passed, others joined the Allies. Italy, whom Germany had expected to be an ally of hers, declared war on her in 1915. The United States joined the Allies in April 1917. Despite these odds, Germany fought her enemies on their land—western Russia, northern France, and all of Belgium—for four years, and defeated Russia in 1917–18. She held the world at bay until finally the growing might of the United States tipped the balance in favor of the Allies in November 1918.

All of this fighting cost stupendous sums of money—scores of billions of dollars—and wrought immense damage to the belligerents, especially to France and Belgium, where the bulk of the hostilities took place. The north of France is her major industrial region, and all this destruction reduced her means of paying for the war.

There are four basic ways of financing any war. The oldest way is to live off the enemy's land and demand huge reparations of the defeated foe. Alexander the Great did it, Napoleon did it, Chancellor Bismarck's armies did it in the 1860s and 1870s, and Germany planned to do it again if she won World War I. She expected to win the war within a few weeks, much as she had defeated France in 1870. Many people in 1914, and also before World War II, believed that no nation could stand the expense of a prolonged conflict. An angered people, however, can be tenaciously stubborn.

A second way of financing a war is to tax the citizens to raise the money. Because few parliaments have the will to impose heavy enough taxes to pay for all the costs of a war, they resort to other methods. Actually, the people living at the time of a war must, one way or another, pay for all the direct costs of the war. They pay for it by the extra and different (military) goods that they produce and the many goods that they do without.

A third way of financing a war is to borrow the savings of the nation's citizens, or possibly borrow from citizens of other countries. Eventually the government must repay these loans. In the future, some individuals will have to pay heavier taxes than they otherwise would, and some individuals will receive more interest and principal repayments than they would not have received, so that, on balance, the future generations are just transferring payments from their pockets to others. {43}

The fourth way of financing a war is via the printing press, or in more modern times, via bank deposit expansion. At the time of the American Revolution the Treasury, at Congress's orders, printed more and more paper dollars for the government to spend. So did state governments. In World War I, the German government used a somewhat less obvious method. The government sold bonds (long-term IOU's) to the Reichsbank, the empire's central bank. The Reichsbank paid for the bonds by giving the government an equal amount of its banknotes (its IOU's payable on demand). The banknotes were backed 100 percent by government bonds and the bonds were payable 100 percent in banknotes. Gold convertibility had been suspended in 1914. Such borrowing operations throughout the war and for five years afterwards constantly increased the money supply and were the fundamental cause of Germany's eventual horrendous price inflation. An inflation of

this kind is, in essence, just another kind of tax, but a highly unfair kind. It is especially so to the poor and middle income groups.

These four ways of financing a war are by no means equally desirable. The first method, living off the land and imposing indemnities, is no longer very practical, although not yet completely abandoned, as will be seen. The second, third, and fourth methods are desirable in that order, i.e., taxing is the best, and inflation is the worst. Unfortunately, governments tend to use them in reverse order: they rely most on inflation, supplement that by borrowing, which can also be just concealed inflation (as in the Reichsbank example cited above), and impose taxes as heavy as they dare. Yet, as already mentioned, in the end taxes must also retire the bonds, and inflation is a kind of a tax. Thus, in a broad sense, taxes have to pay for it all.

During the first two years of World War I, Germany's taxes did not even cover all of her civil expenditures. The government staged five huge bond drives, which drew off most of the liquid savings of the German people. For example, the proceeds of savings accounts went into government bonds instead of into mortgages. The nation's money supply doubled during the first two years of the war. This doubling caused wholesale prices to rise about 50 percent, according to official figures. If these price indexes are accurate—which may be questioned—the German inflation was slow in taking hold. No doubt the extraordinary economic strength of the nation was partly responsible. A man with a strong physique can abuse his body with alcohol or drugs for quite a while before the deterioration becomes noticeable, and paper money is to a nation what drugs are to an individual.

During the last two years of the war, the government borrowed heavily from the Reichsbank. In short, Germany was relying increasingly on inflation as a way of paying for the war. Between 1914 and 1918, Germany's public debt increased twentyfold. Her money supply increased {44} sixfold, i.e., at a more rapid pace in the last two years than in the first two years. By 1918, wholesale prices were officially two and a half times what they had been at the outbreak of the war. Some unofficial indexes, which took into account the prices in the growing number of "black markets," showed a sixfold increase in prices. This is probably a better measure of the inflation than the official index is. Germany's wartime inflation compares with a three and a half fold

increase in wholesale prices in France, a two and a third fold increase in Great Britain, and a less than doubling of prices in the United States, which did not enter the war until April 1917. At this point, the German inflation may be judged serious but by no means hopeless.

Let us now look at conditions in Germany as the exhausting war finally ended, and this once-proud nation had to accept humiliating defeat. An armistice, not a surrender, ended hostilities on November 11, 1918. Lest the Germans change their minds, Britain continued her naval blockade of the German ports and coastline until June of 1919. That meant that many essential foods continued to be scarce, and many Germans, already on a hunger diet most of the war, got no relief for another seven months. Anyone who appreciates how the German people love to eat—there is normally some occasion for pausing to eat every three hours—will know the hardships and short tempers this continued deprivation caused.

Finally, on June 28, 1919, Germany surrendered by signing the Treaty of Versailles at the famous palace outside Paris. One of its clauses, number 231, stated that the war was entirely Germany's fault. The Germans did not believe that, and they protested about the statement for years afterwards, but Germany's representatives had no real choice except to sign. From that it followed that the Allies would impose virtually unlimited reparations to pay for all the damage done in France, Belgium, and elsewhere that the armies of Germany and her allies had invaded.

Germany suffered six million casualties, of whom 1.8 million were killed. These men were the flower of Germany's youth, many of the best minds of the coming generation. What if the United States had lost twelve million men, killed or wounded? Proportionately, that was the loss that Germany suffered. One can sense the imbalance it caused in the next generation.

The Allies dismantled the various kingdoms, banished the Kaiser to Holland, and had Germany set up a republic, the Weimar Republic, which the Germans increasingly disliked and for which they showed diminishing respect. For the next fifteen years two extremes sought to gain power, i.e., the Communists and the military minded, first under General Ludendorf and later under Adolf Hitler. It was difficult for the Weimar Republic to pursue sensible policies under the circumstances,

and perhaps Germany did well to avoid either of the two alternatives for as long as she did. {45}

As soon as the war ended, France and Belgium needed equipment and supplies to restore their war-torn territories, and so requisitioned much of Germany's railroad equipment, all her shipping, and much of her industrial equipment. The terms of the Versailles Treaty also obliged Germany to return Alsace-Lorraine to France and also the Saar Valley pending a plebiscite. These were the locations of some of Germany's best iron and coal deposits and are why both France and Germany have prized Alsace-Lorraine so highly. The Saar was rich in coal.

In short, a once-proud, now humiliated Germany found herself incredibly weakened, saddled with seemingly unlimited obligations, and psychologically demoralized.

Germany's notorious inflation, now about to gather momentum, was primarily a product of this postwar era. One might almost call it a peacetime inflation. Indeed, some of Germany's leading economists, and Dr. Karl Helfferich in particular, insisted that the rise in the price level was owing chiefly to a bad balance of trade situation, not to huge issues of paper money.

The postwar half of Germany's inflation may be divided into five stages: (1) November 1918 to March 1920; (2) March 1920 to July 1921; (3) July 1921 to July 1922; (4) July 1922 to July 1923, and (5) July 1923 to December 1923. Political events substantially influenced economic and especially monetary developments.

In the first stage, from the armistice of November 11, 1918, until March 1920, the Weimar Republic tried to impose taxes but had limited success. The government was unpopular, and the sight of vast amounts of property and money going out in reparations to the victorious Allies lessened people's willingness to cooperate with it. One scaling down of reparations, from 269 billion gold marks to 226 billion (a reduction of \$10 billion), did not help much. Wholesale prices rose sevenfold, or by more than they had during the four and a quarter war years. This already seemed a shocking rate of inflation. True, prices continued to rise in other nations in this post-war period, but not by as much as they rose in Germany.

The second stage, from March 1920 to July 1921, was a period of depression in most nations, but not in Germany. Tax collections con-

tinued unsatisfactory, and the Allies reduced reparations again, this time by 94 billion marks (\$22 billion). Wholesale prices drifted gradually *downward* by about 16 percent. People in the United States and elsewhere began to say that the Germans were bringing their inflation under control and might even restore the mark to its former value. Accordingly, they bought hundreds of millions of marks in order to profit from the expected rise in the value of the mark. These purchases may have dampened the German inflation a trifle. {46}

In the third stage, which lasted a year, July 1921 to July 1922, the sight of outgoing reparations continued to discourage tax payments, so that the government found itself still depending on the printing presses to pay its domestic expenses. The rise in wholesale prices resumed: they went up fivefold in this year. By the summer of 1922 the mark was 400 to the dollar, or about 100 times more than it was in 1914. Tourists could live cheaply in Berlin's best hotels and dine handsomely in her finest restaurants, a situation common to nations in the throes of an inflation.

During the fourth stage, which also lasted twelve months and ran to July 1923, the government relied almost entirely on the printing press to pay its expenses. The public was rapidly losing confidence in the mark. Wholesale prices shot up one thousandfold: what cost 400 marks in July, 1922, tended to cost 400,000 a year later. This was as much of an inflation as the notorious American "continental dollar" suffered in six years of the American Revolution, long regarded as the world's worst inflation on record. And keep in mind, this was a time of peace, not of war. Any merchant who did not constantly reprice his goods soon went out of business for lack of adequate funds to restock his shelves. Businessmen had to pay their employees twice a week, then three times a week, then daily or even twice daily. People turned their money into merchandise as quickly as possible because money's buying power melted away so fast. One Berlin bachelor, allegedly, bought a gross of diapers, not that he needed them, but they were the only merchandise handy and buying anything was better than holding on to money. More and more Germans used dollars, or other currencies, or even locally issued notes for business transactions, because these held their value. The mark was really "kaput" (busted), but the German government had a tiger by the tail and hardly knew how to let go.

The fifth stage of only six months ran from July to December 1923. In August the French army occupied the Ruhr industrial region because the Germans were falling behind in their reparations payments. It was a demoralizing blow to the German people and to the Weimar Republic. Prices spiraled upward into “the wild blue yonder” as small-change banknotes of 100,000 marks (25 cents) in July were succeeded by 1,000,000 mark notes in August (likewise 25 cents), to be followed in time by 1,000,000,000 mark notes in late September and finally 1,000,000,000,000 (one trillion) mark notes in early November. It was taking the efforts of thirty paper mills and 200 printing presses working continuously to produce the money fast enough. The wholesale price level in this final half year increased by about 17 millionfold, and astronomical multiple not easy to imagine. A two-pound loaf of bread cost 428 billion marks, one pound of butter cost 2.8 trillion marks, a newspaper 200 billion marks, and a postage stamp for a simple letter 100 billion marks. This, most of all, was the period when the {47} housewife trundled her money to market in a wheelbarrow and carried home a few vegetables in her handbag. One may ask what happened to the wheelbarrow: is that what she really traded for the vegetables?

There were some bizarre developments during those last two years, and especially in the final six months. If a billion mark note is the equivalent of only about 25 U.S. cents, clearly the nation’s money supply must amount to quintillions of marks—a digit followed by 18 zeros. Yet, believe it or not, a frequent complaint of this final stage was, “There is not enough money.” Harder still to believe is the fact that the complaint was well founded. How could that be? Germans had so completely lost confidence in the mark and thus got rid of their marks so fast that the trade-off value of these quintillions of marks, measured in gold, fell to a fraction of what the trade-in value in gold of Germany’s total money supply had been in 1914. Different authorities cite different fractions—it depends on the day or month selected—but the fraction varies from one-eighth to one-thirtieth.

Likewise, the phrase “hyperinflation” first appeared at this time. Today the word means a rapid growing inflation, but then it had a more specific and quite useful meaning. It meant that the people in the inflating country, the Germans, had less confidence in their paper

money than those outside the country. That meant that the tourists coming to Germany, and buying the marks needed to pay their living and travel expenses, found that the buying power of those marks was much less than they had expected. A suite and fine dinners at Berlin's elegant Hotel Adlon was no longer the basement bargain it had been earlier, but instead cost the buyer in the hundreds of dollars. Normally an inflation-ridden country is a low-cost place to travel and shop because the inhabitants still have more confidence in their money than the foreign exchange operators do. In Germany, at the end, this ceased to be true.

Obviously the whole situation was utterly ridiculous, and something had to be done.

Various Germans claim the honor of thinking up and pushing through the plan that ended the inflation and stabilized the mark. One is Hjalmar H. G. Schacht, Germany's financial wizard. Another is the prime minister of the time, Hans Luther. The inflation could not go on, and the German people were grasping for a solution, any halfway credible one. And that is what they got, to start with. A major problem was Germany's lack of liquid or even credible assets. The Allies were taking these as reparations: that is why the government had to rely so much on the central bank's banknotes.

The first step was to create a new government bank, the Rentenbank, whose capital of 3.2 billion (1914 value) marks was secured by a blanket mortgage against all the industrial and agricultural property of the German people. The current depreciated marks were exchangeable for Renten {48} marks at the rate of 1,000,000,000,000 (one trillion) to 1. Anyone with 500 rentenmarks could buy a bond payable, at maturity, in gold marks. The arrangement was reminiscent of John Law's notorious scheme of twenty years earlier for staving off bankruptcy in France. But whereas Law's program overplayed its credibility and turned into a colossal disaster, the Rentenbank, a stopgap device to revive confidence in German money, served its purpose and was replaced within a year by a gold exchange—gold bullion standard. By way of further help to Germany in 1924, the Dawes Commission of the Allies further scaled down the total of German reparations, put annual payments on a believable basis, and even set a date for their termination.

The question is bound to arise, “Why did the Germans let the inflation go on so long?” An inflation can benefit a variety of classes of people in the short or even intermediate run, although it hurts nearly everyone by the time that it reaches the final galloping stage. Among those who benefited, at least for a time, were the large number of German farmers, many of them in debt, who could now pay off those debts with ease. Then there were the industrial capitalists who borrowed to expand or replace their plants and likewise paid off their debts with ease, if not impunity. The stockholders, or capitalists, were the debtors who gained in this instance. The German government itself, another enormous debtor, virtually wiped out its public debt. Banks and insurance companies are, by their nature, simultaneously creditors and debtors too close to the same degree and thus lack strong motivation to try to end an inflation. German industrialists also liked the low (real) wages that inflation provided, for real wages were chronically falling behind money wages. Also, the inflation discouraged imports because foreign currencies, with which imports had to be bought, cost so much in terms of the depreciating domestic marks (until that final stage). Thus the inflation acted like a protective tariff to German industry. Some speculators were able to turn these times of uncertainty and risk to their advantage and profit. The successful ones displayed their new riches; the unsuccessful ones faded away.

Finally, as mentioned earlier, some leading German economists and government officials could not agree on the cause of the inflation until it reached its last stages. This situation has been common to many of the world’s great inflations. Those in charge at the time don’t want to see the true cause, or even try to conceal it from the public. It is only after the inflation is over, and men are able to view the situation dispassionately, that they agree on what the cause was—an excess of money or an overexpansion of bank credit or both.

An inflation of the magnitude of the German one right after one of the world’s most costly wars was bound to have far-reaching effects on the nation’s economy. Four major interrelated consequences seem obvious. {49}

(1) Probably most important was the fact that the inflation largely wiped out the savings of Germany’s middle classes. Millions of Germans were keenly aware of what was happening and struggled valiantly

but vainly to preserve their savings. One may well ask, “What did they decide was the best ‘hedge’ against the inflation?”

My father, Edwin Walter Kemmerer, a professor of economics at Princeton University at the time, served as a chief economic advisor to the Dawes Commission during the first four months of 1924. The first stage of stabilization was in process at the time. Many Germans were surveying the financial wreckage and asking themselves, “How could I have protected my savings better than I did?” Professor Kemmerer and several of his colleagues decided to make an unofficial survey along just that line. Theirs was not a scientific questionnaire; it was only a simple question put to a variety of individuals over a period of several days with the responses exchanged when the economists met. As he told his economics students at Princeton the next year, the gist of the replies ran like this:

Savings put into bank accounts, life insurance policies, bonds of all kinds, and mortgages just melted away. It was idiotic to leave any money in them. Stocks in corporations were a good “hedge” at first, but as the pace of the inflation quickened, their value no longer rose proportionately.³⁵ Thus, when funds were most needed, the stocks could be turned into only a small amount of cash. Real estate seemed good for a while, but you can’t hide real estate: it’s there for everyone to see, and the governments imposed higher and higher taxes on it. And they put rent controls on apartment buildings. As for collectors’ items like rare coins, stamps, antique furniture, oriental rugs, valuable paintings, or musical instruments, well, you think you are doing well as you watch their prices rise, but when the moment of crisis comes, and you need to sell them to pay your living expenses, most of the buyers vanish, or if there are any around, the negotiations are very unfavorable to the needy seller. There just is not a well-organized market for those kinds of assets. Another possibility is gold, but that just sits there and doesn’t earn a cent of income, although it does hold its value. In those ten years of inflation, especially in those last phases or avalanches of tumbling values, there simply was no way of protecting one’s savings.

To that the questioner would reply, “You are not really answering the question, which was, ‘How could you have protected your savings

35. Some stocks turned out to be quite good a few years later, but for the owner to profit from that price rise, he had to have liquid funds in the meantime, and few persons did.

better than you did?’ Let us admit there was no perfect way, which way was the least imperfect, the best that you might have used?’

“Oh, GOLD!” {50}

The inflation greatly reduced the natural instinct to save that characterizes most Germans, and with some individuals inflation destroyed that inclination altogether. Saving is the key to a rising standard of living; in fact, it is necessary to keep the standard of living from falling. Saving is the first step in the process of capital formation, that is, providing the tools, equipment, and inventory to improve, or at least to maintain, the nation’s standard of living.

(2) The five postwar years of inflation were accompanied by four years of depression with sharply rising unemployment in the closing two stages of the great inflation.³⁶ Inflation and its many uncertainties did not drive away the depression but accentuated it.

(3) Real wages declined noticeably. Prices are normally more subject to change than wages and salaries, which means that in an inflation prices rise faster and take-home pay declines. Add depression and then unemployment to that situation, and a slower or even negative rate of capital formation, and one sees why real wages fell off.

(4) The inflation sharply altered the economic status of millions of people. Many formerly middle and upper-class families, their savings wiped out, were faced with poverty. The families of capitalists and successful speculators, Germany’s “nouveau riche,” not being used to such ample means, led ostentatious, wasteful lives. More and more people adopted the attitude of “What I save I lose; what I spend I have.” The scenario disgusted and outraged those who had lost their standard of living, as well as many who witnessed both the waste of money and the disregard of long-respected principles of good behavior. A growing proportion of the population began to think along communistic lines, and the Communist Party grew in importance. Slowly, about 1923, and later more rapidly, many Germans espoused Naziism to fight off Communism. In the spring of 1933, Adolf Hitler took over as chancellor.

36. Willard Thorp and Wesley C. Mitchell, *Business Annals* (New York: National Bureau of Economic Research Inc., 1926), 217–19.

America's Inflation Today

The reason for this detailed account of an inflation of more than half a century ago, the most notorious on record, is the implied comparison with the United States' nonstop inflation. The American one has its roots in the financial crises of 1933–34, but its most recent eruption began about 1965. What are some of the differences between the German inflation and our own? What are some of the similarities? What, in the final analysis, are the most disturbing aspects of the comparison?

Germany's inflation took place within the space of ten years, 1914–23, whereas the American inflation has gained speed at a much slower rate. Three costly wars have contributed to the American inflation, but not to {51} the same degree as World War I alone did to the German inflation. The United States, unlike Germany, has suffered no colossal losses in manpower, nor been forced to surrender unconditionally, nor accept a new unpopular form of government, nor been subjected to what seemed an unlimited indemnity. The change and disaster took place fairly rapidly in Germany; they have been slower and less noticeable in this country.

There are many similarities. An economic crisis—the Great Depression of 1929–35—laid the groundwork for an inflation, and then World War II and two costly regional wars set it in motion. The trend of the inflation rose, nearly leveled, then rose again, and over the years has gradually gained speed. Like Germany in 1914, the United States is a powerful entity whose physique, so to speak, has been able to withstand a surprising amount of financial abuse.

The American rate of capital formation has fallen off alarmingly—the current 4 percent rate is lower than that in most major modern nations, especially in Germany and Japan. In many segments of the economy where capital is not adequately replenished, this has represented a serious drain on assets and on the country's ability to compete in world trade.

The discouraging fact of unlimited reparations made the Germans unwilling to give up the printing press and to live within their means; the United States' resolve to devote billions of dollars to social welfare and to transfer payments is a commitment that the people are unwilling to curtail drastically. Some say that to do so would bring on a revolution, and neither political party is willing to face that risk.

The United States' abject withdrawal from the Vietnam war did not add to its prestige abroad or to its self-confidence at home. One must emphasize that this situation is only faintly, very faintly, analogous to Germany's World War I defeat.

For the past fifteen years, the American people have not been happy with their President or their federal government. Lyndon Johnson did not stand for reelection. Richard Nixon was forced to resign. Gerald Ford was denigrated as an unelected President and was defeated. And James Carter's standing in the polls is the lowest of any President on recent record.

As in Germany in 1919–23, there are important classes who are indifferent to the inflation or who even favor it. Banks, insurance companies, and many business corporations are indifferent. Labor leaders and many government officials find inflation much to their advantage.

Finally, there is that strange reluctance to acknowledge the basic cause, namely, overissuance of money and overexpansion of bank credit, and then take steps to put an end to the deficit.

For many years, I have compared the German inflation and the American one and concluded that the German situation in 1919–23 was so much {52} worse than any likely to evolve in America that the analogy was not a good one. But within the last two years I have had growing doubts. As savings have declined and cracks have begun to show in our vaunted "industrial might," the nation's competitive position in world trade has worsened. And now, suppose we fall further behind in our military position vis-a-vis the Russians until, in some future confrontation, they threaten us with nuclear annihilation, demand humiliating terms of peace and an enormous *indemnity*? That is essentially the German scenario in 1919. Do we have the courage and vigor to meet a Russian blackmail attempt? Certainly, the American public's reaction to recent developments in Vietnam, Angola, Afghanistan, the "horn" of Africa, Iran, and numerous other crisis points suggests that we might give in and decide that we'd rather be "red than dead."

We live in a dangerous world. As historian Arnold Toynbee has shown in his monumental history, a civilization that does not respond intelligently to significant challenges perishes. The unwillingness of the

American people and of the American government to face the economic and military facts of life is frightening.

THE SECOND GERMAN INFLATION AND DESTRUCTION OF THE MARK (1933–1948)

Hans Sennholz

The Great Depression in Germany provided a fertile soil for the tragic events that were to follow. Under the influence of certain social and economic ideologies, the governments of all Western countries were busily restricting world trade and commerce, and strenuously raising taxes in order to maintain public expenditures. Between 1930 and 1932 the German President issued five emergency orders (*Notverordnungen*) that imposed drastic increases in tax burdens. Old taxes were raised, exemptions abolished, and new taxes piled on old levies. The percentage of public revenue to national income, which in 1928 exceeded 35 percent, rose to 53 percent in 1932. (see chart A below) The disintegration of world trade and finance, the disarrangements and maladjustments caused by previous policies, together with such drastic increases in fiscal burden, bore their bitter fruits.

Economic historians are aware of the startling similarity of the economic policies of the Hoover Administration in the U.S. to those conducted by the Brüning Administration in Germany. Both sprang from similar economic ideologies and yielded nearly identical effects. Today, nearly half a century later, most historians in both countries offer identical explanations. Mainstream economics, which is reviewing and rewriting economic history through Keynesian glasses, lays the blame for the economic disaster on the *deflationary policies* of both administrations. But mainstream literature, so critical of the Brüning policies of 1930 to 1932, is enthralled and enthusiastic about the full-employment policies that characterized the period from 1933 to 1936. We should like to mention in passing that the German director of those contracyclical policies was Adolf Hitler. The manager was Hjalmar H. G. Schacht, whom Hitler reappointed president of the Reichsbank in 1933 and installed as minister of the national economy in 1934. The

intellectual architects were eminent economists, such as W. Lautenbach, H. Dräger, W. Grotkopp, R. Friedländer-Precht, H. Fick, and F. Bischoff. It is unlikely that they were uninfluenced by John Maynard Keynes. But it is a titillating question how these writers and the {54} German revival aided Lord Keynes in his “long struggle of escape” from orthodox economics, of which he reported so eloquently in 1936 in his *General Theory of Employment, Interest and Money*.

**Chart A. German National Income and Government Revenue
(in billions of reichsmark)**

Year	Nat'l Income	Taxes	Percent
1928	71.2	25.2	35.4
1929	70.9	26.6	37.5
1930	64.6	27.1	42.0
1931	52.1	25.3	48.6
1932	41.1	22.0	53.5

Source: *Statistik der Bundesrepublik Deutschland*, vol. 199 (Stuttgart, 1958), 76ff.

1. Full Employment Policy (1933–1936)

In just four years unemployment in Germany declined from 5.6 million in 1932, or 31 percent of the working population, to 1.6 million in 1936, or 8.5 percent. The number of gainfully employed rose from 12.5 million to 17.1 million. The index of industrial production, which is a significant yardstick for economic activity, rose from 58.7 in 1932 to 106.7 in 1936. (1928=100)

This remarkable revival of economic activity was achieved by an ingenious combination of dictatorial methods that greatly lowered the real costs of labor and otherwise reduced business costs. While the previous administrations had significantly raised their tax burdens in order to maintain the government apparatus, the new administration successfully shifted this burden to labor income. Immediately upon assumption of Nazi power, in 1933, all labor unions and associations were summarily abolished. A labor trustee (Treuhänder der Arbeit) assumed power over all collective bargaining and thenceforth kept

practically all wage rates and fringe benefits at given depression levels. Similarly, all employer contributions to social security and other labor funds were frozen or even lowered throughout this period. By force and many other insidious devices to achieve “voluntary” cooperation, the government successfully lowered production costs. This reduction in costs then helped to maintain goods prices despite the deficit spending and currency creation that began in 1933.

The adoption of expansionary credit policies was a gradual process that was hidden in a maze of devious devices. The Reichsbank was prohibited by law from financing government deficits. But it was possible to create and extend credit by special financial institutions, public and private, that were organized for the purpose of circumventing the legal restrictions. Their bills of credit could be freely accepted and discounted by the central bank. Furthermore, these credits and the expenditures they financed enjoyed the advantage that they did not appear in the government budgets and could be used to hide armament spending. In 1933 and 1934 some 4.6 billion marks were thus emitted, an amount which nearly equaled total tax revenues for the Reich in 1933. In 1935 and 1936 it exceeded 8 billion marks. {55}

Chart B. Reichsbank Credit (in billions of reichsmark)

Year	Total	Bills Discounted	Full-Employment Bills
1932	3.448	2.806	1.904
1933	4.037	3.177	1.644
1934	4.977	4.021	2.955
1935	5.358	4.498	3.696
1936	6.108	5.448	4.643

Chart C. Banker’s Bills (Acceptances) (in billions of reichsmark)³⁷

Year	Total	Full-Employment Bills
1932	9.270	—
1933	8.610	—
1934	9.790	2.42

1935	12.700	5.410
1936	15.050	8.320

The government thus created “financial intermediaries” whose acceptances could be discounted by commercial banks as well as the Reichsbank. In particular, it organized the Public Works Corporation (Dentsche Gesellschaft für öffentliche Arbeiten), which specialized in public housing. The Construction and Soil Bank (Deutsche Bau-und Bodenbank) invested in private housing. The Rent and Settlement Bank (Dentsche Rentenbank-Kreditanstalt und Siedlungsbank) extended agricultural credits. And the Transportation Bank (Deutsche Verkehrs-Kredit-Bank) financed transportation investments. A businessman who received a government order would draw a draft on one of these “banks” ordering it, in ninety days, to pay to the order of a person a designated sum of money. The bank would accept the draft, which made it eligible for immediate sale in the open market or to the Reichsbank. Or the bank would have its own bills accepted by other institutions in order to finance the project directly. The Reich government guaranteed it all, promising to repay all bills and acceptances between 1934 and 1938. Long-term financing was then to be made available from government revenues, or the capital market, or repayment by the beneficiaries, e.g., of a loan.

Together with this monetary expansion through short-term instruments came tax reductions that aimed at inducing a revival. The high rates imposed by the Brüning Administration were retained except for those levies a reduction of which would hopefully stimulate employment. Treasury Assistant Secretary for Tax Policy, F. Reinhardt, spearheaded the following reform:

1. As of March 31, 1933, all newly licensed motor vehicles were exempted from taxation. The owners of old vehicles were given the choice of meeting all future registration fees and levies with a lump-sum payment. This measure was eminently successful in stimulating automobile production.

37. Heinrich Irmeler, “Bankenkrise und Vollbeschäftigungspolitik (1931–1936),” in *Währung und Wirtschaft, 1876–1975* (Frankfurt am Main: Fritz Knapp, 1976), 322.

2. All capital replacement expenditures were made fully depreciable during the year they were made. In an economy that evidenced symptoms of “overcapacity” and therefore lacked proper capital replacements, a special stimulation of the capital goods industry seemed to be in order. Also this {56} particular reduction in income taxation proved to be highly successful.
3. A ten percent income-tax credit was granted for renovations and expansions of buildings.
4. All pre-1933 overdue income tax liabilities were cancelled, provided the amount due was invested in renovations, expansions, and replacements.
5. Households employing domestic servants received additional income-tax exemptions for dependents. This measure, which openly aimed at employment rather than redistribution, also had its desired effects.
6. In order to induce some three million women to leave the labor market of six million, loans of 500 to 800 marks were granted upon the establishment of new households. The loans were interest-free and repayable in monthly installments of one percent. Every birth of a child then cancelled one-fourth of the loan. To raise the revenue for this measure higher tax rates were imposed on bachelors.
7. Various other tax rates were lowered to benefit farmers, homeowners, and wholesalers. Employer levies in support of the unemployment compensation fund were reduced as unemployment declined.³⁸

This tax reform, together with the credit expansion mentioned above, produced its foreseen effects. Since it lowered business costs, especially in favored industries, it raised the marginal productivity of labor and thereby stimulated the demand for labor. Hitler recognized the importance of full employment for the victory of his party and the foundation of his dictatorial regime. His “labor battle,” as he called the program, met with the enthusiastic approval of most people.

38. Willi Albers, “Finanzpolitik in der Depression und in der Vollbeschäftigung,” *Ibid.*, 355–56.

2. Financial Policy During Full Employment (1936–1939)

At the end of 1936 German unemployment had fallen below the one million mark, which in those baneful years of worldwide depression meant full employment. The economic expansion together with the wage freeze since 1933 had significantly reduced labor costs, which had brought forth the desired demand for labor. As production expanded while wage rates were frozen the unit cost of production declined substantially, boosting profits significantly. But goods prices began to rise, which prompted the administration in 1936 to impose comprehensive price controls. By 1939, at the beginning of the war, prices had risen merely 9 percent in six years, which in modern terminology would be called a remarkable stability. Of course, the German economy was no longer a market system, but a command order organized for war.

During this so-called “full-employment phase,” labor income is estimated to have risen some 70 percent. Eighteen percent of this improvement is ascribed primarily to longer working hours raising average income. {57}

Fifty-two percent must be attributed to the expansion of employment.³⁹ The freeze of wage rates surprisingly did not generate popular dissatisfaction or create political problems. After so many years of unemployment or underemployment, the population was happy about the opportunity to work and grateful for the job security.

In 1936 the soaring profits led to the only prewar tax boost. The corporate income tax, which heretofore claimed 20 percent of business income, was raised to 25 percent in 1936 and 30 percent in 1937. Revenue from this tax alone quadrupled in four years (from 593 million marks in 1935 to 2.417 billion marks in 1938), which indicates the remarkable rise in corporate profits.

Symptoms of excess demand made their first appearance in 1937. Shortages developed in a number of consumers goods, especially in meats and dairy products. Long waiting lists appeared for many items of housing construction and for tools and dies that were needed in the armament industries. The inexorable laws of the market, officially outlawed by an omnipotent regime, were revealing their effects to anyone able and willing to see, while the government moved ahead on the

39. *Ibid.*, 360.

highways and byways of the command order. It introduced a comprehensive rationing system that allocated essential goods and services according to national-socialistic concepts of merit and adequacy. The distribution of important foods was organized by way of “customer lists,” that is, consumers were requested to register with a grocer for goods allocation and redemption of ration cards and coupons. The sale of important raw materials as well as construction materials and tools and dies proceeded along similar lines. Thus a minutely regimented distribution system resembling that of an army garrison came into existence.

Since 1935 armament expenditures exceeded one-half of all government expenditures. By 1939 they surpassed 75 percent, which meant that the economic expansion did not improve civilian consumption. Under the motto, “Cannons instead of butter,” the government openly asked for sacrifices on behalf of national defense. The Reichsbank under Hjalmar Schacht lent its support by rediscounting armament bills and holding them for a number of years. The private bank that accepted such bills and then placed them with commercial banks or rediscounted them with the Reichsbank was a sham organization, Metal Research Inc. (Metallforschung GmbH) that made its appearance as early as 1933. Its acceptances were guaranteed by the Reich.

After 1938 the monetarization of rearmament debt was supplemented by the issue of tax certificates that enjoyed limited legal tender qualities. Public institutions, such as the nationalized railroads and the postal service, {58} paid 40 percent of their construction orders with “tax certificates” (Steuerzugschienen) that were acceptable for later tax payments. The certificates could also be used to pay subcontractors. One type bore no interest and matured in six months; another type paid 4 percent and matured in three years. Both types constituted not only a new kind of money but also new government debt.

The Reichsbank was to undergo a radical change that made it an integral instrument of government. The banking law of 1924 had created an autonomous central bank that was responsible for the integrity of the mark and the preservation of the gold standard. A law of October 27, 1933, authorized Chancellor Hitler to appoint the Reichsbank president and its board of directors. It also granted the Bank the right to conduct open-market policies. A reform act of February 10, 1937,

then placed the Reichsbank under the immediate command of the Führer und Chancellor and instructed it to attend directly and immediately to the fiscal affairs of the state. The Bank thus became an integral administrative unit of government. And yet, the Bank's board of directors under Hjalmar Schacht showed remarkable courage and independence when, in January 1939, it petitioned Hitler for monetary discipline and restraint: "No central bank can safeguard the currency from the inflationary expenditures of government." This petition, together with other annoying attempts at restraint, led to the immediate dismissal of Schacht and several board members. A new banking law of June 15, 1939, then nationalized the bank and reiterated that thenceforth "the German Reichsbank was to be managed under the supervision of the Führer and Chancellor according to his instructions." The process of Reichsbank integration in the command order that permeated all economic activities had now been completed.⁴⁰

3. War Economy and Inflation (1939–1945)

The German currency now was de facto and de jure a fiat currency, free of any restraint and limitation. It had no ties to gold: political authorities determined its rate of expansion and volume of circulation. The Führer held final authority over all money and credit transactions and, in particular, over the amount the Reichsbank would discount. Thus all preconditions were given for the "noiseless" war financing that was to follow.

The economic command system of 1939 was already a "war economy." It needed no major readjustments or changes, merely a few supplementary regulations. The ration and allocation system was extended to all important {59} consumer goods. The newspapers would announce the available rations of food, such as bread, butter, meat, sugar, etc. For clothing, shoes, bedding, etc., coupons were issued upon application and proof of need. Surely, all allocated goods needed to be

40. B. Schultz, *Kleine deutsche Geldgeschichte des 19. und 20. Jahrhunderts* (Berlin, 1976), 222–50; cf. also C. W. Guillebaud, *The Economic Recovery of Germany* (London, 1939); J. Klein, "German Money and Prices 1932–1944," in *Studies in the Quantity Theory of Money*, ed. M. Friedman (Chicago, 1956); H. Schacht, *Abrechnung mit Hitler* (Frankfurt, 1949).

paid, but the coupon or ration card was the primary authority of purchase. The state, too, needed to pay for all its goods and services. But throughout those years of total war it never suffered from lack of money and purchasing power. Its economic problems had been reduced to the application of persuasion and force for the procurement of labor, raw materials, and facilities of production.

The German government made every effort to pay for most of its war expenditures with tax revenues. The income tax was raised immediately by 50 percent, but not in excess of 65 percent of income. Excise taxes on beer, brandy, champagne, and tobacco were boosted significantly. As the corporation income tax had been raised shortly before the war, it remained unchanged until August 1941, when “war supplements” were imposed. For all manufacturing it was raised once more in March 1942. Dividend payments in excess of 6 percent of capital stock were prohibited.

To absorb private purchasing power and tap more sources of income the state sought to collect future revenue in advance. A decree of July 1942 extracted a lump-sum payment from house owners, equal to ten years of real estate taxation, which was to discharge all future tax obligations. This device, which proved to be very productive of revenue, was presented as an opportunity for a suitable wartime investment that hopefully would induce individuals to spend less and save more.

A decree of October 1941 introduced the “iron savings account” offering certain tax advantages. Every employee could deposit 26 marks of his monthly income with a bank through payroll withholding, and half of his Christmas bonuses up to 500 marks. The account was frozen throughout the war, i.e., it was not transferable, but inheritable. It paid the same interest as other regular savings accounts. The deposits as well as their interest payments were exempt from income taxation and social security levies. He who failed to appreciate the opportunity of this savings program was persuaded through “voluntary force” to open his “iron savings account.” In a similar manner, businessmen were induced to create credit accounts with the Internal Revenue Service through advance tax payments. Furthermore, they were invited to establish “commodity acquisition accounts” with the IRS. Both accounts, blocked for the duration of the war, created tax-free savings that were channeled directly to the government.

The Reich did not overlook the ancient device of extracting subsidies from the occupied countries. Bohemia, Moravia, Poland, and many others had to make war contributions. Even the German states, communities, and public corporations were forced to bear their fair shares. Altogether, the Reich managed to cover approximately one-half of its 1941–42 defense {60} expenditures, or 75.6 billion marks, through taxation (32.3 billion) and other internal revenue (5.6 billion).

Chart D. The Budget of the Reich—Receipts and Outlays (1938–1945)
(in billions of marks)

Fiscal Year	1938–39	39–40	40–41	41–42	42–43	43–44	44–3/7/ 45
Total Outlays	31.8	52.1	78.0	101.9	128.6	153.0	171.3
Nat'l Def.	18.4	32.3	58.1	75.6	96.9	117.9	128.4
Family All.	—	(a)	(a)	4.8	5.5	6.5	8.1
Interest	1.3	1.9	2.8	4.2	5.9	6.6	10.5
Amort'n of Debt and other Obligations	1.0	1.3	1.7	1.9	2.1	1.8	2.8
Total Rev'e	28.8	39.5	57.6	75.0	91.6	96.2	89.7
Taxes & Tariffs	18.2	24.2	27.5	32.3	42.7	38.0	37.5
Cont. by states and com'ties	—	.8	1.4	1.4	1.6	2.0	2.5
Funded debt	7.5	6.6	18.5	22.9	22.0	28.4	21.0
Other rev (b)	—	—	6.1	12.2	18.9	20.3	23.6
Deficit	3.0	12.6	20.4	26.9	37.0	56.8	81.6

(a) Data unavailable

(b) Among others, contributions by occupied territories to occupation costs.

Chart E. Indebtedness of the Reich (1938–1945)
(in billions of marks)

End of Fiscal Year	1938–39	39–40	40–41	41–42	42–43	43–44	44–end of war

I. Total Treasury Debt consisting of	30.7	47.9	86.0	137.7	195.6	273.4	379.8
1. Old Debt incurred before 4/1/24	3.4	3.2	2.9	2.7	2.6	2.4	2.1
2. New Debt	27.4	44.7	83.1	135.0	193.0	271.0	377.7
(a) foreign	1.3	1.2	1.2	1.2	1.2	1.2	1.3
(b) domestic	26.1	43.5	81.9	133.8	191.9	269.8	376.4
consisting of long & medium term	19.6	25.5	43.7	66.9	88.4	115.6	135.4
short term consisting of	6.5	18.0	38.2	66.9	103.5	154.2	241.0
Try Bills	6.1	11.3	21.3	35.1	57.5	88.9	102.7
Acceptances	.4	6.5	14.9	26.0	37.3	61.2	116.0
II. Other Debt (a)	.2	4.2	3.7	4.4	2.1	1.9	2.0
III. Private Bills guaranteed by the Reich	11.9	11.4	10.8	10.1	9.5	8.8	8.1

(a) Tax credit certificates, production and supply debt, armed services certificates

Source: *Statistisches Handbuch von Deutschland* (Munich: Länderrat of the American Occupation Zone, Munich, 1949), 555. {61}

Despite all efforts at extracting revenue from every conceivable source, huge deficits remained and grew bigger during the later years of the war. And once again the Reichsbank was called upon to grant short-term assistance through the purchase of Treasury bills. Its printing presses were rolling. But simultaneously the fiscal authorities developed an ingenious method of finance that noiselessly converted a large share of Reichsbank debt and currency to middle and long-term debt. This method made all government appeals to public patriotism superfluous, and eliminated all public campaigns and drives for the subscription of war bonds and notes. The government simply placed its medium and long-term obligations with the financial institutions that were accumulating the savings, i.e., with commercial banks, savings

banks, credit unions, and insurance companies. As the quantity of available consumer goods was shrinking throughout the war, making way for greater armament production, a rising share of personal income no longer found real goods and therefore was saved. Upon deposit of these savings with financial institutions they were immediately invested in medium and long-term obligations of the Reich.

The public was hardly aware of this “noiseless” war financing. The gradual impoverishment was accompanied by a rapid growth of savings that were generally mistaken for rising personal wealth. After all, everyone could watch his bank balance grow steadily, promising better living conditions in the future. Many bought new life insurance or greatly increased their coverage. Of course, those funds, too, were channeled directly to the treasuries of the Reich. When an insured amount was payable in case of death, it was deposited in a bank that would lend it to the Reich. The government thus managed to place almost one-half of its obligations in financial institutions. But unfortunately, national savings were smaller than the government demand for medium and long-term loans, which necessitated Reichsbank financing of the balance through discounting of Treasury bills. The quantity of Reichsbanknotes therefore continued to rise.

**Chart F. Emission of Reichsbanknotes
(in billions of marks)**

End of March	
1933	3.520
1936	4.267
1937	4.938
1938	5.622
1939	8.311
1940	12.176
1941	14.188
1942	19.774

1943	24.697
1944	33.792
1945	56.400

Source: B. Schultz, 246 (cf. note 40). {62}

As can be seen from the table, the quantity of Reichsbanknotes doubled between 1933 and 1939. During the first two years of the war it rose by only 6 billion marks. Thereafter it rose very quickly. From 1941 to 1944 it more than doubled, and doubled again during the last twelve months. The total quantity at the end of the war can only be estimated. Some sources set the amount as 65 to 70 billion, others even higher.

The credit expansion by commercial banks kept pace with the Reichsbank note emission. Their total liabilities rose from 50.1 billion marks in July 1936, to 276.8 billion in September 1944, of which 97.2 billion were time deposits. Their assets consisted of Treasury bills and acceptances soared from 7.3 billion to 90.5 billion, market instruments and participations from 8.2 billion to 76.6 billion, and other loans from 12.9 billion to 63.1 billion.⁴¹

Contrary to all principles of economics, this vast expansion of money did not lead to higher prices. The state with its awesome power and coercion “stabilized” the purchasing power of money through stop orders and rationing systems. Daily spot checks of prices, followed by public prosecutions and severe punishments, brutally defended the price structure. Wages were permitted to rise by a mere 2 percent in almost six years of war effort. However, total labor income rose by more than 50 percent on account of the growing labor force and the longer workday. A decree of December 12, 1939, lengthened the permissible workday to ten hours.

A rising share of personal income no longer could buy anything and therefore was tramping about the economy. A “money surplus” came into existence that defied all government efforts at capture by the bank deposit system or the life insurance method. It formed the demand component of the “black market” that slowly grew in importance. Consumers goods became available without coupons and ration cards at

41. B. Schultz, *Ibid.*, 246–47.

higher prices and with “Vitamin C,” i.e., “connections” (in German popular usage, “Vitamin B” for “Beziehungen”). Severe fines and sentences failed to suppress the budding markets.

Toward the end of the war the Allied bombing of German cities with its massive destruction of housing actually fomented the disarrangement of the monetary command order. The damage to personal property led to the withdrawal of more and more savings in order to replace the losses of furniture, household effects, clothing, etc. These funds were searching, often desperately, for real goods and, when none could be found through official channels of distribution, appeared on the black markets. Similarly, the “compensation funds” that were paid promptly for damages suffered often found their way to the black markets.

By 1940 the old coinage consisting of silver, nickel, and copper began {63} to disappear. But before a great deal could find its way into private hoards the government was quick to replace the old coins with its own substitutes. The Rentenbank, which in 1923 had facilitated the currency stabilization, was reactivated and issued 1 and 2 mark notes replacing the silver coins. The 50 pfennig coins were made of aluminum, and the 10, 5, and 1 pfennig coins of zinc. Hoarding of old coins was made punishable with fines and imprisonment.

The growing flood of paper money and the mountains of aluminum and zinc coins were further supplemented by special issues of paper fiat with limited legal tender. In the occupied countries and territories the armed forces issued at least three additional types of notes: “credit certificates” that were provided by a special bank, the Reichskreditkasse, “auxiliary media of payment,” and “clearing notes” which the armed forces created and issued without banking assistance.⁴² During the final months of the war, when money shipments were severely disrupted or completely prevented by air raids, the resulting shortages were alleviated through the issue of “emergency money.” Reichsbank branches in Salzburg, Graz, and Linz simply manufactured photo copies of 10, 50, and 100 Reichsbanknotes and emitted them in Austria and southern Germany with full legal tender quality. Many of these

42. For a discussion of the inflation in occupied countries, see A. J. Brown, *The Great Inflation 1939–1951* (London, 1955), 28ff.

notes were printed only on one side. Other branches in northern Germany issued their own “credit certificates” or those of the Reichskreditkasse that were meant for occupied territories. The Provincial Bank of Saxony created its own notes for circulation in the east. And many cities and communities in the southwest desperately printed primitive substitutes that took the place of the Reichsbank paper lost in transport from Berlin.⁴³

The monetary disintegration paralleled the military collapse of Germany. Through conquest and capitulation the Reich ceased to exist. Its money lingered on for three more years, together with coupons and ration cards, until it was swept away along with so many other traces of the Reich.

4. Monetary Conditions During Occupation (1945–1948)

The chaos in money and banking that had spread over Germany during the last months of the war had a paralyzing effect on all economic life. It is difficult to estimate the great depth of the collapse. But it is probably no exaggeration to state that individual income in terms of purchasing power did not exceed 10 percent of prewar income. By 1947, two years after the war, when economic production had been redirected toward consumers goods and millions of former members of the armed forces and more millions of refugees had joined the production process, national income {64} was estimated at barely one-half of the 1936 income.⁴⁴ But the quantity of money in the broader sense had grown more than sixfold, i.e., from less than 50 billion marks to some 300 billion (notes 70 billion, savings accounts 125 billion, and other bank accounts 100 billion).⁴⁵

In 1945 and 1946 the Allied occupation forces added some 12 billion “military marks” in denominations of ½, 1, 5, 10, 20, 50, 100, and 1000 marks. They were equal to those issued by the Reich, and were used for

43. Cf. G. Schmolders, *Geldpolitik* (Tübingen and Zurich, 1968), 344ff.

44. F. Grünig, “Die Wirtschaftstätigkeit nach dem Zusammenbruch im Verleich zur Vorkriegszeit,” in *Die deutsche Wirtschaft zwei Jahre nach dem Zusammenbruch* (Berlin: Deutsches Institut für Wirtschaftsordnung, 1947), 70.

45. Karl-Heinrich Hansmeyer und Rolf Caesar, “Kriegswirtschaft und Inflation (1936–1948),” in *Währung und Wirtschaft*, 418.

the payment of troops and civilian employees. When the 20 mark note became the object of massive counterfeiting, it was withdrawn from circulation.

The military government raised all tax rates to extraordinary levels, in particular, the individual and corporation income taxes, property and estate taxes, all excises and sales taxes. Law number 12, for instance, imposed progressive income tax rates of up to 95 percent. The top rate applied to annual incomes of 60,000 marks and higher, which at prewar exchange rates were worth \$14,285. On the free money markets in Germany as well as in neighboring countries the U.S. dollar was selling at 200 marks and was rising. When calculated at these exchange rates the 95 percent income tax rates applied to all annual incomes of \$300, or \$25 per month. But few Germans admittedly earned such high incomes under the wage-control system.

The fierce taxation by the Allies reflected, among others, their growing concern about the monetary situation. Surely, they could have continued to issue “military marks” until the German population as well as the occupation troops would have shunned them in a flight from all fiat monies, like that in 1923. But in 1946 and thereafter, the Western Allies chose to stabilize the situation by refraining from expanding the money quantities much further. Henceforth Allied troops were paid in their own national currencies, and military marks were issued sparingly upon special request only. Allied expenditures were borne by the Allies themselves or were covered by the revenue that flowed from German taxation. For the fiscal year 1946–47 they reported with pride that the occupation budget was in balance.⁴⁶

Soviet Zone Currency

And yet, the mark continued to depreciate, and the black markets assumed an ever greater role in the daily lives of the people. A number of {65} factors contributed to this ominous development that gave the postwar period its most significant characteristics.

The Soviet Union had been in possession of duplicate American plates of the military marks since April 1944. By the time the Soviet armies entered Germany they were supplied with large quantities of

46. B. Schultz, *Kleine deutsche*, 252.

Russian-made marks, which they were spreading “like fall leaves over the country.” Many billions of marks were distributed by handfuls with rations to millions of Russian soldiers, a forgotten story related in Vladimir Petrov’s *Money and Conquest* (1967). And yet, their impact on the German economy must not be overstated. There was no market economy in which money could be freely exchanged for economic goods. But even if there had been such a system, the communist troops neither traded nor bargained for whatever they needed or desired, nor did their victims who, fearing for life and limb, made themselves appear even more wretched than their communist conquerors. Well-to-do Germans—especially businessmen, capitalists, and landowners—were escaping to the Western zones, leaving behind everything they could not carry. The poor people who would not or could not make the hazardous trip across the zone border were hiding their few belongings. In short, under communist occupation few Germans traded voluntarily with their masters. Even fewer Germans sought to deal with them illegally. To be dubbed a black marketeer had been dangerous under Hitler; it was fatal under Stalin.

The black market that nevertheless came into existence in Berlin and at the Soviet Zone border was created primarily by Allied occupation troops, civilians, and displaced persons. Russian soldiers with satchels of military marks were eagerly seeking American consumer goods, especially cigarettes, clothing, watches, jewelry, and anything the American GI was willing to exchange for military marks. The Russian soldier thus acquired a pair of boots, a Mickey Mouse watch or two, while the American soldier received many thousands of marks, which he then converted into thousands of U.S. dollars through the medium of United States finance offices, and then invested in a beautiful home with swimming pool, back in Florida. The U.S. Treasury, and ultimately the American taxpayers, financed it all.

Some of those Soviet marks undoubtedly found their way into the Western zones. Here, the end of the war had brought a radical readjustment of outlook from mere survival under wartime conditions to a new life aimed at restoring and rebuilding individual lives and economic well-being. The German veteran who during the war had been occupied solely with the daily task of survival had completely ignored his “iron savings account.” But now he was eager to withdraw his sav-

ings to rebuild his economic life and make plans for his future. When official channels of distribution failed to provide the desired economic goods, his funds often turned to black markets. {66}

The situation was similar with every enterprise eager to repair and rebuild, resume operations, or just readjust from armament production to peacetime manufacture of consumers goods. They all scrambled for liquid funds in order to finance the new beginning. In most cases the black markets offered the only opportunity.

Other changes also gave encouragement and support to the black markets. No matter how severe the Allied law enforcement may have been, its fines and penalties of black market misdemeanors did not compare in severity with the punishment of economic crimes by the Nazi regime. Also, there were no more Nazis who would inform the authorities of illegal economic activities. Without much danger of informers and spies practically everyone felt free to resume his economic existence, to which the black markets could contribute so much. And finally, the fierce taxation imposed by the military government gave great impetus to black-marketeering. It led to massive tax evasion and thus created “hot monies” that had nowhere to go but to the black markets.

Despite all controls, ever more consumers' goods found their way from the official distribution system to the markets, where prices were much higher. In 1948 the flight into real goods began to accelerate. Nearly everyone now sought to convert as much money as possible to real goods in order to escape confiscation or cancellation through the expected currency reform. An American cigarette cost 6 to 10 marks, a pound of coffee 400 to 600, and a radio 3,000 marks. It was often difficult to find such marketable goods, as the merchants themselves were hoarding them in the hope of selling them some day for better money.

Nearly all coins disappeared from use in exchange. Their metallic value as pieces of aluminum and zinc began to exceed their purchasing power as money. And it was commonly assumed that a currency reform would not immediately provide a new coinage, and therefore would temporarily retain the old one with new purchasing power. Therefore, postage stamps, trading stamps, and other pieces of paper served to make change while the people were clinging to their coins. No picture could depict the wretched conditions of 1948 more vividly

than that of a wretched individual guarding his hoard of small pieces of aluminum and zinc.

While the monetary order was gradually disintegrating, a particular commodity emerged as the most marketable good, serving as the favorite medium of exchange: the American cigarette. The Allied troops used it in their dealings with the population, and the Germans among each other. It could render all monetary services and as such could take its place as “cigarette currency” in most economic exchanges. It even served as the unit of calculation because its exchange value remained remarkably stable despite massive shipments from the U.S. After all, it would serve as medium of exchange just once or twice and then be withdrawn from {67} circulation through consumption. It was an expensive currency, but more dependable and honest by far than the various issues of government fiat. It was a free currency, free of all government regulations and controls that were throttling economic life and hastening economic disintegration.⁴⁷

The Allied government helplessly watched official industrial output fall to 20 percent of the 1938 capacity and the shortage of consumers’ goods reach catastrophic proportions. It reacted in a fashion that may be typical for military minds: it enforced with vigor and severity the Eisenhower Proclamation Number 1 that had rigidly fixed all prices at the May 8, 1945, levels. It laid the blame for the economic disorder on the Reichsmark inflation and, with self-righteous condemnation, indicted the “economic immorality” of the people who were traveling about the countryside in search of black market supplies. It never occurred to the mighty authorities that their Proclamation Number 1 and the continuation of Nazi economic controls were the primary causes of the disaster. Instead, they set out to launch ambitious “reeducation programs” and, on June 21, 1948, conducted a comprehensive currency reform.

5. The Currency Reform of 1948

For the man in the street the currency reform, which the Western powers decreed suddenly and on their own without cooperation of the

47. Cf. G. Schmölders, “Die Zigarettenwährung,” in *Kölner Universitätszeitung* (1947), vol. 5, 70.

Soviet Union, signaled a new beginning, the dawn of a new economic era. For an economist it was the command order's final operation that proved to be successful only because the German authorities under Ludwig Erhard simultaneously conducted an economic reform. They restored the freedom of markets and thus gave free play to the inexorable laws of human action. It was the competitive private property order that gave new hope and instilled new life that was to surprise the world as "the miracle of German recovery." The Allies watched the economic reform with great anxiety and misgiving. In fact, General Lucius D. Clay, the Allied director for economic policy, sent a stern memorandum to Ludwig Erhard, the provisional German director, reminding him that the economic edicts of the military government could not be altered without prior permission. Professor Erhard's courageous answer deserves to be repeated again and again: "I did not alter your controls, I abolished them."⁴⁸

On Saturday, June 19, 1948, the military government announced three laws on the reorganization of the currency system: a Currency Law, an Emission Law, and a Conversion Law. The first two became effective the following Monday, the latter one week later.

The Currency Law established the deutsche mark as the only legal {68} tender currency and voided all other issues. In exchange for old marks each resident received 60 deutsche-marks, of which 40 were paid immediately and 20 marks within two months. In order to avoid duplications and other irregularities, the ration card agencies were entrusted with the distribution of the head money. All old money had to be deposited in a banking account. Businesses received an advance of 60 deutsche-marks per employee. State and local governments were allotted an amount equal to their average monthly revenue. The military government allocated some 12 percent of the new issue to itself.

The Emission Law gave sole authority for the issue of notes and coins to the Bank Deutscher Länder. It imposed neither reserve requirements nor redemption obligations. The maximum amount of deutsche-mark issue was set at 10 billion.

48. Volkmar Muthesius, *Augenzeuge von drei Inflationen* (Frankfurt am Main), 1973, 111.

The Conversion Law provided for a conversion of all reichsmark deposits with financial institutions. The basic exchange rate of old reichsmarks to new deutsche-marks was set at 10 to 1. Half of the converted amount was placed in “free accounts” and made available for immediate withdrawal. However, the “free amount” was subject to a ceiling of 250 DM for individuals and families and of 500 DM for businessmen and professional people. Greater amounts required review and authorization by the Internal Revenue Service, which sought to trace and tax retroactively illegal income from black-marketeering and other unauthorized economic activity.

Half of the converted amount remained frozen temporarily. Four months later, in October 1948, 70 percent was voided, 20 percent set free, and 10 percent made available for certain investments in middle and long-term obligations. In final analysis, therefore, 100 reichsmarks deposited in financial institutions were converted to 6.5 deutsche-marks.

Bank deposits owned by public institutions were voided summarily, e.g., those of the military government, the states and their subdivisions, the nationalized railroad and postal service. They received an original allocation mentioned above. The Conversion Law voided all Reich obligations and interbank deposits, but granted new government obligations, a cash reserve, and some capital stock to all financial institutions, thereby providing the necessary assets against new deposit liabilities.

All other debt obligations were converted at a ratio of 10 to 1. That is, all creditor claims were reduced by 90 percent. But in order to avoid any debtor profits from such a conversion, debtor obligations were reinstated fully in new marks, of which 10 percent was payable to the creditor and 90 percent to the German government. Legislation that followed in September 1948, imposed the 90 percent levy for purposes of “equalization of war burdens” (*Lastenausgleich*).⁴⁹ In short, 1,000 DM of an old ten {69} thousand mark mortgage were payable to the creditor and 9,000 DM to the German government. The same conversion ratio applied to all corporate bonds, debentures and notes, annuities, and other financial obligations of private institutions.

Wages, salaries, rents, pensions, and other recurring obligations were not converted. Similarly, obligations of partnership, inheritance, and

divorce, between marriage partners, parents and children, and social security contributions and benefits—all remained unaffected.⁵⁰

The deutsche-mark thus ventured upon its journey. In a conspicuous send-off and for lasting support the military government substantially reduced its tax levies. For lower income brackets the tax rates were cut in half, while a steep progression was retained for higher brackets. The levy on annual incomes of 30,000 marks, for instance, which heretofore had claimed 18,803 marks, or 63 percent, was reduced to 14,418 marks, or 48 percent. The corporation income tax was set at a uniform rate of 50 percent. Excise taxes on luxury items remained at prohibitive levels, e.g., 15 DM (\$3.57) on a pound of coffee.

A discussion of the currency reform of 1948 would be grossly deficient if no mention were made of the reform conducted by the Soviet military government in East Germany. In contrast to that in the West which brought forth an entirely new currency system, the Soviet reform merely reduced the stock of notes and coins and devalued certain bank deposits at various rates. This does not mean that the Soviet reform was less severe than that in the West. In fact, all bank accounts in the Soviet zone had been blocked since the summer of 1945. It is interesting to note that the Western German reform caught the Soviet authorities by surprise. They nevertheless conducted their ten to one exchange within a few days after the Western reform by attaching validation coupons to old Reichsbanknotes.

The Soviet government sought to extend its reform to West Berlin, which was occupied and governed by the Western powers. When they rejected the Soviet plan, the Soviets reacted strongly. They proceeded to enforce a blockade of West Berlin with its Allied garrisons and 2.5

49. Between September 1948, and August 1952, Allied and German legislation established an “equalization of war burdens fund” that was to compensate refugees and victims of war damages. It paid a bonus to those owners of bank deposits, debt instruments, and life insurance contracts who were holding them since 1939 and earlier. For them the bonus improved the conversion ratio to 2 DM for 10 reichsmark. All profits from debt conversion were assigned to this fund. In addition, the equalization laws placed an indenture of 50 percent of market value on most personal and real property. It was payable over thirty years and carried an interest of 4 percent.

50. Hans Möller, “Die westdeutsche Währungsreform,” in *Währung und Wirtschaft*, 433–83.

million inhabitants, with the intention of driving out the Western powers. The prompt answer of the West was a counter-blockade of the Soviet zone and an airlift for the supply of Berlin. For fifteen months of confrontation {70} American planes supplied the beleaguered city with needed food, fuel, and raw materials.

* * * * *

The currency reform of 1948 was probably the most comprehensive and incisive reform in the history of fiat money. In the ideological and institutional setting of its time it was welcomed by all. After all, a flight from the fiat reichsmark had begun and several money substitutes were taking its place. Once such a flight is under way, it tends to accelerate until in a mass stampede the currency is extirpated entirely. When a currency is irreparably damaged, like the German reichsmark of 1948, it must be replaced as soon as possible with other media. This, then, raises all the problems and issues of a new beginning which a currency reform is to facilitate.

The Western Allies chose to reestablish another national fiat system with legal tender force. It proved to be rather successful in the eyes of most contemporaries because Professor Erhard and his German colleagues provided the free-market setting in which the deutsche-mark began to function satisfactorily. But it raises the gnawing question of how it would have functioned under the strictures and limitations of a command order as it was established first by the Nazi regime and then reinforced by the Eisenhower Proclamation. Would such a setting not have necessitated more currency reforms in order to reduce again and again the growing quantity of money to the given supply of economic goods?

Surely, the military government with its undisputed powers over the vanquished nation could have chosen several other alternatives of reform. When the Allied armies entered Germany, they could have repealed all Nazi regulations and controls, which would have restored the competitive market order and given rise to an immediate miracle of German revival. Goods prices would have soared and the reichsmark would have fallen. But it probably would have “stabilized” with much lower purchasing power, provided the military government refrained from emitting its own military marks. In fact, it is likely that after a few months of doubt and uncertainty, the shrunken mark would have

become exceptionally hard, as there was no Reich to inflate it. By now, in 1979, after many years of worldwide inflation, it could have been the most reliable currency in the world.

There were other intriguing alternatives of reform. The military government could have freed all economic activity from Nazi restraints and controls and continued to issue generous quantities of military marks. It could have repealed the Nazi foreign exchange controls and freed the foreign exchange markets, which in time would have brought large quantities of U.S. dollars, British pounds sterling, and French francs to Germany. In a massive flight from the depreciating reichsmark the Germans would have used these other currencies as their money. It is reasonable {71} to assume that the U.S. dollar would have become the most important currency in Germany. And now, in 1979, the U.S. dollar probably would have had a sister currency, the German “thaler.”

In a nineteenth-century setting, the conqueror would have repealed immediately all government controls and regulations, outlawed all paper issues, and permitted only gold and silver coins with his emblem to be minted. After a short transitional period in which monetary substitutes such as cigarettes and coffee would have facilitated economic exchanges, large quantities of gold and silver coins would have entered Germany from abroad, or been minted in huge quantities by the smelters of gold and silverware. A high purchasing power of coins would have made it most advantageous to reprocess objects made of gold and silver in order to create the needed currency.

If the Austrians had conquered Germany and Austrian economists had conducted the reform, they would have proceeded along similar lines. In his great classic, *The Theory of Money and Credit*, Professor von Mises described how he would conduct a reform in “Ruritania.” He would ban all money printing and permit gold to be traded freely. He would, once the market price of gold had been found, adopt this price as the new legal parity of the mark and secure its unconditional convertibility at this parity. A new “conversion agency” would sell gold bullion to the public against paper marks and buy any amount of gold offered at the legal parity. Thereafter, transition from this gold bullion would be achieved by an exchange of the mark notes for newly minted coins.⁵¹

When pressed for his proposal of a currency reform, this writer must confess that he would have conducted the simplest reform of all. He would pass no reform law, seek no conversion or parity, and offer no government cooperation. He would merely cease and desist from interfering with the inalienable rights of man. In particular, he would have restored immediately all economic freedoms and repealed all legal tender laws. The freedom to trade and hold gold, the freedom to use gold in all exchanges, and the freedom to mint coins would have brought forth the ideal currency to which all others could repair.

Of course, all such deliberations are idle speculations of an armchair economist. The victors of World War II chose to replace a defunct fiat currency with a new fiat system. It cannot surprise us, therefore, that the old forces of inflation and depreciation are gnawing again at the purchasing power of the deutsche mark. Since 1948 it has lost almost one-half of its exchange value. Surely, in comparison with so many other decaying national currencies it has performed rather well. But when compared with gold, man's money of the ages, it is a pitiful ersatz.

51. Ludwig von Mises, *The Theory of Money and Credit* (Irvington-on-Hudson, NY: Foundation for Economic Education Inc., 1971), 435.

LUDWIG ERHARD AND THE GERMAN ECONOMIC “MIRACLE”

Bruce Bartlett

In 1945 the last of the Nazi resistance in Germany collapsed, and the country came under Allied military occupation. Even before the final surrender, the Allies had realized that one of their most difficult problems would be what to do with the German economy. At the Second Quebec Conference in September 1944, both Franklin Roosevelt and Winston Churchill agreed to a program for “eliminating the war-making industries in the Ruhr and in the Saar... looking forward to converting Germany into a country primarily agricultural and pastoral in character.” This became known as the Morgenthau Plan, after the American Secretary of the Treasury Henry Morgenthau, who most strongly promoted it.

On the face of it, the very idea of turning a highly industrialized and heavily populated country like Germany into a nation of peasant farmers is absurd. Later, Roosevelt himself had to admit “he had no idea how he could have initialed this; that he had evidently done it without much thought.”⁵² Unfortunately, even after the Morgenthau Plan’s repudiation, following a strong critical reaction from the public and the press, the idea of de-industrializing Germany remained an Allied policy.

At the Potsdam Conference in July 1945, the question of the German economy again came up. It was decided to limit German industrial capacity to 50–55 percent of the 1938 level, or to approximately 65 percent of that of 1936. Later this level was raised to the full 1936 level in the American and British zones (Bizonia), but in the meantime German productive capacity was only 60 percent of that of 1936, and actual production only 39 percent that of 1936.⁵³

52. Henry L. Stimson and McGeorge Bundy, *On Active Service in Peace and War* (New York: Harper & Bros., 1948), 581.

Repressed Inflation

The German economy continued to languish throughout 1946 and 1947, unable to begin recovery because the Allies had retained virtually the entire economic control system of the Nazis. This was partly because they could not come to any agreement about what to do with the economy and chose to maintain the status quo until they could. It eventually proved {73} impossible to reconcile Western aims with those of the Soviet Union, resulting in the division of Germany into East Germany and West Germany. Following this split, the main reason for retaining the controls was that as a result of continuous monetary inflation by the Nazis, the reichsmark had become virtually worthless. The Western powers hoped that if controls were continued, the economy would keep operating.⁵⁴

This curious phenomenon of direct control over all wages and prices combined with rapid monetary inflation has come to be known as repressed inflation. Unfortunately, by combining the bad effects of both inflation and state planning, it is far worse than either one by itself. It doubly distorts supply and demand by not allowing the price structure to reflect changes in the value of the currency caused by inflation, on top of the normal distortions caused by the planning and the inflation. The ultimate and certain result is regression to a barter economy, and that is precisely what happened in Germany.⁵⁵

Companies that wished to stay in business had to hire specialists called "compensators." It was their job to barter what the company made for what it needed. Consequently, this was often a very long and involved process, since many intermediary transactions often had to be made. The result was that tremendous time and expense was wasted obtaining things which formerly could be gotten almost immediately.

53. Ludwig Erhard, *Prosperity Through Competition* (New York: Frederick A. Praeger, 1958), 10–11.

54. See Nicholas Balabkins, *Germany Under Direct Controls* (New Brunswick, NJ: Rutgers University Press, 1964); Henry Hazlitt, "The German Paralysis," *Newsweek* (April 21, 1947), 82; John Davenport, "New Chance in Germany," *Fortune* (October 1949), 73.

55. Wilhelm Roepke, "Repressed Inflation," *Kyklos*, vol. 1 (1974), fasc. 3, 242–53.

This created a terrible drag on the already depressed economy, needless to say.

Soon workers and employees also insisted on being paid in kind. They then bartered the commodities they received for those things they needed. A further consequence was that workers no longer had any incentive to earn more money than was necessary to buy the few rationed goods they could get each week at artificially set prices. It was necessary to have a job in order to get ration cards, however, so that workers got in the habit of coming to work only three or four days a week. Their additional spare time could then be spent working in a garden, making articles for barter, or operating in the black market.

Currency Reform

Finally, even this pseudo-market collapsed. As one observer noted, the economy became “organized along lines such that the self-interest of individuals and firms was strictly opposed to the common interest. Working at a regular job was the least profitable occupation, and mere survival necessitated breaches of the law. By the middle of 1948 the economy {74} had reached a state of paralysis resulting in near-starvation for a large part of the population.”⁵⁶

Fortunately for Germany, Ludwig Erhard had been appointed Director of the Bizonal Economic Administration. Erhard was a strong and vigorous believer in the free market, and he intended to give it a chance. At the height of the crisis in June 1948, he offered a bold and far-reaching plan for reviving the economy which combined radical currency reform with complete abandonment of economic controls.

The currency reform was set to take place in the British and American zones on June 20, 1948. The heart of this program would be a reduction of the money supply by 90 percent and issuance of a new deutsche mark which would retain its value and not be inflated into worthlessness. As the date for implementation of the currency reform drew close, the country grew apprehensive and the economic crisis seemed to grow worse, while socialist critics raised their voices in condemnation of the plan.

56. F. A. Lutz, “The German Currency Reform and the Revival of the German Economy,” *Economica* (May 1949): 122.

On June 19, a Saturday, most retail shops were empty. On June 21, as if by magic, the shops were full again. Two Frenchmen, Jacques Rueff and Andre Piettre, dramatically recorded this overnight miracle:

The black market suddenly disappeared. Shop windows were full of goods; factory chimneys were smoking; and the streets swarmed with lorries. Everywhere the noise of new buildings going up replaced the deathly silence of the ruins. If the state of recovery was a surprise, its swiftness was even more so. In all sectors of economic life it began as the clocks struck on the day of currency reform. Only an eyewitness can give an account of the sudden effect which currency reform had on the size of stocks and the wealth of goods on display. Shops filled with goods from one day to the next; the factories began work. On the eve of currency reform the Germans were aimlessly wandering about their towns in search of a few additional items of food. A day later they thought of nothing but producing them. One day apathy was mirrored in their faces while on the next a whole nation looked hopefully into the future.⁵⁷

As Erhard himself noted the phenomenon, "Until the currency reform our economy was like a prisoner-of-war camp; the inmates were partly kept by the Allies.... On the other hand the barriers fell with striking speed as soon as the prisoners' camp was given a working currency."⁵⁸

The Free Market

The reform was still only half complete. The vast entanglement of state controls still had to be swept away for the currency reform to work. Behind {75} the scenes this was not an easy thing to do, for Germany was still under occupation and virtually everything the Germans did had to have prior approval from the Allies. A further difficulty lay in the election of Britain's first socialist government at approximately this time. As a result of this, the British attempted to spread their socialist policies into their zone of occupation as well.⁵⁹

57. Quoted in Erhard, *Prosperity*, 13; see also Jacques Rueff, *The Age of Inflation* (Chicago: Henry Regnery, Gateway Edition, 1964), 86–105.

58. Ludwig Erhard, *Germany's Comeback in the World Market* (New York: Macmillan, 1954), 21.

59. Erhard, *Prosperity*, 12.

Together with General Lucius Clay, the American High Commissioner in Germany, Erhard devised a plan to get around the bureaucracy. As Erhard later put it: “It was strictly laid down by British and American authorities that permission had to be obtained before any definite price changes could be made. The Allies never seemed to have thought it possible that someone could have the idea, not to alter price controls, but simply to remove them.”⁶⁰

This is exactly what Erhard did, and with a single stroke unleashed the German economy. The results soon proved the wisdom of both this action and the currency reform. The following table, for example, shows an increase in production of 53 percent in the areas covered by the reforms between June and December 1948:

Index of Production⁶¹
(1936=100)

April	53	September	70
May	47	October	74
June	51	November	75
July	61	December	78
August	65		

By 1949, the production index stood at 143 percent that of 1948. Throughout the next two decades Germany continued to have one of the highest growth rates in the world.

The Marshall Plan

Needless to say, those who did not wish to give any credit to Erhard’s free-market policies soon began offering their own explanations for Germany’s phenomenal recovery. The most popular among them is that the Marshall Plan did it all. However, Erhard himself has observed that “imports of raw materials under the Marshall Plan did not start until the end of 1948, but the economy experienced a sudden accelera-

60. *Ibid.*, 14.

61. Lutz, “German Currency Reform,” 132.

tion the moment competition started again and the social market economy was introduced."⁶² {76}

Since so many people use the Marshall Plan as an example of how foreign aid can be used to help so-called underdeveloped nations, it might be wise to note that the economies of Western Europe did not have to be developed, but merely restored. The people there had already developed the faculties, motivations, and institutions favorable to development for centuries prior to World War II.⁶³ Wilhelm Roepke, the famous German economist, further remarks:

Whether the Marshall Aid actually initiated economic recovery depended on whether it was used by the recipient country for changing its internal economic and monetary policies to create a solvent national economy once again.... Moreover, the principle according to which the aid was distributed, i.e. the principle of using the deficit of the balance of payments of the country in question as a measure of need, was not exactly conducive to bringing about a prompt change of national policies which, because they were unsound, were predominantly responsible for those deficits.... Our conclusion must be that Marshall Aid was a helpful auxiliary, perhaps even a necessity, but not a sufficient condition of European recovery.⁶⁴

Keynesian Economics

Another popular explanation for the German recovery is that it utilized Keynesian economics.⁶⁵ This particular proposition has already been thoroughly demolished elsewhere.⁶⁶ It continues to live on because Keynesian economists are frankly envious of the fact that none of the dramatic postwar recoveries actually used any Keynesian eco-

62. Quoted in Konrad Adenauer, *Memoirs: 1945–53* (Chicago: Henry Regnery, 1966), 165.

63. T. Bauer, *Dissent on Development* (Cambridge, MA: Harvard University Press, 1972), 132.

64. Wilhelm Roepke, "European Prosperity and Its Lessons," *South African Journal of Economics* (September 1964): 189–90.

65. Walter Heller, "The Role of Fiscal-Monetary Policy in German Economic Recovery," *American Economic Review* (May 1950): 533–47.

66. Egon Sohmen, "Competition and Growth: The Lesson of West Germany," *American Economic Review* (December 1959): 986–1003.

nomics at all, but almost universally depended on the free market. As Professor Gottfried von Haberler of Harvard noted:

In all developed industrial countries policies of economic recovery, stabilization, and growth have been much more successful after the second World War than after the first. But it is difficult to attribute this to the spread of Keynesian thinking. It so happens that none of the economists and economic statesmen who were largely responsible for the assorted postwar economic miracles can be called a Keynesian: not Camille Gut in Belgium, nor Luigi Einaudi in Italy, nor Ludwig Erhard in Germany, nor Reinhard Kamitz in Austria, nor Jacques Rueff in France. The greatest economic miracle of all, the Japanese, seems to have been performed by conservative Japanese governments and statesmen with the help of some ultra-conservative American advisors, {77} while numerous Keynesians and Marxo-Keynesians had to look on in impotent opposition.⁶⁷

What should we conclude from all this? First, we have to understand that any interference by state planners with the price system will inevitably distort production, producing a less satisfactory state of affairs than would have prevailed had there been no interference. Second, there is no more striking example in economic history of a “full employment policy” which worked—without federal planning, without computer models of the economy, without an army of bureaucrats, without monetary inflation, and without Keynesian economics. It was the absence of all of these features of the modern, interventionist economy which made possible the German economic revival. Third, it demonstrates that monetary deflation as such can be economically beneficial, and not create a depression, at least in the case of an economy which has been almost destroyed by the imposition of price and wage controls. The deflation restored faith in the new currency, since it was coupled with a restoration of flexible pricing and the abolition of the controls system. The process of indirect exchange using money could steadily advance, replacing the barter economy with its lower division of labor and limited markets.

Unfortunately, as Professor Hans Sennholz has remarked, Erhard had a political advantage which we no longer enjoy. He could abolish

67. Robert Lekachman, ed., *Keynes' General Theory: Report of Three Decades* (New York: St. Martin's Press, 1964), 295.

the controls which had been imposed by the Allies, and in doing so, he gained the political support of the German population. Yet the controls were originally the creation of the Nazis; the Allies merely extended them for three years after Germany surrendered. It is easier to abolish controls that a foreign occupying army is enforcing, so long as the occupying forces go along with the action, than it is to abolish a controls system which one's own incumbent politicians have created in the name of the public interest. It is much more difficult politically when, in the immortal words of Pogo Possum, "We have met the enemy, and he is us."

Frankly, Gentlemen, I don't trust you.—One of the Founding Fathers at the Constitutional Convention

... Better would it be for us to kill this fear in the public mind and to make peace more certain by offering a full and generous friendship to the one great nation of whom we have the *most suspicion*. From whom are we expecting this attack? Whose bombing aircraft are we expecting over our crowded cities? Who is the enemy?... Germany?... *I do not believe it.*

“There is,” says Hitler, in his last speech before the Reichstag in February, “no conceivable cause of conflict between Germany and England in spite of the German claim for colonies.”

No one who knows Germany and the warm friendship of its people for us can bring himself *to believe* that there is any danger of attack from that country.... This nightmare of German airplanes over England is a bogey of the imagination utterly unjustified by any facts or realities, and utterly disproved by Hitler's wish, constantly repeated, and reflecting the will of the whole German people, for friendship with England....

Let us then rise above this deadly suspicion, this nagging fear of impending war which casts its shadow over youth—and spoils the fun of life. Let us go forward, strong and courageous, to make a peace in Europe by friendly understanding and generous conciliation while remaining true to our own ideals and faithful to our pledges. (Philip Gibbs, *Across the Frontiers* [New York: Doubleday, Doran & Company Inc., 1938], 297. My emphases).

I am not a little surprised to hear this *implicit confidence* [in the Legislature] urged by a member who on all occasions has inculcated so strongly the political depravity of men, and the necessity of checking one vice and interest by opposing them to another vice and interest... (James Madison, speaking to Gouverneur Morris at the Constitutional Convention; Hastings Lyon, *The Constitution and the Men Who Made It* [New York: Houghton Mifflin Company, 1936], 165. My emphases) {78}

SELF-INFLATION: INFLATION ANTHROPOLOGY AND CONFIDENCE IN THE MARKETPLACE

Jim West

“What we are experiencing is an acute lack of confidence,” said the Keynesian-educated economist in his latest commentary on the dismal decline of the value of the United States dollar.

“Fundamental economic conditions are sound; what is wanting in the marketplace is confidence,” said the government spokesman.

“Most economists are agreed that the market is experiencing an erosion of confidence,” parroted the television newscaster. Aphorisms like these are becoming increasingly commonplace on the American scene in times of economic instability. Each has, as his respective focus, *the psychological condition* of the marketplace, and (as is unfortunately the case) has drawn a conclusion that specifies *business incredulity* as the fundamental cause of economic pandemonium.⁶⁸

It is not commonly realized that the “lack of faith/confidence” shibboleth began in earnest during the economic maelstrom of the 1920s and 1930s. Prior to 1929, it was routine for negative fluctuations in the stock market and wild gyrations in land values to be labeled “panics” and “crashes.” Fearing the scarecrow implications of the word “panic,” as well as the opprobrium that it might cast upon his entrenched position and power, the word “panic” was quietly deleted from Herbert Hoover’s vocabulary. As the joke goes: the stockbroker “comforted” his jittery client, “I can assure you that if there is a panic, it will never be called by that name.” So today: the same broker might advise his client,

68. The prevailing theme of this article is that the control of inflation is the key over the long run; and that inflation will not be repudiated until socialism is itself repudiated. *Socialism will not be repented of until self-inflation joins the dodo bird in relative extinction.*

“Even if there is a depression, I can assure you that it will never be called by that name!”

Did I use the word “depression”? Excuse me. One tale leads to another. The word “depression” was chosen by Hoover as an attempt to mitigate the “crisis” or “panic.” *Before 1929 America never had a depression.* “Depression” was Hoover’s legerdemain, treating the 1929 Panic as a psychological phenomenon; for him the waning of business confidence {80} was a cardinal sin. Hoover in his earlier years not only added a new word to the Finnish dictionary by providing food staples to the ravaged of Europe (“to hoover” meant “to help” or “to feed”), but during his presidential years sought *to redefine faith as an end in itself!* This was done not just to palliate a serious economic crisis, but to transfer the stigma of “depression” from the inflationary spending of the Federal Reserve System to the “depressed” psychological condition of the baron of Wall Street. What then was Hoover’s prescription for the disorderly conditions of the market? The answer, of course, was *confidence*. The lack of confidence caused the Depression; the effect caused the cause—at least that was the way the argument sounded, and in many instances was intended.

Interestingly, the 1929 Depression was not to go down in history as just *a depression*, but quickly came to be described with the definite article—reading instead, *the Depression* (and later *The Great Depression*). Hoover found it easier to add verbs to European vocabularies than to subtract the definite article from the Queen’s English. *The Depression* stuck. Finally, after another “depression” in 1937, it became politically expedient for politicians to employ a much less *infected term*. Although “depression” was chosen in order to create the mirage that the central problem was one of psychological despondency, political pundits were keen to observe that the mitigation was no more inflammatory than the original term “panic.” So it became necessary *to mitigate the mitigation*. The word “recession” was coined for this purpose, and I suspect will stay with us until people understand what it means, or else are themselves cast into the throes of a “recession” as harrowing as the 1929 Depression. If that day comes, it may be necessary to mitigate the mitigation of the mitigation!!⁶⁹

All of this is not to deprecate totally the importance of business confidence. An *analogy* does in fact exist between the “want of confidence”

{81} shibboleth and the depression psychology. But analogy is not identity, and a shibboleth is sometimes a façade for a shibboleth (Judges 12:5–6). Our point is that the politician has not been called to practice psychiatry. It is both self-defeating and futile for a politician to treat the free market as if it had a manic-depressive-schizophrenic-neurosis! In the connotative sphere, the “want of confidence” charge is almost always an indictment of either stupidity or disloyalty (unpatriotism), instead of an honest recognition that *the economic facts do not warrant economic trust*. In the consumer-sovereignty sphere, “want of confidence” is the free market’s way of telling civil government that its policies are untrustworthy. If the civil government continues to bloat, like Aesop’s proverbial frog, in trying to sell a government Edsel to the public, we can be certain that self-inflation is diligently at work.

Our purpose in this article is to examine some of the psychological aspects of faith/confidence in the political marketplace. What is confidence? On what is it to be founded? How may it be attained? Is there ever a need for distrust? How does confidence relate to monetary inflation and self-inflation?

Faith Analyzed

The Latin word for faith (*fides*) conveys the thought of that which is “binding.” Whatsoever is “binding” on us is the object of our faith. The

69. Economists like to play verbal gymnastics with the words “depression” and “recession.” For what it is worth, the working definition of a recession believed by some economists to be valid is the decline in the real GNP for two consecutive quarters. The two-quarter thumbnail was chosen by Arthur M. Okun as an “empirical characterization”—not a comprehensive definition. Others, such as the former chairman of the Federal Reserve Board, Arthur Burns, would use GNP *and* unemployment to gauge a “recession.” This was indicated in an article appearing in the *New York Times* (reprinted in the *San Jose Mercury News*, Monday, December 25, 1978, 15D). A depression supposedly lasts longer than a period of two quarters and is characterized by soaring unemployment. Humorists have gotten into the act: a recession means that *you* are out of work. Those noting the demise of the Protestant work ethic have envisaged one welfare sluggard NOW experimenting with legitimate employment lamenting to his welfare buddy who is still feeding on the trough, “Recession is when I am working and my crony is drinking from the trough; depression is when we are both working.” Herbert Hoover would say: “Depression is when the incumbent party is voted out of office; recession is when the incumbent party remains in office.”

Germanic term and the corresponding English term (“to believe”) signify a certain “esteem” for the object; we have *weighed* the evidence and therefore *approved* of this object. When we “believe,” we have found the object of our faith worthy of confidence. *When we believe, our minds are preoccupied with the bases of the expressed conviction.*

Historically, in much of the Western world, we might identify ourselves as “believers” and be immediately recognized as Christian, even though the *bases* of the believer-ship (to coin a word) have not been formally presented. Both the subject and the auditor are preoccupied with the unspoken but assumed bases, namely, *faith in Jesus Christ.*

Faith is not based upon the power of the will or even upon voluntary convictions; faith is not a creature of simple volition or fiat. A volition is a desire; a “belief”—although not without passion—is founded upon that which *is objectively true and real*, so that it is the response of the mind to *the reality of the evidence.* There is certainly interaction between one’s “beliefs” and “volitions,” and the nature of this interaction is not only varied, but often very subtle. But “belief” itself is what has been called “forced consent”—a consent that is determined by compelling evidence, not compelling volition.

When the consent of the will is secured by a supposition that is recognized by our consciousness as inadequately based on evidence, the will {82} under such conditions has no inclination to raise the supposition into a belief.

Although it would be unsatisfactory to equate faith with the notion of “preparedness to act,” we can certainly say that “preparedness to act” is a good test of the genuineness of “faith.” What we believe in, and are unwilling to confide in, we do not thoroughly believe or have faith in. It is possible, of course, that someone may be prepared to act on some other ground than confidence, on a probability or supposition. The supposition in question may not *yet* be a thing in accordance with reality. Strictly speaking, then, it is not a belief, but rather a conjecture or supposition. Confidence is the consent of the mind to the reality of the thing in question. When the mind withholds its consent, “confidence,” “faith,” is absent.

All of this is to say that faith is *not an arbitrary act of the subject*; it is an act of the mind that must be determined by *sufficient reason.* What we accept as “true” or “real” is what we believe, have faith in. Naturally,

this does not mean that all of our confidence corresponds with reality. The reason for this is that we are not infallible. The infallibility of man, then, must be confidently accepted as an article of our political and economic faith. The age-old wisdom of Montaigne is applicable here: *even on the highest stilts we must still walk with our legs, and while sitting on the highest throne we must still sit on our bottoms*. We are fallibly human.

Yet to say that we are “fallibly human” does not say enough. It is at this juncture that the prayer of Solomon is particularly illuminating: “And now, O Lord my God, thou hast made thy servant king instead of David my father: and I am but a little child: I know not how to go out or come in” (1 Kings 3:7). Knowing “not how to go out or come in” is a familiar pastoral figure symbolizing the innate stupidity of sheep, which figure is correspondingly applied to civil rulers who should acknowledge their innate bankruptcy of wisdom. For example, Moses prays that God would set a man over the congregation “which may go out before them, and which may lead them out, and which may bring them in; that the congregation of the Lord be not as sheep which have no shepherd” (Num. 27:16–17). Bereft of moral wisdom, not knowing how to govern, and destitute of all inherent knowledge—all these are distinguishing marks of a man best equipped to wield the reins of civil government. Such a man, when “epistemologically self-conscious” of his native depravity, and turning to Jesus Christ for succor, will find the words of John 10:9 reassuring: “I am the door: by me if any man enter in, he shall be saved, and shall go in and out, and find pasture.” This kind of humility is not man-centered; Solomon did not cast himself before the mercy of the consensus while admitting that he knew nothing. His devotion was no blind worship before the tyranny of the 51 percent vote; nor was it an implicit faith in the supposed divinity of the Israelites. Solomon believed himself to be not only as inane as sheep, {83} but as dirty as sheep, and he understood both of these things in terms *relational* to his Maker. A good primer for all civil servants is found in the short course that Agur offers Ithiel and Ucal: “Surely I am more brutish than any man, and have not the understanding of a man. I have neither learned wisdom, nor have the knowledge of the holy” (Prov. 30:2–3).

Man's estate of sin and misery does not lock him up in the castle of giant despair nor leave him to languish in the existential despair of a world which is a closed continuum. *Man as a truth possessor is at the same time a truth suppressor* (Rom. 1:18). In a democracy, knaves elect knaves. Walt Kelly's cartoon character Pogo got it right: "We have met the enemy and they is us!" Of course the suppression of inscripturated truth is built into a situation where political authority resides *absolutely* in one man or men. There exists the propensity for the prince (or princes) to be haughtily suspicious about the actions of the general citizenry, but *charitably* disposed about his (or their) own. We may not like to hear it, but it needs to be valiantly faced and affirmed that *the seeds of national socialism dwell in us all*. It is precisely because political depravity is an essential feature of our moral constitution that it must be self-consciously acknowledged as a cardinal tenant of our moral and political creed. Consequently, the legislator distorts reality, destroys evidence and knowledge, and weakens confidence when he arrogates to himself the prerogative to say, *Lux Fiat*, "Let there be light."

It must be said that a great chasm exists between compelled consent and compelling evidence. The celebrated statement of Czar Nicholas II during the first uprising of March 1917, to a concerned British Ambassador, is often the very attitude paraded by the modern dictator. The czar reportedly said: "Do you mean that I am to regain the confidence of my people, Ambassador, or that they are to regain my confidence?" So it is with Jimmy Carters and congresses of divine right. Goethe once said that "miracle is the darling child of faith." But the compelled consent must have compelling evidence as its underlying basis. The fiat word of the politician is not enough. Why? Because he is a sinner (Rom. 3:10ff.). That he believes his own word to be compelling evidence enough is only a reflection of the Biblical truth that "the heart is deceitful above all things and desperately wicked, who can know it?" (Jer. 17:9). He preaches a lie because he believes a lie about himself. We can even believe what we have fabricated. Such is the socialist planner who imagines his own person to be compelling evidence enough.

This carries us to our next study about the character of faith, and this is that confidence, faith, is usually characterized by the hearty element of *trust*. Obviously, if one has the kind of faith that confides in, then we

can {84} be certain that the element of trust underlies the person's convictions. As Benjamin Warfield puts it:

To say that an element of trust underlies all our knowledge is therefore equivalent of saying that our knowledge rests on belief. The conceptions of believing and trusting go, then, together; and what we have now to suffice is that it is the open implication of "trust" in the conception of "belief," "faith" which rules the usage of these terms.⁷⁰

When there is confidence there must be conviction, and where there is conviction there must be knowledge. Confidence, then, is not purely arbitrary, even if it is misguided. Confidence presupposes knowledge, even if the knowledge is really erroneous, untrustworthy, or miniscule. In other words, trusting is akin to knowing, or—to put it into economic parlance—*economic confidence begins where economic knowledge begins*. Economic confidence does *not* begin where economic knowledge ends! Confidence and knowledge are mutually affinitive. This answers the medieval conundrum of whether we know in order that we might believe or whether we believe in order that we might know. Both are true. So, for a politician to lament that what is "wanting" is *confidence* is at the same time to affirm implicitly that what is "wanting" is *knowledge* or at least the comprehension of such knowledge. If there is no confidence, then either the knowledge that the statist has esteemed as trustworthy is really unreliable (if the evidence is weak it is still unreliable in the main), or the politician may have been motivated by guile or ignorance; he may be seeking to sell the Brooklyn Bridge to John and Susan Public! Perhaps this is what Franklin Delano Roosevelt intended when he played host to Orson Wells a few weeks after the famous *War of the Worlds* broadcast in 1938, saying, "Orson, you and I are the two best actors in America."⁷¹

It has sometimes been maintained that knowledge rests upon reason and that faith rests upon authority. This, it is affirmed, is how we must distinguish these two interacting modes of conviction. Such a distinction may have a use in academic discussion; but to think of them as

70. B. B. Warfield, *Biblical and Theological Studies* (Philadelphia: Presbyterian and Reformed Publishing Co., 1952), 380.

71. William Manchester, *The Glory and the Dream* (Boston: Little, Brown, and Co., 1974), vol. 1, 237.

perpetual, granite-like categories would not only lead to the destruction of all true confidence, but all true knowledge. At bottom, true economic knowledge and confidence must have a *fixed base*. We call this base “law,” and if this base is fixed, then it certainly was not legislated into existence by King Whirl. If we crown Whirl King of kings and Lord of lords, let us be prepared to pay the economic consequences of pandemonium in the marketplace. If King Probability makes our laws, let us grasp his genealogical relation to the former, for as David Hume long ago exhibited, *if our fixed {85} base or law is only probably true, then our fixed base or law is probably not true. What is supremely needed in order for a true and abiding confidence to be promoted is the recognition of God’s law as both supreme and paramount.* God’s law, being but the reflection of the immutable nature of the Lawgiver, does not change. If God’s law changes, then God Himself changes, and if God changes, we might ask, as Stephen Charnock once enquired, “If God changes, is it for the better or worse?”

The Religious Nature of All Faith, Confidence

All faith, confidence, is both penultimately and ultimately religious.⁷² Man is not just incurably religious (although religion is not a disease!) but *constitutionally* religious. Everything he does therefore necessarily reflects upon his Creator either for praise or blasphemy, faith or unbelief (1 Cor. 10:31; Rom. 14:23). As Martin Luther said: “Whatever then thy heart clings to and relies upon, that is properly thy god.” Faith is not arbitrary in the sense that its underlying basis is non-evidential. As Benjamin Warfield said:

In point of fact, we are responsible for our volitions only because our volitions are never arbitrary acts of a faculty within us called “will,” but the determined acts of our whole selves, and therefore represent us.⁷³

There are two components necessary for the production of faith. In the first place, there must be the *evidence* that underlies the faith; in the second place, there is the *subjective condition* of the person who exer-

72. For a foundational discussion of economic epistemology and presuppositions, see Gary North, “Economics: From Reason to Intuition,” *Foundations of Christian Scholarship* (Vallecito, CA: Ross House Books, 1976).

73. Warfield, *Biblical and Theological Studies*, 397.

cises the faith *by which we believe* (in contrast to the Faith that we believe). Warfield's remark is again applicable: "If evidence which is objectively adequate is not subjectively adequate the fault is in us."⁷⁴

God's solution to this kind of faithlessness is offered in the gospel of Jesus Christ (Rom. 1:16–18). It is in the gospel that faith as the "gift of God" is bestowed. Since faith (saving faith in Christ) is a "flower that grows not in nature's garden," two things are necessary in order for a man to acknowledge the supremacy of God's rule to man's rule. First, he needs to be *evangelized* (Rom. 10:17); and secondly, he needs the corresponding *grant of faith* by the power of the Holy Spirit (Eph. 2:8–9; Gal. 5:22, etc.).

In one word the capacity for faith and the inevitable emergence in the heart of faith are attributed by the Christian revelation to that great act of God the Holy Spirit which has come in Christian theology to be called by the significant name of regeneration.⁷⁵ {86}

The Need for Distrust

There is a sense in which the solution to all of our sin is homeopathic, that is, "like cures like." For example, the panacea for the slavish fear of man is nothing other than the fear of God (Prov. 1:7; 29:25); the solution to "the love of money" is nothing short of the love of God (Luke 10:27); and the once-and-for-all cure for putting confidence in man is the potion of placing our confidence in God. On this latter point, the Scripture is unequivocal, categorical, and dogmatic: "Put not your trust in princes, nor in the son of man, in whom there is no salvation" (Ps. 146:3), and "It is better to trust in the Lord than to put confidence in man. It is better to trust in the Lord than to put confidence in princes" (Ps. 118:8–9).

Having said all this, it is necessary to conclude that what is wanting today is a want of confidence; or—to phrase it another way—our society today is plagued by a *surplus of baseless confidence*! Let me explain. I have already maintained that the sinful fallibility of man must be a paramount feature of our political philosophy. *What is missing today is the Biblical confidence in the unchanging truth that man cannot be*

74. *Ibid.*, 398.

75. *Ibid.*, 399.

trusted. We need to distrust ourselves. We need to believe in the political depravity of man. Before the politician utters the Vanderbiltism, “The public be damned,” there should be a measure of self-condemnation. The realization that there is a dictatorship within the moral constitution of every man runs counter to our Pollyanna conceptions of human goodness. We need to believe this as a basic truth and act upon it as a basic truth. Of course, we also need to beware of pious platitudes. Recently, for example, a spokesman for the Washington bureaucracy “humbly” confessed that Washington did not have a monopoly on wisdom. The statement sounded very pious, but when we read between the lines, we receive the distinct impression that he is not saying all wisdom, but certainly *most* of it!

Sin is written in the heart “with a pen of iron and with the point of a diamond” (Jer. 17:1). Because this may be difficult for some to understand, we are compelled to use a simple illustration. We can speak of the family as a government just as much as the civil authority. In most parts of the world today, it is generally recognized that the husband is the head of the home. He is the governor or king (we can speak of his wife as his prime minister!). But it is also true that in the United States, many of these family governments end in divorce. Lawyers and judges will point out that one of the prominent characteristics of these family dissolutions is the inflammatory adjudications that are often mutually administered between the spouses. Each party is convinced that the other is totally wrong; little if any demerit, it seems, can be laid to their respective accounts. Both are convinced that most of the onus belongs on the other. *Why?* Of {87} course situations differ, and it is not my task to make fallacious generalizations. But many marriages are entered into out of the mistaken notion that the couple is *compatible*. My point is that compatibility is a myth, although some prospective spouses are obviously *more* compatible than others. What is needed in the family government is the Biblical recognition that both parties are sinfully fallible. The husband needs to understand and even assume that there will be times when he will be an irresponsible leader, just as the wife needs to understand there will be times when she will be an irresponsible prime minister. Not only is there the danger of role reversal, but the danger of the husband transforming the home into a totalitarian state, or the wife creating a Rhodesian-like guerrilla atmosphere. Both need

to acknowledge before God and man, “My heart is deceitful and desperately wicked, who can know it?” (Jer. 17:9). Both need to distrust themselves before they start hurling barbs at one another. “Cursed be the man that trusts in man, and makes flesh his arm, and whose heart departs from the Lord” (Jer. 17:5). Such a mentality will bring about a condition that is very much lacking in civil rulers, namely, *humility* !

The Constitution—A Document of Distrust

It is not generally recognized that the United States Constitution was—psychologically and spiritually speaking—born out of creative distrust rather than destructive confidence. When Patrick Henry first heard that the Constitutional Convention had scrapped its ostensible purpose of revising the *Articles of Confederation* in order to draft another supreme law of the land, he reportedly “smelt a rat.” But the rat that Henry smelled was also smelled by the actual framers of the Constitution, who watched over themselves with a *jealous vigilance*. Small states distrusted the larger; the larger distrusted the smaller. Aristocrats distrusted the propertyless; the propertyless distrusted the propertied. Because they distrusted each other, there was little chance of their mistrusting or erringly placing their confidence in anyone (including themselves). They actually believed there was a George III of divine right within the bosom of every man.

Proponents of a stronger national government and opponents of the same were emphatically convinced of the political depravity of man. Pure democracy and monarchical tyranny were equally suspect. Consequently, most of the argumentation at the Convention was not centered on legislative minutiae, but upon the important interplay between the *living magistrate* (the human ruler) and the *dumb magistrate* (the written law).⁷⁶ The {88} paramount question was: how was

76. The distinction between the “living magistrate” and the “dumb magistrate” was first brought to my attention in these terms in Calvin’s *Institutes*. The distinction is a valid one, since the heart of American statecraft does not consist in swearing to uphold the whims of the consensus, but rather loyalty to the Constitution (the dumb magistrate). A central question remains: what is the duty of the citizenry toward their representatives when their representatives no longer represent *them by representing the Constitution*? Should the citizenry disobey the living magistrate when he violates the same oath that the citizenry have taken to the dumb magistrate?

the dumb magistrate going to limit the tyrannical propensities of the living magistrate? The Constitution was an emphatically negative document framed by men who were confident *that they themselves could not be trusted with carte blanche legislative powers*. Although not a delegate, Thomas Jefferson epitomizes this distrust well in his *Kentucky Resolutions* of 1798:

That it would be a dangerous delusion were a confidence in the men of our choice to silence our fears for the safety of our rights: that confidence is everywhere the parent of despotism—free government is founded in jealousy, and not in confidence; it is jealousy and not confidence which prescribes limited constitutions, to bind down those whom we are obliged to trust with power....⁷⁷

A government which assumed political depravity and thus promoted distrust required constitutional restraints upon untrustworthy men. The supposed goodness of men was to be bound down by the chains of the Constitution. For this reason the Constitution was characterized by three self-restraining features:

1. A system of Checks and Balances.
2. A Bill of Rights.
3. Absolute restraints on inflation.

Each of these three categories presupposed the *self-inflationary* nature of man.

Checks and Balances

The division of the Federal Government into the Executive, Legislative, and Judiciary was not an effort to balance three governmental “goods” in the moral sense of that term. As James M. Beck has said:

The wisdom of checks and balances turns largely upon the question whether the real need of the public is for more or less laws. If the interests of the people require efficient power in grinding out new laws, then the framers of the Constitution made a great error....⁷⁸

77. Allan Grimes, ed., *American Political Thought* (New York: Holt, Rinehart, and Winston, 1960), 159.

78. James M. Beck, *The Constitution of the United States* (New York: George H. Doran Co., 1924), 236–37.

The area of checks and balances came under heavy fire at the turn of this century by Woodrow Wilson, who (in his *New Freedom*) claimed that distrust of a system of government deliberately defeats its own purposes; he also charged that the framers of the Constitution thought of government as “founded on the law of gravitation.” He justified this indictment with the following sentiments:

The trouble with the theory is that government is not a machine {89} but a living thing. It falls, not under the theory of the universe, but under the theory of organic life. It is accountable to Darwin, not to Newton. It is modified by its environment, necessitated by its tasks, shaped to its function by the sheer pressure of life. No living thing can have its organs offset against each other, as checks, and live.⁷⁹

Wilson’s critique is burdened with difficulties. First, he dodges the underlying purpose of the Constitution, which was that of the balancing of the three⁸⁰ necessary evils of our Federal Government. It may be true that a system of checks and balances tends to inhibit swift legislation, but the framers were more concerned with placing a brake on tyranny than stepping on the accelerator of a pseudo-political goodness. A system of checks and balances would curb tyranny by prohibiting the whimsical creation of a saturnalia of oppressive laws. For the Founding Fathers, the only alternative to a rigorous system of checks and balances was human fiat government.

Secondly, Wilson implicitly denied that the Constitution was a product of higher law. According to this “Christian” socialist, a good constitution is one that is modified by its environment and “shaped to its function by the sheer pressure of life.” The fundamental Christian consensus behind the drafting of the Constitution is all but forgotten and the Biblical doctrine of the political depravity of man is placed in the vicinity of Timbuktu. There is a fine line that may not even exist between the notion of a Constitution “modified by its environment” and the immoral practice of wholesale alteration. What was true of the French Constitution during the Second French Empire could be appropriately descriptive of the misuses of the American Constitution too. As the story goes: a Gallic bookseller was asked, “Have you a copy of

79. *Ibid.*, 235; Woodrow Wilson as quoted by James Beck.

80. That is: the Executive, Judiciary, and Legislative branches.

the French Constitution?” and the witty seller replied, “We do not deal with periodical literature.”

Thirdly, Wilson brazenly maintains that governments are controlled by biological forces instead of *historical men*. It was William Penn who said:

Governments, like clocks, go from the motion men give them; and as governments are made and moved by men, so by them they are ruined too. Wherefore governments rather depend upon men than men upon governments.⁸¹

This, of course, is a barb against evolutionary historians who apply biological ideas to the genesis and development of political institutions. As pertaining to the frame and launching of the United States Constitution, everything (in terms of moral integrity) depended upon the men who were to operate the new government. “Governments... go from the motion men give them” because it is to men that systems of government are entrusted. {90}

Law-abiding men, faithful men, and men who are truly gripped with the awareness of man’s political depravity *before God*, are the sort of men who are essential for making the American Constitution a *workable* Constitution. When men are of this caliber, then the words of the Massachusetts Declaration of Rights of 1780 can be easily dovetailed with William Penn’s. This document declares that by formulating a separation of powers, the intention is that American Government “may be a government of laws and not of men.” In order to have a government of good laws, good men are needed. In order for good and law-abiding men properly to function in the political sphere, good laws are essential.

It should be noted that a check is not merely the negation of action; nor does it imply the equilibrium that would foster entire absence of motion. We concur with the thinking of Howard Lee McBain:

But let it be recalled that a balance is a weight that is put into the scale by one organ of government to bring another organ of government to a standstill. Its office is not to produce inaction. Not *all of our checks operate to this end*. Which is only another way of saying that not all of

81. Beck, *The Constitution*, 18.

our checks are absolute; a check sometimes checks a check.⁸² (my emphasis)

The latter is illustrated by the President vetoing a proposed law. However, if Congress reenacts this law over the President's veto check with a two-thirds vote, then we see one check checking a check. What is needed for a check to become a check is another authority reaching out to enforce it. Thus, "checks" and "balances" are really reciprocal terms. As McBain teaches: "The phrase means 'checks and ensuing balances,' even though... a balance does not always ensue."⁸³

Checks and balances were designed to protect the people from the consequences of self-inflation. A check implies a lack of trust. There are things that we do impetuously, ignorantly, and in malice. Checks and ensuing balances are needed.

As I have indicated, *the very essence of constitutionalism* lay in the conviction that the powers of government must be clearly defined and clearly limited. Such a constitution would be purely superfluous to any totalitarian regime except as a masquerade or Trojan horse. If the Constitution is "modified by its environment" in a socialistic-Darwinian vortex, then the Constitution—like the Queen of England—is titular in nature or simply a remote museum-piece parchment. It has, in a word, the potential to be relegated to the same class as *periodical literature*. The dilemma of the Founding Fathers was how to avoid the pitfall of making the living magistrate and the dumb magistrate *equally ultimate*. There was {91} not to be parity between the two; the dumb magistrate was to be *above* the living. The problem was how to keep the living magistrate's self-inflation subservient to the dumb magistrate's authority. Thus, this clearly indicated the framers' presupposition of higher law; and this law presupposed that men are not angels!

The Bill of Rights

As for the Bill of Rights, we can speak with lapidary succinctness: the very ground of their incorporation into the Constitution as freedoms that are immutable not only signifies the unchanging laws of the Cre-

82. Howard Lee McBain, *The Living Constitution* (New York: Macmillan Co., 1928), 151–52.

83. *Ibid.*, 153.

ator who bestows these freedoms, but—through their stringent restraints upon “the powers that be”—also signifies distrust of human nature. It was unthinkable to the framers that the Bill of Rights could ever be amended, let alone jettisoned. Why? Because these were “inalienable rights,” and an inalienable right cannot by definition be legally taken away. The apotheosis of the Constitution was not caused by a wave of commercial prosperity and thus justified by the *post hoc ergo propter hoc* fallacy; nor was it venerated out of blind patriotism or simply because of ecclesiastical laudation. Yet, men like Woodrow Wilson have said:

The divine right of kings never ran a more prosperous course than did this unquestioned prerogative of the Constitution to receive universal homage.⁸⁴

Far be it from us to exalt the Constitution to the very throne of God! That which is capable of amendment is certainly *incapable* of being God-breathed. Nevertheless, the Constitution was in part a product of the divine right of *the King* because it reflected Christian law in a great measure. We can say that as far as the framers were concerned there were only three ways to alter the Bill of Rights:

1. Adopt a new constitution.
2. Incite a violent revolution.
3. Wrest the actual words to such extremes that a “legal” revolution would ensue. This is what Garet Garret has called “the revolution within the form.”

Although the purpose of the Constitution was not to confuse responsibility, “somebody must be trusted in order that when things go wrong it may be quite plain *who should be punished.... Power and strict accountability for its use* are the essential constituents of good government...”⁸⁵ (his emphasis). This is, of course, the area where the framers had no power to guarantee inviolability. There is a living magistrate! There {92} was no guarantee that the Supreme Court, for example, would be a continuous constitutional assembly in interpreting and

84. Quoted in Robert Livingston Schuyler, *The Constitution of the United States* (New York: Macmillan Co., 1923), 199.

85. Quoted in Henry Hazlitt, *A New Constitution* (New York: Arlington House, 1974), 48.

applying, instead of reinterpreting and misapplying, or better—revising and amending and applying. The point made in their favor was that by balancing the three necessary evils of our Federal Government, all the laws not really needed would be scuttled. In a word, only a paucity of legislative camels would go through the eye of the proverbial needle.

Self-Inflationary Restraints

The Founding Fathers knew they were *by nature* monetary inflationists; the reasons for this being not only the irrefutable proof of their Continental dollar mischief, but especially the *inseparable link* between self-inflation and monetary inflation. They recognized that the natural concomitants of self-inflation are pride, arrogance, indifference, contempt of others, and the coveting of other men's social and familial responsibilities. *Self-inflation and monetary inflation are correlatives; both are implicatively involved in the other's folly. The reason for this linkage lay in the constitutional nature of the self-inflationist who has little if any regard for economic law and economic history.* Whatever best subserves the interests of his own position of power is the normative consideration. Alongside the lust for power subsists the presupposition of the self-inflationist's superior excellence. The self-inflationist may often be naïve about the ultimate consequences of monetary inflation, but he can hardly be naïve about his own aspirations of power. The prince of the self-inflationists—John Maynard Keynes—once gave some advice to Franklin Delano Roosevelt concerning zoological features of American businessmen:

You could do anything you liked with them, if you would treat them (even the big ones), not as wolves and tigers, but as domestic animals by nature, even though they have been badly brought up and not trained as you would wish. It is a mistake to think that they are more *immoral* than politicians. If you work them into the surly, obstinate, terrified mood, of which domestic animals, wrongly handled, are so capable, the nation's burdens will not get carried to market; and in the end public opinion will veer their way.⁸⁶

86. Quoted by Eliot Janeway, *The Economics of Crisis* (New York: Weybright and Talley, 1968), 184.

It has been observed that men often act in accordance with their illusions, but not in accordance with their interests. This is only partially true; men act in accordance with self-inflationary interests that eventually *prove* to be illusionary. And there is certainly no greater illusion than the practice of arrogating to oneself the *lux fiat* prerogative! (Isa. 47:8; Zeph. 2:15).

In the monetary sphere, there are essentially *four* expressions of self-inflation; {93} or—to put it another way—there are four inflationist species. They are: (1) *the naïve inflationists*, (2) *the deficiency inflationists*, (3) *the pump-priming inflationists*, and (4) *the mechanical inflationists*.⁸⁷

The first group believes that money is wealth, regardless of whether it appears in the form of precious metals or paper money. Constituents of this economic school forget that wealth is what is produced and what is consumed. Money is always a means to an end, never an end in itself. So the naïve inflationists believe that all that needs to be done is to increase and distribute the money and then we will *all* be that much richer.

The *deficiency inflationists* teach that there are times in which purchasing power in the market is weak so that there is ample warrant for the monetary authorities to promote a policy of filling in the “gaps.” As Henry Hazlitt portrays the deficiency theory:

Purchasing power is chronically deficient, they think, because one industry somehow does not distribute enough money to producers to enable them to buy back, as consumers, the product that is made.⁸⁸

The third group, the more *knowing inflationists*, realize that an increase in the money supply will inevitably raise prices. But they are not alarmed by this certainty. Why? They are convinced that we need

87. A fifth inflationist species could be added here: *the revolutionary inflationists*. The Bolsheviks under Lenin deliberately destroyed the old czarist ruble for the purpose of acquiring “wheat from the stupid moujiks before they woke up to what was going on.” The Soviet government then promised in 1924 that it would redeem its promises at the rate of 50,000,000,000 paper rubles for one gold ruble! They got their wheat and a planned windfall in addition, the weakening, if not the destruction, of the middle class. Harry Scherman, *The Promises Men Live By* (New York: Random House, 1938), 333–34.

88. Henry Hazlitt, *Economics in One Lesson* (New York: Manor Books, 1975), 171–72.

inflation in order to get “the wheels of industry” going again, or to subsidize the poor debtors who need to pay off the rich creditors. Very often the knowing inflationists harbor the “messianic hope” of bringing about “full employment.”

The *mechanical inflationists* hold that we must bid all of the money in the economy against all the goods in the economy. In this way, as Henry Hazlitt again points out: “Double the quantity of money and bank credit and you exactly double the ‘price level’...”⁸⁹

I do not have the space to evaluate all of these fallacies, but let me say that a *common denominator* of them all is that *the value of money can be successfully manipulated and maintained by a government agency*. A classic statement by Hazlitt again shows the foolishness of this theory:

The value of money... depends upon the subjective valuations of the people who hold it. And these valuations do not depend solely on {94} the quantity of it that each person holds. They depend also on the *quality* of the money.⁹⁰

It needs to be underscored that in fighting inflation, we *must not* duplicate the error of the inflationist himself when he confounds the effect with the cause. Advocates of the free-market philosophy have rightly distinguished between *monetary inflation* (the cause) and *price inflation* (the effect). Increases in the price of goods and services have their immediate cause in the credit and paper expansions of the Federal Reserve System⁹¹ (that is, if we choose to equate “immediate cause” with the mathematical, or dollars-and-cents cause). Perhaps it would be useful to speak of this “immediate cause” as the “mediate cause,” while reminding ourselves of the self-inflation of the monetary inflationist. *In other words, in fighting inflation, we are dealing with ego just as much as with paper and credit accretions and rising prices!* (Perhaps this is why Professor Ludwig von Mises was not only academically ostracized, but even accused of teaching religion in his economic

89. *Ibid.*, 173.

90. *Ibid.*, 177.

91. Perhaps the major cause of economic illiteracy lies in the ethereal nature of money in the form of credit of the Federal Reserve Banks. William Miller, ex-chairman of the Federal Reserve, admits that most Americans do not know enough about the Federal Reserve; he even intimates that some identify it with a wildlife preserve, Indian reservation, or a brand of liquor!

courses at New York University!)⁹² In review, there are three facets of inflation that need to be reckoned with:

1. Self-inflation (immediate cause)⁹³
2. Monetary-inflation (mediate cause)
3. Price-inflation (necessary effect) {95}

Inflationary Restraints

The Constitution's unrelenting *distrust of fiat government* is nowhere more vividly apparent than in its *distrust of fiat paper money*. When it was proposed at the Assembly that the prerogative "to emit bills of credit" be left to the discretion of the states, it was persuasively counterargued that such permission would be destructive of "the Public faith at home and the extension of commerce with Foreigners."

Although this wholesale condemnation of paper money was not completely shared by Luther Martin of Maryland, he wrote in his *Gen-uine Information*:

By the tenth section every State is *prohibited* from *emitting bills of credit*. As it was reported by the committee of detail, the States were

92. The charge that Mises taught religion, not economics, was made by one of his departmental colleagues at New York University. See Margit von Mises, *My Years With Ludwig von Mises* (New Rochelle, NY: Arlington House, 1976), 141. There exists a "tension" in von Mises's presentation, which on the one hand speaks of an anthropology of arrogance, and then engages in a dialectical mitigation:

"But people are unfair in indicting the individual bureaucrat for the vices of the system. The fault is not with the men and women who fill the offices and bureaus. They are no less the victims of the new way of life than anybody else. The system is bad, not its subordinate handymen." Ludwig von Mises, *Bureaucracy* (New Rochelle, NY: Arlington House, [1944] 1969), 17.

93. President Carter's "Energy Security Corp.," which is supposed to siphon \$140 billion dollars in windfall profits from the oil companies, is an example of greater self-inflation. As an editorial in the *Wall Street Journal* of July 17, 1979, puts it: "The President has weighed the merits of either getting the government out of the energy business or getting it more deeply in. He has chosen to get it further in, on a massive, almost unbelievable scale." As the same editorialist laments: "Now, it seems, it will be necessary to print more money, and generate still more inflation, to finance the latest grandiose schemes dreamed up by the statist who hold the President in their grip." The massiveness of this self-inflation is illustrated by one economist who says President Carter's energy program is like *building Saudi Arabia in the United States*!

only prohibited from emitting them *without the consent of Congress*; but the convention was so *smitten with paper money dread*, that they insisted the prohibitions should be *absolute*.⁹⁴

In other words, they were *absolutely distrustful* of it. They were distrustful of it for *historical* reasons, yes—but also for *anthropological* reasons. Why? It is true that their own experience with the Continental dollar gave birth to the unhappy aphorism, “Not worth a Continental,” as well as the woeful spectacle of men redeeming their currency (in *some cases*) at the ratio of one penny for every ten continental dollars! But more basically, not only was paper money historically “inoperative” as a stable means of exchange, but *political man* was historically untrustworthy too! So the framers not only limited the States but also forbade the right of the federal government to issue bills of credit. As one has accurately noted:

At the Constitutional Convention a specific motion was made to give the Federal Government the privilege to emit bills on the credit of the United States. By this they certainly meant the issuance of any forms of paper money. *It was overwhelmingly voted down!* Only two persons voted for it. Madison, in reporting the action,... states that even if the power had been granted, it would not have meant that Congress had the power to make the notes legal tender! In other words, the dollar-bills which you think of as the most characteristic American money, by any intellectually honest construction of the supreme law of the land, are *unquestionably unconstitutional!*⁹⁵

An enlightening footnote by Donald J. Hoppe spells out exactly what has happened:

The fathers of the Constitution thought they had effectively prevented the government from ever issuing fiat paper money; it was assumed that all federal powers were delegated, and since no specific power was granted to issue paper money, it could not be done.... They didn't {96} realize that the argument would one day be turned around and the federal government would claim the right to all powers not specifically forbidden.⁹⁶

94. Quoted by Schuyler, *The Constitution of the United States*, 121.

95. Scherman, *Promises Men Live By*, 333–34.

96. Donald J. Hoppe, *How to Invest in Gold Coins* (New York: Arlington House, 1974), 175.

This wresting of the Constitution was compounded by another development unforeseen by the Founding Fathers. Harry Scherman observes:

The Founding Fathers were but making, whether they realized it or not, a *beau geste* to the integrity and responsibility of individuals, as with governments. They were tilting at the windmill. Within ten years their own decisions were a dead letter. *They had forgotten banks.* If the federal government could not issue notes, banks could. Banks did — both banks chartered by the States, and by the federal government; and the federal and State governments were, of course, completely involved, because they completely controlled the bankers, as they could control any other citizen.⁹⁷

Despite the brevity of the framers' original monetary policies, these paper notes which did circulate were *in the main* still recognized as mere "bills of credit"—that is, they were redeemable in specie (gold and silver). In our century, economists have adopted faith in a "commodity dollar." At last, we can escape the limitations of precious metals! In his useful book, *The Economics of Crisis*, the Keynesian economist Eliot Janeway defines this commodity dollar as:

... a domestic monetary standard tied to no specific commodity, like gold or silver, but one that measured the composite of domestic commodity price movements and therefore, of business activity and of liquidity requirements.⁹⁸

What Janeway calls a "discretionary" monetary policy was nothing other than an *arbitrary economics* that would (and is!) crucifying the Western world on a cross of paper. The American citizenry had been told to place its confidence in the ("might makes right") dollar. As Federal Reserve Board Chairman W. M. Martin said in December of 1967: "Somewhere you are going to learn to trust the Government for you cannot go on indefinitely relying on gold."⁹⁹

Even though Janeway admits that no government has ever in history succeeded in refraining from currency debasement, he still confidently avers:

97. Scherman, *Promises Men Live By*, 334.

98. Janeway, *The Economics of Crisis*, 179.

99. *Myer's Financial Review*, December 19, 1967, 3.

No political authority can afford to forswear the use of the monetary lever. Moreover, there is no a priori case for holding that any monetary authority must prove incapable of implementing responsible, even {97} though limited, influence over the economy—even if the Federal Reserve has proved so all too often in the past.¹⁰⁰

But *there is* an “a priori case for holding that any monetary authority must prove incapable of implementing responsible... influence over the economy....” Five *a priori* considerations are noteworthy in this regard; they are:

1. The quality of the money.
2. The subjective valuations of the people who hold the money.
3. The rigorous political pressures placed upon the monetary authorities.
4. The historical devastations wrought by fiat paper money.
5. The political depravity of the politician himself.

These formidable objections against the role of the Federal Reserve System not only show that the “monetary lever” cannot be trusted with politicians who are all too prone to debauch it (Isa. 1:22), but they also challenge the premise that paper is *really* money.¹⁰¹ They argue that attempts to regulate the value of money presupposes an omniscience of the subjective values of the marketplace at any one time. Curiously, the economics of pragmatism have been jettisoned in order to justify the schematism of the bureaucratic control. Humanist politicians have always been fond of saying that “the life of the law has not been logic, but experience.” The historical experiences of fiat money have all been disastrous, but the logical justifications for it remain academically mandatory.¹⁰² Those who forget history’s mistakes are destined to repeat them. But the heart of {98} our argument is that man is totally depraved. Thus, *the reasons we have mobilized against fiat paper are not only theological, but anthropological, and thus self-inflationary, and thus a priori.* “Thus saith the Lord,” “Thus saith history,” and “Thus saith political depravity.” In our society, monetary inflation will not be

100. Janeway, *The Economics of Crisis*, 142.

101. We do not mean to intimate that paper money is not money in any sense. Our point is that paper money fails to meet up to one of the cardinal qualifications of money, and that is the intrinsic *scarcity* factor.

curbed until socialism has been renounced, and socialism will not be repudiated until self-inflation has been repudiated. Self-inflation and monetary inflation are mutually affirmative. This is why, even in the light of the most perspicuous evidence that the socialistic policies are bankrupt, socialistic policies continue to subsist. The policies of monetary inflation will continue until the system self-destructs, or the anti-inflationists gain control of policy and do not capitulate, or the nature of the self-inflationist is changed.

Teleologically, successful manipulation of the monetary lever is chimerical economics, since the value of money is determined by the free market, thus making bureaucratic attempts at price omniscience and price omnipotence both futile and blasphemous.

Anthropologically, it is economic suicide to bequeath the scepter of the monetary lever to a self-inflationist.¹⁰³

Historically, history is simply put aside. Paper money's¹⁰⁴ fraudulent origin in the ruling of Kubla Khan's China and gold's historical trustworthiness over the centuries are both slighted. Any economic illiterate ought to understand that what is fraudulent in origination cannot be right in perpetuation.¹⁰⁵

102. The warrant for the distrust of the manipulated monetary standard is mandated by monetary history. As Roepke observes: "For as money has become increasingly etherealized—attaining the pinnacle of incorporeality and insubstantiality in the form of credit money—the danger of arbitrariness and caprice in the regulation of the quantity of money has become correspondingly greater. It is, of course, true that even the standard metals have been at times subject to considerable fluctuations in value. But these have been negligible compared with the monetary fluctuations which have occurred since manipulated standards have been adopted, and the laws of nature and of economics exchanged for the unpredictable caprices of politicians and governments. It was the paper standard which first taught us the meaning of the word 'inflation.' Indeed, it would be difficult to cite a single paper standard which has not sooner or later succumbed to depreciation because the government concerned was unable or perhaps even unwilling to keep the quantity of money within limits."

Roepke also notes the political popularity of inflation and the one consequence of inflation that insures political safety for the politician: "The temptation to engage in inflation is omnipresent for its immediate consequences are usually very popular. Recent history knows no case of the murder of a statesman responsible for inflation. On the other hand, there have been at least several instances in which statesmen have been done in (e.g., in Czechoslovakia and Japan)." Wilhelm Roepke, *Economics of the Free Society* (Chicago: Henry Regnery Co., 1963), 101.

The inflationism that we are experiencing today cannot be corrected by government overtures to have more “faith” in the dollar. To be sure, there {99} will always be believers who believe in nothing more than the bare fideism of the politician. Lord Keynes has expressed this fideism well:

A sentiment of trust in the legal money of the State is so deeply implanted in the citizens of all countries that they cannot but believe that some day this money must recover a part at least of its former value. To their minds it appears that value is inherent in money as such, and they do not comprehend that the real wealth, which this money might have stood for, has been dissipated once for all.¹⁰⁶

As inflation accelerates, not only will political pressures accelerate in an attempt to halt soaring prices through “wage-price guidelines” or “price ceilings” or “the incomes policy,” but the velocity of the paper

103. The libertarian, Leonard Read, of the Foundation for Economic Education, opposes statist regulation of money on the pragmatic basis that individual traders can do it best and on the anthropological basis (implicitly stated) of man’s political depravity. In addressing governments that have ostensibly managed monetary policy with a measure of success, he says: “But there is no reason to suppose that the managers of a government monopoly will long function in competitive fashion if the monopoly can be exploited to gain additional political power. And it doesn’t take a genius to figure how to exploit a money monopoly” (2).

The inevitable and inequitable result is the fraud of inflationary notes backed by the chimera of the national debt. Read says: “This is why governments cannot be trusted with power to determine what traders should use as a medium of exchange” (3). “Those Things Called Money,” *Notes From FEE* (Irvington-on-Hudson, NY: Foundation for Economic Education, July 1979), 3–4.

104. There is no such thing as a strong currency (this includes the Swiss franc) because the worm of inflation is omnipresent today. But currencies do show relative strength, and the dollar’s “relative strength” since November 1, 1978, will eventually become relative weakness. We have heard it said that not the love of money, but the depreciation of money is the root of all evil. As Charlie Chan would say: “Contradiction, please. The love of money (money as a political football) fosters the depreciation of money.”

105. Chapter 17 of Harry Scherman’s *Promises Men Live By* is entitled “How Paper Money Originated for the Fraud of Rulers.” If the book can be obtained (it has been out of print for over forty years), this chapter will be particularly edifying.

106. John Maynard Keynes, *The Economic Consequences of the Peace* (New York: Harcourt, Brace and Rowe, 1920), 239.

money will also accelerate, so that the “sentiment of trust” that was extant during the creeping inflation period will begin to totter. In this regard, the great German inflation is instructive for any society (especially American) that loses confidence in its monetary unit. As one historian has observed:

The fundamental quality of the disaster was a complete loss of faith in the functioning of society. Money is important not just as a medium of economic exchange, after all, but as a standard by which society judges our work, and thus ourselves. If all money becomes worthless, then so does all government, and all society, and all standards. In the madness of 1923, a workman’s work was worthless, a widow’s savings were worthless, everything was worthless.¹⁰⁷

The same writer compares this great German inflation to a coup d’ état:

... The result of the inflation was to undermine the foundations of German society in a way which neither the war, nor the revolution of November, 1918, nor the Treaty of Versailles had ever done. *The real revolution in Germany was the inflation.*¹⁰⁸ (emphasis mine)

In the United States, hopeful signs are developing which clearly indicate that the demonetization-of-gold-inoculation of the 1930s is wearing off. People are understanding, if not what inflation *is*, then at least what inflation actually does.¹⁰⁹ There is a renaissance of the learning of both theoretical and practical economics. People are investing in inflation, since it is the only thing that is going up. The consumer is fleeing to real estate for refuge. (In Communist Russia, where gold was overthrown long ago {100} with the czar, citizens are becoming increasingly zealous about vodka as a more reliable monetary unit than the Communist Party’s fiat rouble.) As the monetary inflation continues, the historical value of gold, as contrasted with the historical worthlessness

107. Otto Friedrich, *Before the Deluge* (New York: Harper & Row Publishers, 1972), 141–42.

108. *Ibid.*, 142.

109. Labor arbitrator William Gomberg has keenly commented on the declension of the American economy: “We are going through the liquidation of the middle class.” “The Squeeze on the Middle Class,” *Business Week*, March 10, 1975, 54.

Dr. Gary North has astutely observed that it is not insurance companies or corporations but the money that is going broke. The power to levy inflationary tax is the power to destroy.

of paper money, will dramatically come to the forefront. The hyperbolic thinking of C. C. Colton will be increasingly appreciated:

They who worship gold in a world so corrupt as this one have one thing to plead in defense of their idolatry—the power of their idol. This idol can boast of two peculiarities; it is worshipped in all climates, without a single temple, and by all classes, without a single hypocrite.¹¹⁰

Indeed, the choices will be between fealty to the Moloch state as represented by its fiat paper, or to gold as represented as “coined freedom.”¹¹¹ Ultimately, we will have either hard money or hard government.¹¹²

The need of the hour, however, is knowledge—Biblical knowledge. *Economic confidence begins where economic knowledge begins.* Faith is not an end in itself. A depression or recession is not just a psychological phenomenon. What is lacking today is not only confidence, but a *credible and creditable* knowledge that makes sterling confidence possible. Man (although volitional) is not pure volition. The politician’s call for an implicit confidence is nothing but an overture for his subjects to commit intellectual and financial hari-kari. Inflation is the “opium of

110. As quoted by Hoppe, *How to Invest in Gold Coins*, 45.

111. The phrase, “coined freedom,” is Roepke’s: *Economics of the Free Society*, 84. A bit of investment advice is in order here: in an inflationary era the purchase of gold is not only a form of speculation, but the ultimate *way to preserve your assets*. We agree with Nicholas Deak, the Hungarian-born president of Deak & Co., which specializes in precious metals as well as currencies, when he says, “... those who have capital they want to preserve shouldn’t even look at the price of gold. They should just buy it” (*Wall Street Journal*, July 19, 1979, 26). Remember again the aphorism of Gary North: it is the money that is going broke.

112. The popular author, Harry Browne, recently referred to gold as a “chaos hedge” in contradistinction of an “inflation hedge.” He said that an “inflation hedge,” strictly speaking, responds automatically to monetary inflation and that there have been periods when inflation has increased but the price of gold has remained basically dormant and even dropped. Over the short terms, of course, Browne may be right. Yet the argument is only ostensibly valid, since the adjectival usages of “chaos” and “inflation” are really equivalent since even Browne would concur that inflation is *inherently chaotic*. (See Harry Browne, *New Profits from the Monetary Crisis* [New York: William Morrow and Co. Inc., 1978] 189–90. Cf. Gary North, “Is Gold an Inflation Hedge?” *Remnant Review*, May 2, 1980).

the people” because the inflationists are themselves the “opium of the people.”

It has sometimes been averred that inflation is to be preferred to deflation; and thus instead of liquidating an overextension of monetary creation through a massive deflation, we must simply *repress* the inflation. This is done when a police state attempts to fix prices or ration various goods and services. Such an approach, when prolonged, promotes fictitious economic values, so that not only are scarcity relationships out of {101} tune with official prices, but fewer and fewer decisions are made in the marketplace according to these fiat standards. The net result of *repressed inflation* is keenly observed by Wilhelm Roepke:

We see, then, that a repressed inflation is *worse* than an open one because, in the end, money loses not only its function as a medium of exchange and as a measure of value (as happens in the last stages of an open inflation), but also its even more important function as a stimulus to the production and distribution of maximum quantities of goods.¹¹³

In this regard, the 9th Amendment states: “The enumeration in the Constitution, of certain rights, shall not be construed or disparage *others retained by the people*” (my emphasis). A voluntary price is a political right. Certainly, businessmen have the right to decide what price they are willing to work for, as well as how much they think their product is worth, without being identified by pseudo-government “inflation fighters” as greedy miscreants. As we have noted: rising prices do not cause inflation; they simply mirror it. Forcibly to restrict rising prices and wages is tantamount to denying and disparaging the other rights “retained by the people.” In a brilliant article for the *Wall Street Journal*, Walter B. Wriston points out:

Prices and wages represent an essential form of economic speech; money is just another form of information. When the freedom of this economic speech is restricted, we are not only penalized, we are misled. In (Federal Reserve) Governor Wallich’s words: “Inflation is like a country where nobody speaks the truth.”¹¹⁴

113. Roepke, *Economics of the Free Society*, 104.

114. Walter B. Wriston, “Repressing Economic News,” *Wall Street Journal*, May 4, 1919, 16.

The purpose of “wage-price controls” or the curtailment of such economic speech is to convince us “to stress the bad news that it (the government) has printed too much money.” Napoleon reportedly said that prosperity has many fathers, but inflation is like an orphan. Yet it is one thing to disown the orphan and still another to hush him up. In this case, the constitutional rights of the orphan have been bridled by disallowing him the freedom of economic speech.

Conclusion

Even though the message of Mene, Tekel, and Peres is on the wall, the repressed inflation in the United States will probably continue until self-inflation is put down by either divine retribution or evangelical repentance. The next time we hear of the Fed “priming the monetary pump” to give the economy “a shot in the arm,” let us think of *embalming fluid* instead of animating medication.

What we have endeavored to express is that radical anthropological {102} differences exist between inflationists and noninflationists. It has been said that the price of liberty is a jealous and eternal vigilance, but it is a vigilance which pertains to ourselves as much as our fellow-men. Today, as much as yesterday, we are still grappling with the dilemma as to how men who are constitutionally un-Constitutional are to be entrusted with political power. Human nature certainly must be changed, but not by a humanistic predestination. The gospel jubilee must be heralded, for it alone “is the power of God unto salvation” (Rom. 1:16). Regeneration by the power of the Holy Spirit must be wrought in the hearts of men. The law of God in all of its full-orbed personal and societal implications must be taught. The sharp needle of the law will pierce a way for the silken thread of the gospel. Self-inflation and monetary inflation will be subdued.

Until then, let us *not* be bewitched by the satanic rhetoric of “dead again” American Presidents, who urge:

We simply must have faith in each other, faith in our ability to govern ourselves, and faith in the future.

Restoring that faith and confidence to America is now the most important task we face...¹¹⁵

115. This is from President Carter’s “Crisis of Confidence” energy speech of July 15, 1979, as recounted in the *San Jose Mercury News*, July 16, 1979, 1.

THE 100% GOLD STANDARD: FRAMEWORK FOR A STABLE ECONOMY

Mark Skousen

Contrary to the opinion of contemporary mythmakers, the search for a stable economic system—free from galloping inflation, deep recession, and monetary crises—is neither a snipe hunt nor a wild goose chase. Macroeconomic nirvana can be established, the transition can be effected within a short period, and, once achieved, we can end forever our vainglorious worship of politics and economics. “Neither power nor wealth,” proclaims Arthur C. Clarke, “should be the primary, still less the exclusive, concern of full-grown men.”¹¹⁶

Full-fledged metallism can be justified not only on pragmatic or political grounds, but also on the basis of historical, scientific, and ethical considerations. Although “second best” solutions to our monetary problems may be more practical in the short run,¹¹⁷ the fact remains that the pure gold standard is the only monetary framework that is “compatible with the fullest preservation of the rights of property... (and)... assures the end of inflation, and with it, the business cycle.”¹¹⁸

116. Arthur C. Clarke, *Profits of the Future* (New York: Popular Library, 1977).

117. Other “ideal” monetary systems, such as “free banking,” as advocated by Ludwig von Mises and W. Stanley Jevons, or the 100 percent fiat standard, as supported by Milton Friedman and Irving Fisher, are contrasted in my book, *The 100 percent Gold Standard: Economics of a Pure Commodity Money* (Washington, DC: University Press of America, , 1977), 196–204, passim. “Free banking,” which does not legislate the level of bank reserves under competitive markets, would still permit a slow credit expansion. 100 percent fiat standard would probably reduce cyclical patterns and inflation but would not eliminate them entirely.

118. Murray N. Rothbard, *The Case for a 100 percent Gold Dollar* (Washington, DC: Libertarian Press, 1974), 35. Originally appeared in Leland B. Yeager, ed., *In Search of a Monetary Constitution* (Cambridge, MA: Harvard University Press, 1962). Rothbard is the foremost advocate of the 100 percent gold standard.

Historical Background of Gold

A specie monetary standard is not simply a theoretical construct. On the contrary, it is supremely *au natural*. For thousands of years, civilization recognized the metals—particularly iron, copper, silver, and gold—as superior mediums of exchange. The first coins were crudely minted and issued by merchants, money changers, and miners. As Carl Menger comments, {104}

The origin of money... is... entirely natural.... Money is not an invention of the state. It is not the product of a legislative act. Even the sanction of political authority is not necessary for its existence. Certain commodities came to be money quite naturally, as the result of economic relationships that were independent of the power of the state.¹¹⁹

Gradually, token coins, paper money, and bank deposits were introduced, but at first these issues served as “representative money” or warehouse receipts for specie stored by the scribes, goldsmiths, and bankers.¹²⁰ Token coins were typically in smaller denominations because counterfeiting was too profitable for more valuable gold coins. Historically, most coins circulated by tale rather than by weight, unless the coins were debased or clipped. Thus, principle coins were nearly always full-weight money, and the 100 percent monetary system was for all practical purposes preserved. Even when private minting was largely replaced by government control, a full specie standard was the rule rather than the exception. Official debasement of the country’s coinage invariably resulted in the disappearance of the new full-weight coins, as Gresham’s Law took full effect.¹²¹

In sum, the precious metals played a fundamental role, and for centuries, even up through the Middle Ages, survived without the intro-

119. Carl Menger, *Principles of Economics* (Glencoe, IL: Free Press, [1871] 1950), 261–62.

120. The original goldsmith notes were warehouse receipts, and lending gold deposits was forbidden and a fraud. The Bank of Amsterdam, the Bank of Hamburg, and the Giro Banks in Italy were not permitted to issue promises beyond the coin or bullion actually on deposit. See R. D. Richards, *Early Banking in England* (London: S. King & Sons, 1929), and E. T. Powell, *The Evolution of the Money Markets* (London: Cass, 1966).

duction of fiduciary elements (though frequent aberrations occurred through the use of token and clipped coins).

But monetary standards changed radically in the seventeenth and eighteenth centuries. Because of the unique status of money and its fungibility, over time the notes issued by the goldsmith-bankers were distributed far in excess of the precious metals they represented, and fractional reserve banking was born.

The collaboration of the banking and ruling interests in pursuing inflationary policies via excess credit creation in the banking sector or outright money creation in the public sector resulted in periodic panics and economic depression, the boom-bust cycle.

The return to 100 percent specie standard was advocated during these times of economic upheaval. During the European banking crises of the {105} early seventeenth century, the continental “banks of deposit” were established; during the American economic panics of the early nineteenth century, the Jacksonians and Jeffersonians led the “anti-bank” movement; during the English debates over specie resumption and the role of the Bank of England, the Currency School fought for the enactment of the Peel Act of 1844; during the Civil War-greenback era, hard-money advocates wrote prolifically on 100 percent banking; during the Great Depression of the 1930s, Hayek, Fisher, and Simons promoted the advantages of 100 percent reserve banking; and most recently, during the repeated bust-bust inflationary recessions of the past two decades in the Western world, hard-money thinkers and economists have led a revival of the pure gold standard concept.¹²²

How a Pure Gold Standard Works

The fundamental principle behind the 100 percent gold standard is this: money should consist entirely of a full-bodied commodity, and

121. Gresham’s Law, “bad money drives out good,” results because of a form of price control, legislating equality of full-weight new coins to worn coins. Obviously it pays to hoard new coins and pass on the worn. See Mises, *Human Action* (Chicago: Regnery, 1966), 781.

122. Supporters of the 100 percent gold standard have included such famous personalities as David Hume, Andrew Jackson, Thomas Jefferson, John Adams, and Amasa Walker, a leading American economist of the late nineteenth century.

that all money substitutes are claims against an equal amount of commodity-money. The choice of gold, silver, and copper is not an arbitrary one. Unlike bricks, sand, or some other commodity facetiously suggested, the precious metals emerged naturally by the voluntary decisions of merchants, of buyers and sellers. This monetary standard, then, is a *market* approach to money.

Gold has become the “monetary unit of account” because of its scarcity. Silver, copper, and other alloys have been useful for smaller transactions.

Parallel standards, rather than bimetallism, would be adopted under a pure specie framework. Parallel standards would mean that gold and silver would freely fluctuate between them. There would be no fixed ratio of value, like 16 to 1. When an artificial bimetallic exchange rate is established, Gresham’s Law once again appears, and either gold or silver begins to disappear, whichever is undervalued. A parallel standard could possibly present some problems in transactions involving both gold and silver, but they are not insurmountable.

Another issue is whether coins should circulate by weight or tale. Clearly, Gresham’s Law reemerges if worn coins are made equal to full-bodied coins. On the other hand, there are also problems of convenience with coins circulating by weight only. Rothbard foresees private minters establishing a time limit on their stamped guarantees of weight, after which coins would be returned and re coined at the lower weight value.¹²³ Token {106} coins could also be introduced as a way of eliminating the weight problem, although counterfeiting might be a greater adversary.

Should private coinage be permitted? In the widest range of political and economic freedom, private minting of coins and the private issuance of paper money should be encouraged. While this may appear to be a radical proposal, there is historical precedent. Milton Friedman, no friend of gold, has remarkably made a similar stand. Friedman argues that although government in the past has certified both weight and fineness, there should be no reason why the market cannot provide

123. Murray Rothbard, *What Has Government Done to Our Money?* (Santa Ana, CA: Rampart College, 1974), 9n.

this service adequately, borrowing perhaps from the “Good House-keeping” seal of approval.¹²⁴

Murray Rothbard has staunchly observed,

The pretext for socialization of minting—one which has curiously been accepted by almost every economist—is that private minters would defraud the public on the weight and fineness of coins. This argument rings peculiarly hollow when we consider the long record of governmental debasement of the coinage and of the monetary standard. But apart from this, we certainly know that private enterprise has been able to supply an almost infinite number of goods requiring high precision standards; yet nobody advocates nationalization of the machine tool industry or the electronics industry in order to safeguard these standards. And no one wants to abolish all contracts because some people might commit fraud in making them. Surely the proper remedy for any fraud is the general law in defense of property rights.¹²⁵

At the same time, there is no reason to impose legal tender laws on the public, where the seller is required to accept “legal” payment for a debt.

New Role for Banking

Paper money, like token coins, can serve the extremely useful function of transferring large amounts of gold from one party to another without any physical transportation of the metal. Paper money would be, however, a warehouse receipt, nothing more—not a promissory note.

The issuance of paper money in excess of the specie held by the bank or financial institution would be treated as a fraudulent practice, liable to civil and perhaps criminal penalties, similar to penalties imposed on a warehouse or bank which embezzled customers’ funds. This is a key philosophical as well as economic issue.

The goldsmith-bankers who initially issued notes in excess of specie deposits committed a “tort” or “fraud” upon their customers. They took advantage of the fact that coins and banknotes were fungible in

124. Milton Friedman, *A Program for Monetary Stability* (New York: Fordham University Press, 1960), 5.

125. Rothbard, *Case for a 100 percent Gold Dollar*, 12ff.

nature, i.e., one token or receipt couldn't be distinguished from another. Realizing the law of large numbers, the goldsmith-bankers saw that deposits and withdrawals {107} largely offset one another. Thus, as Groseclose critically observes, "It was only a step to the discovery by the more unprincipled goldsmiths that funds of clients might be lent out so long as the goldsmith retained on hand sufficient amounts to meet anticipated calls for the return of deposits."¹²⁶

This practice of mixing the deposit and lending functions of banking became so widespread, so ingrained, that it "seems to have been regarded as an established fact—obvious, notorious, and practically unchallengeable."¹²⁷

Nevertheless, there is an inherent inconsistency in the mixing of the loan and deposit functions. While bankers view deposits as borrowed funds, customers regard deposits as "their own money." The 100 percent banking reserve standard would restore the true relationship between banker and depositor and the property rights of money-owners.

Bank law, then, would be changed to treat checking account deposits as claims, or warehouse receipts. Because the public is generally uninterested in specific coins or banknotes, however, the money claims could be "general deposit warrants," in which the bank is required to keep in its vaults an equivalent in gold or silver bullion or coins.

Of course, banks would not be prohibited from lending money. This would still be possible from the bank's own capital stock and surplus, or from relending activities. Bankers could continue to operate as financial middlemen. But the 100 percent reserve requirement would end forever the inherently disastrous banking practice of maintaining *short-term* liabilities while lending *long-term*.

Advantages and Criticisms

The advantages of the 100 percent gold standard are as follows.

First, it provides for the restoration of property rights and economic freedom in the money sphere. It eliminates the immoral practice of

126. Elgin Groseclose, *Money and Man* (New York: Frederick Ungar, 1961), 178, passim.

127. Powell, *The Evolution of the Money Markets*, 71.

people acquiring money at the expense of the producer by creating money “out of nothing,” which is a consequence of fractional reserve banking.

Second, it puts the banking industry on a sound footing, and separates clearly the lending and deposit functions.

Third, the full-fledge specie standard operates independent of government. Government would be limited to taxation and borrowing to raise funds—it could no longer expand via money creation. The pure gold standard would severely restrict the powers of government to inflate by debasing of the currency.

Fourth, a pure gold standard would virtually eliminate inflation. Because gold and silver are so durable, as well as scarce, annual fluctuations would necessarily be small. A gold-standard economy could not be subject to {108} violent and sudden change as a result of gold inflation.

Historically, it is difficult to substantiate whether prices were relatively more stable under a gold standard than under a fiat-money standard. This is because no pure 100 percent gold standard was in existence when reliable statistics on prices were being gathered. Bearing in mind this important caveat, Friedman and Schwartz make the following significant commentary regarding gold and monetary statistics during the nineteenth and twentieth centuries: “The blind, undesignated, and quasi-automatic working of the gold standard turned out to produce a greater measure of predictability and regularity—perhaps because its discipline was impersonal and inescapable—than did deliberate and conscious control exercised within institutional arrangements intended to promote monetary stability.”¹²⁸

Under a 100 percent gold standard, it is quite conceivable that a gradual deflation of prices might be the case. Of course, the gold standard is always subject to new discoveries, which could create a mild rise in prices for a period of time.¹²⁹

128. Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867–1960* (Princeton, NJ: Princeton University Press, 1963), 10. For a discussion of a pure specie standard, see appendix B, “Proximate Determinants of the Nominal Stock of Money,” 776–808.

Critics often point to the cost of production of the metals as an extremely heavy burden on society. This is perhaps the most powerful case against a gold standard. As Milton Friedman points out, “The stock of money would have to grow by about 4 percent a year to keep product prices roughly constant. The use of so large a volume of resources for this purpose establishes a strong social incentive in a growing economy to find cheaper ways to provide a medium of exchange.”¹³⁰ Needless to say, Friedman recommends a 100 percent *fiat* monetary standard.

The response to this challenge can be answered only through the back door, so to speak. A fiat money standard, whether on a fractional reserve or 100 percent reserve basis, is far from being a “cheap” alternative to a pure gold standard. For, unlike a pure *commodity* standard, a *fiat* money standard creates *ipso facto* a business cycle which disrupts society’s consumption/investment patterns, disorients aggregate supply and demand, and results in heavy social losses. On the other hand, while “fluctuations” do occur, a full-bodied commodity standard eliminates these cyclical effects. The key to understanding this important distinction is the so-called “Austrian” theory of the business cycle. The creation of fiat money through the banking system encourages (through artificially lower interest {109} rates) investments in certain industries for which, fundamentally, there is lack of demand from final buyers (consumers). While the credit expansion continues, the invested industries give all the appearances of prosperity. However, eventually prices and interest rates “self-reverse” and final demand for such newly invested products is not forthcoming. The result is a “bust” in the previous “boom” industries. On the other hand, an increase in commodity metal products *embodies* changes in time preferences, and no boom-bust cycle occurs.¹³¹

129. The substantial rise in prices following the gold discoveries in California and Alaska in the mid-nineteenth century were largely due to multiple expansions in credit *beyond* new gold findings. See Harrison Brace, *Gold Production and Future Prices* (New York: Bankers Publishing Co., 1910), 23, 81–82.

130. Friedman, *A Program for Monetary Stability*, 5–7.

Is the Pure Gold Standard Practical?

Ironically, a fractional reserve monetary system is self-destructing. Increases in unbacked credit sow the seeds of the economic recession to come. Monetary inflation causes recession. Only further credit expansion *at increasing rates* can postpone the recessionary, healing forces. As the U.S. monetary authorities shift to higher levels of inflation, the risk of economic chaos heightens. It is quite conceivable that the result of this hyperinflationary blow-off will be a return to a pure gold standard. Certainly, if dollars, pounds, or francs are no longer accepted because they are nearly worthless, gold and silver coins may become the “new” barter items of the monetary world.

But even so, whether gold or silver ever returns to its rightful place as the supreme monetary *numeraire*, the case for a pure commodity standard remains the only long-term stable monetary alternative consistent with property rights and economic freedom. Whether the academic world ever accepts this truth remains to be seen. In this regard, I am reminded of the famous statement of Josh Billings, who said in words that every economist will understand, “As scarce as truth is, the supply has always been in excess of demand.”

131. This relatively new interpretation of “Austrian” economic theory has not been fully developed to my satisfaction. For points of view on this subject, see Rothbard, *America’s Great Depression*, 3rd ed. (Kansas City: Sheed and Ward, 1975), 38, and Frederick A. Hayek, *Monetary Nationalism and International Stability* (New York: Longmans, Green, 1937), 4–25.

2.
CHRISTIAN
RECONSTRUCTION

HISTORICAL REVISIONISM: ARCHAEOLOGY AND THE CONQUEST OF CANAAN

Stan F. Vaninger

During the nineteenth century, when modern Egyptology was in its infancy, it was generally accepted that the Egyptian ruler of Dynasty XIX known as Ramses II was the last pharaoh of the Oppression (Ex. 1:1-14) and that his son and successor, Merneptah, was the pharaoh of the Exodus. The identification of Ramses II as the last pharaoh of the Oppression was based primarily on two lines of evidence, which at the time must have seemed quite impressive. First of all, it was known from Egyptian inscriptions that Ramses II built with brick (see Ex. 1:14) in the delta area, the very region which had been allotted to the Israelites when they first settled in Egypt (Gen. 46:28-47:11). Secondly, one of the store cities that the Israelites were required to work on was named Rameses (Ex. 1:11). The Exodus was initially located early in the reign of Merneptah because of the chronological requirement in Exodus 2:23 and 4:19 that the Exodus occurred shortly after the death of a pharaoh.

As an absolute chronology of the Egyptian dynasties began to emerge, conservative scholars found reason to question the acceptability of the above scheme, which eventually came to be known as the “late date” theory. Egyptologists dated the reign of Ramses II during the thirteenth century BC, creating a discrepancy with the chronological statements in Scripture relative to the date of the Exodus and conquest.¹³² Scholars who felt that these chronological statements should

132. Beginning with the now commonly accepted date for the death of Solomon (931 BC), 1 Kings 6:1 and 11:42 can be used to calculate the date of the Exodus: $931 + 40 - 4 + 480 = 1447$ BC. Deuteronomy 2:7, etc., places the conquest forty years later. This allows a period of approximately 350 years between the conquest and the beginning of the United Monarchy, which is consistent with the 300-year period mentioned by Jephthah in Judges 11:26. The “late date” allows at most 300 years between the Exodus and Solomon’s 4th year and less than 200 years for the period of the Judges.

be taken seriously began to look for an alternative.

After the discovery of the Merneptah Stele at Thebes in 1896, it was necessary to alter this “late date” scheme somewhat. The stele, which was dated in the fifth year of Merneptah, spoke of Israel as being already in {111} Palestine. This meant that the conquest must have occurred sometime before Merneptah’s fifth year and therefore that the Exodus (which occurred 40 years before the conquest) must have occurred near the midpoint of the 67-year reign of Ramses II or earlier. This scheme, which became the new consensus of opinion for the “late date,” made Ramses II not only the last pharaoh of the Oppression but also the pharaoh of the Exodus. It therefore became necessary, in order to retain the “late date” Exodus, to dismiss the chronological requirement of Exodus 2:23 and 4:19 as an error, a development which further alienated the conservative scholars.

Those who put more faith in the veracity of Scripture reacted by developing an “early date” scheme which moved the Exodus and conquest backwards in time approximately 200 years to be in accordance with biblical chronology. Tuthmose III (1504–1450 BC) of Dynasty XVIII was usually considered to be the last pharaoh of the Oppression and Amenhotep II (1450–1425 BC) the pharaoh of the Exodus (see table 1). This scheme was first proposed, it appears, as early as 1897, and became very popular during the 30s and 40s of the present century.¹³³

Table 1. Egypt’s Eighteenth Dynasty

Ruler	Commonly Accepted Dates BC
Amosis	1570–1546
Amenhotep I	1546–1526
Tuthmosis I	1525–1512
Tuthmosis II	1512–1504
Hatshepsut	1503–1482
Tuthmosis III	1504–1450
Amenhotep II	1450–1425
Tuthmosis IV	1425–1417
*Amenhotep III	1417–1379

133. H. H. Rowley, *From Joseph to Joshua: Biblical Traditions in the Light of Archaeology* (London: Oxford University Press, 1950) is the best source for these early developments.

*Akhnaton	1379–1362
*Smenkhkare	1364–1361
*Tutankhamun	1361–1352
Ay	1352–1348
Horemheb	1348–1320

* Amarna Age

Much of this popularity was due to Garstang's excavations at Jericho, which he claimed supported the "early date" of the conquest. Excavating during the years 1930–1936, Garstang claimed to have uncovered the city destroyed by Joshua and dated this destruction to the end of the Late {112} Bronze I period, ca. 1400 BC (see table 2). But W. F. Albright had also engaged in the excavation of a Palestinian site during a slightly earlier interval, and his results seemed to support the "late date" of the conquest. Much of the attention given to Egyptian history and the date of the Exodus now shifted to Palestinian archaeology and the date of the conquest. Albright's excavations during the years 1926–1932 at Tell Beit Mirsim (which he identified as Debir; see Josh. 10:38–39) revealed a violent destruction of that city at the end of the Late Bronze II period (ca. 1200 BC). Excavations at a number of other sites during the next three decades revealed a general pattern of violent destructions throughout Palestine at the end of Late Bronze II. This evidence was used by "late date" adherents to argue for dating the Israelite conquest at the end of the thirteenth century BC. The "early date" suffered a significant setback when, in the 1950s, Kathleen Kenyon performed large-scale excavations at Jericho. Her work revealed that the walls assigned by Garstang to the Israelite conquest had to be redated to a much earlier period, and that there was a total lack of evidence that Jericho was even occupied, much less a walled city, during Late Bronze I.

Table 2. The Commonly Accepted Dates and Characteristics of the Archaeological Ages

Period	Commonly Accepted Dates BC	Characteristics
Early Bronze I	3200–2900	Urban life begins in Palestine, ca. 3000 BC.
Early Bronze II	2900–2600	Palestine characterized by many fortified urban centers and a rapid population growth.
Early Bronze III	2600–2300	Some sites of previous period are destroyed and quickly resettled. Khirbet Kerak ware appears. At the end of EBIII, every major site is either destroyed or abandoned.
Early Bronze IV	2300–2200	Nonurban transition period characterized by different pottery and burial practices. No destruction levels at end of period.
Middle Bronze I	2200–2000	
Middle Bronze IIA	2000–1800	Sudden reversion to town life. Settlements are extensive and flourishing but unfortified. Cultural level is indicated by “the finest locally made pottery in the history of the country.”
Middle Bronze IIB, C	1800–1500	Cities continue to grow and become fortified. Most prosperous age in Palestine. Period ends with thick destruction levels at every major site.
Late Bronze I	1500–1400	The MBII culture continues but is poorer. Most MBII sites are resettled and many are fortified. The red and black Bichrome ware appears early in this period.
Late Bronze II	1400–1200	Another cultural drop but local pottery is still fairly well made. Imported Mycenaean pottery is common. Period ends with thick destruction layers at many sites.
Iron I	1200–900	A) Continuity in pottery forms but poorer in manufacture. No imported pottery. Many previously unoccupied areas are settled. B) “Philistine” pottery appears after 75–100 years. C) Iron Age culture in Palestine reaches a peak.

As improvements and refinements were made in excavation techniques and as a clearer picture of the nature of the various archaeological periods emerged, it became more and more apparent that the

evidence did not support the traditional “late date” theory of the conquest (see below). In using the designation traditional “late date” of the conquest, we mean the view defended by W. F. Albright, John Bright, and Paul W. Lapp that the conquest was a literal military invasion that produced the destruction levels found at the end of the Late Bronze II period.¹³⁴ A complete review of the many telling arguments against both the “early date” and the traditional “late date” Exodus and conquest theories is beyond the scope of this paper. We will, however, in the main section, have occasion to point out some of the archaeological difficulties in locating the conquest at the end of Late Bronze I (early date) or at the end of Late Bronze II (late date).

Scholars who reject both the “early date” conquest and the traditional “late date” conquest usually attribute the destruction levels at the end of Late Bronze II to the Sea Peoples and date the Israelite conquest early in the Iron I period. Alt and Noth argue that the Israelite “conquest” was, in reality, a gradual and, for the most part, peaceful infiltration of small groups of seminomads who eventually mingled with the existing inhabitants of Canaan. Mendenhall and Gottwald minimize the element of a new people entering and settling in Palestine and maintain that the main {113} event was a peasant uprising which replaced the ruling aristocracy with a self-ruling tribal federation. The Exodus and conquest stories are regarded as creations of the monarchical period to justify the reestablishment of an aristocracy.¹³⁵

Chronological Reconstruction

Christians who are committed to a high view of Scripture find themselves in a difficult position. The “early date,” which is based upon clear chronological statements in the Scriptures, has become totally indefensible from the archaeological point of view. The traditional “late date”

134. John Bright, *A History of Israel*, 2nd ed. (Philadelphia: Westminster, 1972), 118–30; Paul W. Lapp, “The Conquest of Palestine in the Light of Archaeology,” *Concordia Theological Monthly* 38 (1967):283–300.

135. See J. Maxwell Miller, “The Israelite Occupation of Canaan,” in John H. Hayes and J. Maxwell Miller, eds., *Israelite and Judaeon History* (Philadelphia: Westminster, 1977), 262–79, for a convenient summary of these two views.

and the other alternatives to it, all compromise, to a greater or lesser extent, the doctrines of inspiration and inerrancy.

Donovan Courville has proposed a solution to this dilemma by suggesting that the conquest of Canaan occurred at the end of the Early Bronze III period and that the end of the Late Bronze II period corresponds to the Assyrian conquest of Israel and Judah in the latter part of the eighth century BC (see table 2). The suggestion that the archaeological ages have been misdated to such a great extent is closely bound up with his realignment of almost every period of Egyptian history in order to synchronize them with the history of Israel as given by the Scriptures.¹³⁶

It is important to realize how radically different Courville's conclusions are from those of the vast majority of modern historians. While modern treatments of the ancient history of Egypt (with one exception) assume that the thirty-one dynasties are consecutive, Courville has concluded that there are many instances of contemporaneity and overlapping among the dynasties. The total duration of the thirty-one dynasties is thereby reduced by Courville from ca. 2800 years to ca. 1800 years! The dates of many of the dynasties are revised, always in the forward direction on the BC timescale. For example, the beginning of the first dynasty is moved from ca. 3100 BC to ca. 2100 BC. The revised dating is not arbitrary, of course, but is a result of many years of painstaking research in order to achieve a history of Egypt displaying not only greater internal coherence but also a better correlation with biblical history and with the archaeological record. Also very crucial to Courville's reconstruction is the redating of most of the archaeological periods. One example that we will be especially concerned with in this work is the date of the end of the Early Bronze Age, which is moved forward from ca. 2300 BC to ca. 1400 BC. Courville has concluded that the end of the Early Bronze Age is the point in the archaeological sequence that corresponds to the Israelite conquest of Canaan. Since such a conclusion involves an enormous 900-year shift in the date of the end of the Early Bronze Age, we should not only expect but demand {115} that such a synchronism be substantiated by an over-

136. Donovan Courville, *The Exodus Problem and Its Ramifications*, 2 vols. (Loma Linda: Challenge Books, 1971).

whelming amount of irrefutable evidence! Our purpose is to focus the reader's attention on this particular point of Courville's revision. In doing so, we can avoid the confusion and complexity of trying to comprehend the entire reconstruction but at the same time call attention to the enormous amount of evidence that can be amassed in defense of just one point in that reconstruction. When reading the statements of the archaeologists quoted in the following pages, it should be kept in mind that all of them were under the conviction that if an Israelite conquest of Canaan did occur, it happened from 900 to 1100 years after the end of the Early Bronze Age. This renders their testimony much more objective and unbiased and thus all the more impressive. As we proceed, we shall discover that these archaeologists expected to find some evidence of the conquest at the end of Late Bronze I or Late Bronze II precisely because they believed that the Late Bronze Age corresponded to the time of Joshua. We shall also see that not only did they not find such evidence in the Late Bronze Age where they expected it, but that they did not recognize the sought-for evidence when it turned up at an unexpected point in the archaeological sequence, namely, at the end of the Early Bronze Age. According to Courville's reconstruction, when the archaeologists speak of the end of the Early Bronze Age, which they date ca. 2300 BC, they are in reality dealing with the time of the Israelite conquest (1400 BC) without realizing it. If the reader can keep this in mind while reading the remainder of this article, he will begin to appreciate why it is so important that we give serious attention to the larger problem of a complete revision of ancient times.

The Jewish scholar Immanuel Velikovsky was, of course, the first to recognize the need for a radical reconstruction of ancient history. In 1940, Velikovsky's interest in the Egyptian Pharaoh Akhnaton was stimulated by reading Sigmund Freud's last book, entitled *Moses and Monotheism* (1939). In this work, Freud developed the theory (first suggested by the first-century Greek geographer Strabo), that Akhnaton was the ultimate source of the monotheism expressed in the Old Testament Scriptures. Further study impressed Velikovsky with a number of remarkable parallels between Pharaoh Akhnaton and the legendary figure of Greek tragedy, Oedipus, who, curiously enough, was the subject of one of Freud's psychoanalytic theories. The puzzling thing about these parallels was that the various tragedies about Oedi-

pus were written by playwrights separated by 700 miles from Egypt and by 700 years from the era of Akhnaton. The challenge of such a puzzle launched Velikovskiy into an intense study of ancient times and resulted in his radical reconstruction.

Basic to the reconstruction is the recognition that ancient Egyptian history, which for modern historians is the foundation and reference point {116} for aligning the histories of many other ancient kingdoms, is in a state of chronological disarray. After twelve years of research, the first installment of the reconstruction was published under the title *Ages in Chaos* (1952).¹³⁷ This work covers a period of 600 years, from the time of the Exodus to the era of Ahab and Jehoshaphat. In 1960, twenty years after its conception, *Oedipus and Akhnaton* was published.¹³⁸ This work deals at length with the specific problem that first called Velikovskiy's attention to the need for the reconstruction. The foreword to *Ages in Chaos* promised that an additional volume would soon appear that would bring the reconstruction down to the time of Alexander the Great. Publication of the sequel was delayed again and again, and in the intervening years the remainder of the reconstruction grew to three volumes in size. Finally, after an additional 25 years of research, *Peoples of the Sea* (1977) appeared, covering the period from the Persian era to Alexander the Great.¹³⁹ Soon after, *Ramses II and His Time* (1978) was published, covering the period of the Neo-Babylonian empire.¹⁴⁰ A final forthcoming volume will fill in the period of the Assyrian supremacy and also deal with the special problems associated with the ancient history of Greece. Three recent articles by Velikovskiy, who died in late 1979, provide some of the material from the Assyrian period.¹⁴¹

137. Immanuel Velikovskiy, *Ages in Chaos* (Garden City, NY: Doubleday, 1952).

138. Immanuel Velikovskiy, *Oedipus and Akhnaton* (Garden City, NY: Doubleday, 1960).

139. Immanuel Velikovskiy, *Peoples of the Sea* (Garden City, NY: Doubleday, 1977).

140. Immanuel Velikovskiy, *Ramses II and His Time* (Garden City, NY: Doubleday, 1978).

141. Immanuel Velikovskiy, "From the End of the Eighteenth Dynasty to the Time of Ramses II," *Kronos* 3, no. 3 (Spring 1978):3-33; "The Correct Placement of Haremhab in Egyptian History," *Kronos* 4, no. 3 (Spring 1979):3-22; "Cultural Aspects of the Libyan and Ethiopian Dynasties," *Kronos* 5, no. 3 (Spring 1980):1-10.

Velikovskiy's reconstruction proposes a substantial shift on the BC timescale of major portions of Egypt's ancient history and a corresponding shift in the date of several other ancient kingdoms. In *Ages in Chaos*, he synchronizes the end of the Middle Kingdom in Egypt with the Exodus and identifies the Hyksos, who ruled Egypt during the Second Intermediate period, as the Amalekites of Scripture (see table 3, which gives the commonly accepted dates of the major periods of the history of ancient Egypt). The beginning of the New Kingdom is moved from the sixteenth century BC to the eleventh century BC, and numerous synchronisms between Egypt during Dynasty XVIII (see table 1) and Israel during the Monarchial period are established. Queen Hatshepsut (conventionally dated 1503–1482 BC) is identified as the Queen of Sheba who visited Solomon. Tuthmose III (sole reign, 1482–1450 BC) is identified as Pharaoh Shishak of Scripture, who despoiled the temple in Jerusalem in the fifth year of Rehoboam. Amenhotep II (1450–1425 BC) is identified as {117} the Zerah defeated by King Asa of Judah. The Amarna period is redated to the time of Ahab and Jehoshaphat, and Ahab is actually identified as one of the Amarna correspondents. Pharaoh Akhnaton, whom Freud considered to be the first monotheist, is redated to the ninth century BC, approximately 600 years after the law was given to Moses.

In *Peoples of the Sea*, Ramses III (1198–1166 BC) of Dynasty XX is moved closer to the present era by 800 years, and the Sea Peoples that he repulsed from Egypt are identified as the Persians using Greek mercenaries. In *Ramses II and His Time*, that pharaoh, whose reign is 1290–1224 BC according to the conventional chronology, is equated with Pharaoh Necho of Scripture, who killed King Josiah of Judah at Megiddo. The so-called Hittite empire is identified as the seventh/sixth-century BC. Chaldean/Neo-Babylonian empire, and Hattusilis II, whose wars against Ramses II are recorded by both Egyptian and “Hittite” records, is shown to be none other than the dreaded Nebuchadnezzar of Scripture.

Table 3. The Periods of Egypt's Ancient History

Period	Dynasties	Commonly Accepted Dates BC
Predynastic	_____	ca. 5000—ca. 3000
Proto-dynastic	I-III	ca. 3100–2613
Old Kingdom	IV-VI	2613–2181

First Intermediate	VII-X	2181–2133
Middle Kingdom	XI, XII	2133–1786
Second Intermediate	XIII–XVII	1786–1567
New Kingdom	XVIII–XX	1567–1085
Late Dynastic	XXI–XXXI	1085–332

Although his reconstruction certainly demands it, Velikovsky has, as yet, written very little about his proposed redating of the archaeological ages. The short article entitled “Jericho” suggests that the destruction of the cities of the plain (Gen. 19) occurred at the end of the Early Bronze III period, and that the conquest of Canaan occurred at the end of Middle Bronze II (see table 2), but little evidence is given to support this scheme.¹⁴²

While Velikovsky began his reconstruction with the end of the Middle Kingdom, Courville has attempted to revise the entire history of ancient Egypt from the predynastic period to the time of Alexander. A convenient summary of his revision can be found in an earlier issue of this journal.¹⁴³ Table 4 gives Courville’s arrangement of the Egyptian Dynasties; {117} the overlapping in the figure indicates the contemporaneity of many of the dynasties. He maintains that the first five dynasties lead directly into the era of Dynasty XII with no gap or intermediate period, while Dynasty VI is, for the most part, contemporary with Dynasty XII, but outlasting it by half a century or more. The First and Second Intermediate periods are regarded by him as corresponding to the same period, between the Old/Middle Kingdom and the New Kingdom. While Courville is in essential agreement with Velikovsky for the period covered by *Ages in Chaos*, there are some significant differences for later periods. Both Velikovsky and Courville follow biblical chronology and thus date the conquest to ca. 1400 BC (with the Exodus forty years earlier). Courville has paid a lot more attention to the archaeological evidence from Palestine and has, in this writer’s opinion, suggested a scheme for redating the archaeological ages that greatly enhances the overall coherence and credibility of the reconstruction.

142. Immanuel Velikovsky, “Jericho,” *Kronos* 2, no. 4 (Summer 1977):64–69.

143. Donovan A. Courville, “A Biblical Reconstruction of Egypt’s Chronology,” *Journal of Christian Reconstruction* 2, no. 1 (Summer 1975):131–59.

Our present purpose is to examine the end of the Early Bronze III period and the intermediate period that followed, in order to document more fully the vast amount of clear and unambiguous evidence that they correspond to the conquest and settlement of Israel in the land of Canaan. We shall also note, in passing, some of the negative evidence that has caused most scholars to abandon the position that the military conquest described in the scriptural narratives could have occurred either at the end of Late Bronze I or at the end of Late Bronze II.

Table 4. Courville's Realignment of the Egyptian Dynasties

BC					
2100	Dynasties I and II	Dynasties III-IV			
1900					
					Dynasty XII
1700				Dynasty VI	
1500			Dynasties VII-X	Dynasties XIV-XVII	
1300					
1100			Dynasties XVIII and XIX		
900					
700				Dynasties XX-XXIII	
					Dynasties XXIV-XXVI
500					

Before proceeding further, however, a few words of explanation will be helpful concerning the two periods designated as EBIV and MBI in table 2. Taken together, these two periods make up what is now generally recognized as an intermediate period between the great urban cultures of Early Bronze and of Middle Bronze. Until recently, little was known of this intermediate period, and there has been much discussion over the various terminologies assigned to it. Table 5, which is an abbreviated form of a table given by Dever,¹⁴⁴ will give the reader some indication of the difficulties encountered in devising an appropriate and meaningful terminology for this period. It can be seen from the table that some writers consider the entire period in question as belonging to the Early Bronze Age, others consider it as belonging entirely to the Middle Bronze Age, others split the period between Early Bronze and Middle Bronze (this has been the convention, as in table 2), while still others give it a different designation altogether (Kenyon's Intermediate Early Bronze-Middle Bronze and Lapp's Intermediate Bronze I & II). The period immediately preceding is universally designated as Early Bronze III, {120} but the various Middle Bronze periods provide a source of confusion as we survey the literature. Those who use the designation Middle Bronze I for all or part (as in table 2) of the Intermediate period of table 5 usually divide Middle Bronze II into Middle Bronze IIA (2000–1800 BC) and Middle Bronze IIB (1800–1500 BC), while those who do not use the designation Middle Bronze I for any part of the Intermediate period will divide the Middle Bronze Age into Middle Bronze I (2000–1800 BC) and Middle Bronze II (1800–1500 BC).

We now turn to a detailed consideration of the end of Early Bronze III and the Intermediate period of table 5 to see what evidence there may be that they correspond to the conquest and settlement of Canaan by Israel.

144. William G. Dever, "The EBIV-MBI Horizon in Transjordan and Southern Palestine," *Bulletin of the American Schools of Oriental Research*, no. 210 (April 1973):38.

*So Joshua Took the Entire Land*¹⁴⁵

Kathleen Kenyon, in the new edition of the *Cambridge Ancient History*, writes concerning the break between Early Bronze III and what she terms the Intermediate Early Bronze—Middle Bronze: “At the end of the Early Bronze Age there is a complete and absolute break in Palestinian civilization. The town dwellers of the earlier period were succeeded by seminomadic pastoralists who had no interest in walled towns.”¹⁴⁶ What was the nature and extent of this “complete and absolute break”? Lapp, writing of Early Bronze III in Palestine, says, “Attention may be directed first to the destruction of the fortified towns. It is clear that their destruction is not the result of a decline and weakening of the town culture, for there is considerable evidence of robust life in the reconstruction and expansions of Early Bronze III towns. With the possible exception of a few which may have been destroyed earlier, all these flourishing towns appear to have been violently destroyed within a relatively short period of time.”¹⁴⁷ Kenyon writes, “The final end of the Early Bronze Age civilization came with catastrophic completeness. The last of the Early Bronze Age walls of Jericho was built in a hurry, using old and broken bricks, and was probably not completed when it was destroyed by fire.... all the finds show that there was an absolute break, and that a new people took the place of the earlier inhabitants. Every town in Palestine that has so far been investigated shows the same break.”¹⁴⁸

145. Joshua 11:23.

146. Kathleen M. Kenyon, “Syria and Palestine, ca. 2160–1780 BC,” *Cambridge Ancient History (CAH)*, 3rd ed., vol. 1, pt. 2, 567.

147. Paul W. Lapp, “Palestine in the Early Bronze Age,” in James A. Sanders, ed., *Near Eastern Archaeology in the Twentieth Century* (Garden City, NY: Doubleday, 1970), 114–15.

148. Kathleen M. Kenyon, *Archaeology in the Holy Land* (New York: Praeger, 1960), 134. For other similar statements, see G. Ernest Wright, “The Archaeology of Palestine from the Neolithic Through the Middle Bronze Age,” *Journal of the American Oriental Society* 91, no. 2 (1971):285, and William G. Dever, “The Middle Bronze I Period in Syria and Palestine,” in Sanders, *Near Eastern Archaeology in the Twentieth Century*, 136.

Table 5. Dates and Terminologies Proposed for the EBIV-MBI Period (Early Bronze Age III)

Writer	Year	Terminology					
Wright/ Albright/ Glueck	1930s	2300	EBIV	2100	MBI	1900	MBII
Kenyon	1951– 60	2300		Intermedi- ate EB-MB		1900	MBI
		2250/ 2200		MBI A,B,C		1900/ 1850	MBII
Amiran	1960						
Lapp	1966	2300	IB I	2050	IB II	1900	MBI
Mazar	1968	2200		Middle Bronze Age I		2000	MBII
Lapp	1968	2300	EBIVA	2050	EBIVB	1900	MBI
General Consensus	1972	2350/ 2300	EBIV	2200	MBI	2000/ 1950	MBII
Dever	1973	2300	EBIVA	2200 EBIVB	2100 EBIVC	2000/ 1950	MBI

There was a similar widespread destruction at the end of the Late Bronze Age, but Miller has shown that the cities destroyed at this time do not correspond to those destroyed by the Israelites according to the conquest narratives found in the Scriptures. “As artifactual data relevant to the end of the Late Bronze Age have continued to accumulate from Palestinian sites, the inclination has been to attribute any approximately thirteenth-century city destruction to the Israelite invaders, regardless of whether the city in question is even mentioned in the biblical conquest traditions. When excavations at the cities which do figure in the conquest traditions have yielded little or no LB remains, this negative evidence has been explained away in one fashion or another... Hormah... Arad, Heshbon, Jericho, Ai, Gibeon and now Jarmuth (Ben-Tor) have yielded little or no evidence of even having been occupied

during LB, much less of having been destroyed during the thirteenth century. Jerusalem, Hebron and Debir (Khirbet Rabûd) appear to have been occupied during LB—Iron I, but there is no indication at any of these places of a major destruction which could be attributed to an Israelite invasion. Bethel was occupied and destroyed more than once during LB—Iron I. But the Bible conspicuously excludes Bethel from Joshua's conquests; neither does it imply that Josephites destroyed this city when they took it by subterfuge after Joshua's death (Judges 1:22–6)... which leaves only Lachish and Hazor. Here finally are two cities which the Bible claims to have been conquered by Joshua and where archaeological remains could be interpreted in terms of a thirteenth century conquest—not a very high percentage.”¹⁴⁹ The same writer, after briefly reviewing the other two possible dates for the conquest, namely the 1400 BC date advocated by Waltke (the break between Late Bronze I and Late Bronze II) and the late twelfth-century date (early in Iron I) supported by Callaway and others, makes the following statement: “The fact is that the available archaeological evidence simply does not square very well with the biblical account of the conquest regardless of what one proposes as a date.”¹⁵⁰ Can a proper archaeological context for the conquest be found by relocating the end of the Early Bronze Age to the time of the conquest? One sure test for such a radical departure from the accepted scheme is a consideration of the individual sites mentioned in Scripture as being taken by the invading Israelites.

Jericho

Jericho was the first city conquered by Israel after crossing the Jordan {123} into Canaan proper. Joshua 6 tells us that the walls of the city fell flat, bringing the seven-day siege to a sudden end, and that the subsequent defeat of the city was climaxed by its destruction by fire. “The Early Bronze Age levels at Jericho provide evidence of a series of occupation levels and a series of reconstructions of the walls.... seventeen stages of building and reconstruction were identified. The seventeenth

149. J. Maxwell Miller, “Archaeology and the Israelite Conquest of Canaan. Some Methodological Observations,” *Palestine Exploration Quarterly* (1977):87–88.

150. *Ibid.*, 88.

stage was violently destroyed by fire, and it was succeeded by an occupation of an entirely different character.”¹⁵¹ “The layers of burning are found both on the inner and outer side of the wall, and no doubt much of the town went up in flames at the same time. One cannot doubt that this time the destruction of the walls was the work of enemies.... [N]ews of imminent danger caused the inhabitants to rebuild their defenses in headlong haste. Before the task was completed, they were overwhelmed. The disaster was indeed complete, for this was the end of Early Bronze Age Jericho.”¹⁵² Prior to the excavations of Kenyon, Garstang had found city walls that had fallen outward from the city down the slope of the tell. There was evidence that an earthquake was the cause of the collapse and the walls also showed the effects of intense burning. These walls were judged by Garstang to belong to the end of Late Bronze I and were considered by him to be the walls of the city conquered by Israel during the conquest of Canaan. It was these very same walls which were later reassigned by Kenyon to the end of the Early Bronze Age and consequently redated to ca. 2300 BC. Is it possible to synchronize the end of Early Bronze III with the time of the conquest, recognizing that Garstang was correct in identifying the fallen walls as being that of the city conquered by Joshua, and that Kenyon was also correct in assigning these same walls to Early Bronze III?

Kenyon’s excavations also revealed an almost total absence of evidence that Jericho was occupied during the Late Bronze Age. “It is a sad fact that of the town walls of the Late Bronze Age, within which period the attack by the Israelites must fall by any dating, not a trace remains. The erosion which has destroyed much of the defenses has already been described.”¹⁵³ “Yet a surprising result of the work so far has been the discovery that virtually nothing remains at the site from the period between 1500 and 1200 BC. The mound has suffered such extensive denudation that almost all remains later than the 3rd millennium BC have disappeared from its top.... All that remains which can be assigned with any confidence to the period between 1400 and 1200 BC are a few pieces of pottery from three tombs and from the area above the spring,

151. Kenyon, *CAH*, vol. 1, pt. 2, 568.

152. Kathleen M. Kenyon, *Digging Up Jericho* (London: Benn, 1957), 189.

153. *Ibid.*, 261–62.

and perhaps the ‘Middle Building’...The Jericho of Joshua’s day may have been {124} little more than a fort.”¹⁵⁴ Although many scholars have followed Kenyon and Wright in emphasizing the effects of wind and rain, it is certainly stretching credibility to the breaking point to suppose that every trace (even the notoriously indestructible pottery sherd) of the walled city described in Joshua 2 and 6 has not just been washed down the side of the tell but has actually vanished altogether! Yet that is what some, who would defend the historicity of the conquest narrative, are offering as a solution to the discrepancy.¹⁵⁵ Wright shows better judgment and more honesty by recognizing that the archaeological evidence suggests that Late Bronze Age Jericho was not a major walled city as described in Joshua.

Ai

Chapters 7 and 8 of Joshua record the conquest of Ai shortly after the victory at Jericho. “Et-Tell is the only really conspicuous tell in the vicinity immediately east of Bethel, as the Arab name ‘et-Tell’ (‘the tell’) suggests, and it meets all the topographical requirements of both Gen. 12:8 and Joshua 7–8. That Biblical Ai is to be equated with present-day et-Tell is an obvious conclusion, therefore, and one which scholars were agreed upon before any excavations were undertaken at the site.”¹⁵⁶ “There is only one possibility; Ai was located at the great site of et-Tell.... Since Bethel and et-Tell are only a mile and a half apart, in a straight line, and the latter lies east-southeast of the former, there can be no possible doubt about the identification.”¹⁵⁷ Although the Ai/et-Tell identification has been challenged by several writers,¹⁵⁸ nevertheless, “upon close examination of their counter arguments, it

154. G. Ernest Wright, *Biblical Archaeology* (Philadelphia: Westminster, 1962), 79–80.

155. See, for example, Kenneth A. Kitchen, *The Bible in Its World* (Downers Grove, IL: Inter-Varsity Press, 1977), 89.

156. Miller, “Archaeology and the Israelite Conquest of Canaan,” 88.

157. W. F. Albright, *The Biblical Period from Abraham to Ezra* (New York: Harper and Row, 1949), 29.

158. See Miller, “Archaeology and the Israelite Conquest of Canaan,” for a list and full bibliography.

becomes altogether clear that the essential objection is simply that the archaeological situation at et-Tell cannot be squared with the biblical claims.”¹⁵⁹ For now, we are concerned with the end of the Early Bronze Age at et-Tell. “The excavations showed, however, that the site was abandoned at the end of the Early Bronze Age, and was not reoccupied until well on in the Iron Age.... At the end of the Early Bronze Age, the early history of the site comes to an abrupt end; it was presumably destroyed by the invading nomads who will be described in the next chapter, and not occupied by them.”¹⁶⁰ “This city was completely destroyed and abandoned about 2200 BC, and the site was not occupied {125} again except by a brief village settlement sometime between 1200 and 1000 BC.”¹⁶¹

In contrast, Ai has presented a serious problem for those who place the conquest at the end of Late Bronze I or Late Bronze II. “Its earliest occupation evidence after the Early Bronze IIIA destruction of the site is Iron Age I.... There is no evidence of Late Bronze occupation at et-Tell.”¹⁶² “At the time of the Israelite conquest, therefore, no city existed at this place.”¹⁶³

Shechem

After the destruction of Ai, Joshua 8 tells of the ceremony at Mount Ebal and Mount Gerizim, the site of the ancient city of Shechem. No mention is made of Shechem in chapter 8, but it is clear from later references (17:7; 20:7; 21:21; 24:1, 25, 32) that the geographic location of Shechem was known to the Israelites. The Scriptures do not give any indication of the extent of occupation of Shechem; all we know is that there is no report of any military action at Shechem at the time of the conquest.

159. *Ibid.*, 89.

160. Kenyon, *Archaeology in the Holy Land*, 115–17.

161. Jack Finegan, *Light from the Ancient Past* (Princeton, NJ: Princeton University Press, 1959), vol. I, 159.

162. Joseph A. Callaway, “New Evidence on the Conquest of Ai,” *Journal of Biblical Literature* 87 (1968):314.

163. Finegan, *Light From the Ancient Past*, 159–60.

Excavations have revealed at most a small settlement during the Early Bronze Age, a significant walled city built during Middle Bronze II, two (or three) violent destructions near the end of Middle Bronze, and another important city during Late Bronze and Iron I.¹⁶⁴ If we are correct in placing the conquest at the end of Early Bronze, then we see why there was no conflict at Shechem, it being in all likelihood only a small unfortified village, unable to resist the invaders. “By about 2300 BC a dark age had descended upon the country following the destruction of every major city-state center, as far as these have been investigated. Shechem, judging from the archaeological evidence, shared in these events only in a minor way. The first important period in the city’s life began during the nineteenth century.”¹⁶⁵ If, on the other hand, the conquest took place at the end of Late Bronze I or Late Bronze II, we would expect the Scriptures to report some sort of military action at such an important site.

Gibeon

Chapter 9 of Joshua tells of the covenant made by Israel with the city {126} of Gibeon. Because deception was used in negotiating the covenant, the people of Gibeon were made to serve Israel as woodcutters and water carriers. If the conquest did occur at the end of Early Bronze, we should expect to find no evidence of destruction then but rather a new cultural influence at the beginning of Middle Bronze. This is exactly the case. “These relics of the Middle Bronze I people seem to indicate a fresh migration into the town of a nomadic people who brought with them an entirely new tradition in pottery forms and new customs in burial practices. They may have come into Palestine from the desert at the crossing of the Jordan near Jericho and may then have pushed on to settle eventually at such places as Gibeon, Tell el-Ajjul, and Lachish, where tombs of this distinctive type have been found.... Since these Middle Bronze I newcomers into Palestine at Jericho camped at the site without the protection of a city wall and only later

164. G. Ernest Wright, “Shechem,” in *Encyclopedia of Archaeological Excavations in the Holy Land* (Englewood Cliffs, NJ: Prentice Hall, 1978), vol. 4, 1083–94.

165. G. Ernest Wright, *Shechem: The Biography of a Biblical City* (London: Duckworth, 1964), 17.

built houses, it is quite probable that they lived at Gibeon in similar temporary quarters.”¹⁶⁶

If the conquest occurred at the end of the Late Bronze as is commonly held, then we have every reason to expect the excavations to uncover a Late Bronze city, especially in view of the fact that Joshua 10:2 says that “Gibeon was a great city, as one of the royal cities... greater than Ai.” “One would expect to find city walls and houses if the tradition preserved in the Book of Joshua is historically trustworthy. Yet traces of this city of the latter part of the Late Bronze period have not come to light in the four seasons of excavations.”¹⁶⁷

The Negev

Recent excavations in the Negev region have given us another opportunity to check the credibility of dating the conquest during the Late Bronze Age. “Although the Biblical account of the Israelite occupation (Numbers 21:1–3 and Judges 1:17) tells us that two Canaanite cities (Arad and Hormah) ruled the northern Negev, the archaeological evidence is otherwise. Arad, identified with Tell Arad and excavated by Aharoni and Ruth Amiran in the late 1960s, turned out to have been settled in the Early Bronze Age (third millennium BC) but was later resettled only at the beginning of Iron Age I (ca. 1200 BC). No Late Bronze Age Canaanite city was found there. Hormah can be identified either with Tell-el-Milh (Tell Malhata in Hebrew), or with Kirbet el-Meshash (Tell Masos in Hebrew). Both are prominent sites west of Arad. However, excavations at both these sites have proved that after a relatively short period of occupation during the Middle Bronze Age (eighteenth and seventeenth century BC), these sites were unoccupied until the beginning of Iron Age I. {127} Again, no Late Bronze Age Canaanite city.”¹⁶⁸ “Fortresses of the Middle Bronze Age II were discovered on two neighboring mounds in the center of the region, Tel Malhata and Tel Masos. Both were fortified enclosures, with ramps

166. James B. Pritchard, *Gibeon: Where the Sun Stood Still* (Princeton, NJ: Princeton University Press, 1962), 153.

167. *Ibid.*, 157.

168. Aharon Kempinski, “Israelite Conquest or Settlement? New Light from Tell Masos,” *Biblical Archaeology Review* 2, no. 3 (September 1976):28.

and glacis of terre pisée, typical of the so-called ‘Hyksos’ fortifications of the time.... One of our most surprising discoveries was that following the destruction of the ‘Hyksos’ enclosures and until the beginning of the Israelite period, there was an occupational gap throughout the region. In none of the sites that we explored and excavated did we find any remains of the Late Bronze Age; it is therefore definitely established that the whole eastern Negeb was not settled during this period. This fact obviously raises difficult historical problems.... We therefore arrive at a most startling conclusion: the biblical traditions associated with the Negeb battles cannot represent historical sources from the days of Moses and Joshua, since nowhere in the Negeb are there any remains of the Late Bronze Age.”¹⁶⁹ The two writers cited above use the evidence from the Negev to support the view that the conquest of Canaan did not consist of a series of military victories but was rather a gradual and peaceful infiltration. But if the conquest occurred at the end of the Early Bronze Age, then there is no disharmony between the scriptural record and archaeological record.

The Route of the Conquest

We now turn to consider briefly a number of additional lines of positive evidence that greatly strengthens the proposed synchronization of the conquest with the end of the Early Bronze Age. First of all, we note that the conquest actually began in Transjordan with the defeat of the Amorite kingdoms east of the Jordan.¹⁷⁰ The second phase of the conquest began at Jericho and spread south and west into all of southern Palestine.¹⁷¹ The third and final phase took place in northern Palestine, and it is clear from a comparison of Judges 1 with the list in Joshua 12 that several of the larger Canaanite cities (Megiddo, Taanach, Gezer, and Dor), although initially subdued by Joshua, were not actually occupied by the Israelites until a later date. Similar is the case of Hazor, which was initially taken by Joshua but soon after was reoccupied by the Canaanites.¹⁷² It is *interesting* to compare the above with the settle-

169. Yohanan Aharoni, “Nothing Early and Nothing Late: Rewriting Israel’s Conquest,” *Biblical Archaeologist* 39, no. 2 (May 1976):56, 59, 73.

170. Deut. 2, 3.

171. Joshua 10.

ment pattern of the people who were responsible for destroying virtually all of the major urban centers of Canaan at the end of Early Bronze III. “Thus the main route {128} of infiltration and settlement led from Transjordan into central and southern Palestine.”¹⁷³ “The only explanation, in fact, for the dominant Jerichoan influence is that the Central Hills constituted an enclave which was settled by newcomers arriving via Jericho.”¹⁷⁴ “The EBIV/MBI transitional phase in Transjordan was brief and rapidly gave way to a culture which expanded vigorously, chiefly into Palestine, where its fully developed expression is seen in the numerous sedentary and semi-sedentary MBI sites of Southern Palestine.... The diffusion in Palestine thus began via the Jordan Valley and Jericho and spread primarily southwestward at first.... Finally, a similar, homogenous culture appears on the tell at Megiddo and at other Northern sites.”¹⁷⁵

Camp Gilgal

Immediately after crossing the Jordan river the Israelites “camped at Gilgal on the eastern border of Jericho.”¹⁷⁶ Four days later, “while camped at Gilgal on the plains of Jericho, the Israelites celebrated the Passover.”¹⁷⁷ It is clear from later references that Gilgal became Joshua’s headquarters for the duration of the conquest (see Josh. 10:6; 14:6), although it was not the only campsite used (see Josh. 10:21). “As has already been described, the latest of the Early Bronze Age town walls at Jericho was destroyed by fire. With this destruction, town life there came to an end for a space of several hundred years. Newcomers, who were presumably the authors of the destruction, settled in considerable numbers in the area, but they did not build for themselves a walled town. They spread all down the slopes of the mound and over a considerable part of the adjoining hillside.”¹⁷⁸ “The evidence from the tell

172. Compare Joshua 11 with Judges 4 and 5.

173. William G. Dever, “The Peoples of Palestine in the Middle Bronze I Period,” *Harvard Theological Review* 64 (1971):214.

174. *Ibid.*, 205.

175. Dever, “The EBIV-MBI Horizon in Transjordan and Southern Palestine,” 57.

176. Joshua 4:19.

177. Joshua 5:10.

thus suggests a destruction of the pre-existing Early Bronze Age town, followed by a camping period in which there were no solid structures on the site; subsequently there were buildings, slight in character and entirely different from the buildings of the Early Bronze Age. The evidence from the tombs suggests that there was a numerous and virile population, of which the burial practices were entirely different from those of the Early Bronze Age occupation of Jericho.”¹⁷⁹

A Large Population

Although the census figures of Numbers 1 and 26 are often taken to be {129} exaggerations or to be taken from the time of David,¹⁸⁰ it is interesting to note that the people of our intermediate period were very numerous. “Despite its nonurban aspect, Palestine had a sizable population in Middle Bronze I.”¹⁸¹ “The evidence from these three Palestinian sites gives the same general picture as that provided by Jericho. By far the greatest amount of evidence comes from tombs, which attest the existence of a numerous population.”¹⁸² Mazar, in speaking of the movement into Palestine of the new people during our intermediate period (which he terms in its entirety Middle Bronze I), says, “This movement produced an overflow of land-hungry people who spilled out of the agricultural regions into frontier districts.”¹⁸³

The Tribes of Israel

Next we may consider the organization of these new peoples. “The very clear evidence of the Jericho tombs is therefore of the presence in the neighbourhood of a number of loosely connected groups. The

178. Kenyon, *Archaeology in the Holy Land*, 137.

179. Kenyon, *CAH*, vol. 1, pt. 2, 570.

180. W. F. Albright, *Archaeology and the Religion of Israel* (Baltimore, MD: Johns Hopkins Press, [1942] 1968), 123. For a more conservative discussion of these census figures, see Gleason L. Archer Jr., *A Survey of Old Testament Introduction* (Chicago: Moody, 1974), 246–49.

181. Dever, “The Peoples of Palestine in the Middle Bronze I Period,” 207.

182. Kenyon, *CAH*, vol. 1, pt. 2, 577.

183. Benjamin Mazar, “The Middle Bronze Age in Palestine,” *Israel Exploration Journal* 18, no. 2 (1968):69.

newcomers were tribal groups, joining in a general movement.”¹⁸⁴ “When we sort out the various pieces of evidence in this way, it becomes clear that we can recognize at least six ‘families,’ i.e., regional assemblages of the material culture.”¹⁸⁵ “In this non-nucleated population we can probably recognize a number of small groups of people related ethnically and culturally, perhaps tribally organized.”¹⁸⁶ “In regional patterns and burial practices there is some indication of strong tribal or family associations and of conservative traditions.”¹⁸⁷

The Promised Land

It is also of interest for us to note the geographical extent of the new culture introduced into Palestine at the end of Early Bronze III by the newcomers. “In the light of excavations and archaeological surveys there has emerged a picture of the Middle Bronze Age I (MBAI), which Illife and Kenyon have called the Intermediate Early Bronze-Middle Bronze period (EB-MB), as a long chapter in the history of Palestine and adjacent regions.... It would appear that transition to permanent settlement was {130} slow, beginning with the establishment of unwallled villages by semi-nomads in the main regions of agriculture and pasturage on both sides of the Jordan River. With the passage of time, however, it gained momentum and took in more extensive areas outside the sown area until it reached the border of the wilderness. Most astonishing is the dense network of semi-nomadic settlements in the Negev highlands during the later stage of MBAI, surveyed and studied by Glueck and others.”¹⁸⁸ “The area of northern Transjordan is another area of Mediterranean climate with extensive agricultural settlement during EBIV/MBI.”¹⁸⁹ “In southern Transjordan, where only a very small population was supported throughout the Bronze Age, almost no change can be noticed during EBIV/MBI.”¹⁹⁰ “Even more

184. Kenyon, *CAH*, vol. 1, pt. 2, 575.

185. Dever, “The Peoples of Palestine in the Middle Bronze I Period,” 199.

186. *Ibid.*, 207.

187. Kay Prag, “The Intermediate Early Bronze-Middle Bronze Age: An Interpretation of the Evidence from Transjordan, Syria and Lebanon,” *Levant* 6 (1974): 102.

188. Mazar, “The Middle Bronze Age in Palestine,” 67–68.

numerous than the Transjordan settlements are the excavated sites in the southern Judean hills and especially the scores of sites known in the Negev.”¹⁹¹ “It is astonishing how homogeneous is the pottery of Middle Bronze Age I... and of the last phase of Early Bronze Age... that has been found all over Palestine as far north as the plain of Esdraelon.”¹⁹² “The Early Bronze-Middle Bronze period people are found all over Palestine, although the differences in equipment and customs from site to site further emphasize the tribal nature of their organization.”¹⁹³ Thus the people who entered Palestine at the end of Early Bronze III initially occupied northern Transjordan and the Negev, in addition to northern and southern Palestine proper, the very same areas that were allotted to Israel in Numbers 34 and conquered by Moses and Joshua.

Hebrew Culture

Although Kenyon and Dever argue for a total cultural break at the end of the intermediate EBIV/MBI period, Wright, Thompson, and Prag have all pointed out evidences of continuity with MBII.¹⁹⁴ Together with the total lack of destruction levels at the end of the intermediate period, these various continuities strongly suggest that the people of the intermediate {131} period were responsible for the dramatic elevation of culture that began during MBIIA (which, admittedly, may very well have been greatly influenced by contacts with Syria

189. Thomas L. Thompson, “The Background of the Patriarchs: A Reply to William Dever and Malcolm Clark,” *Journal for the Study of the Old Testament* 9 (October 1978):22.

190. *Ibid.*, 25.

191. Dever, “The Peoples of Palestine in the Middle Bronze I Period,” 214.

192. W. F. Albright, “Tell Beit Mirsim,” in the *Encyclopedia of Archaeological Excavations in the Holy Land* (Englewood Cliffs, NJ: Prentice Hall, 1975), vol. 1, 174.

193. Kathleen M. Kenyon, “Jericho,” in the *Encyclopedia of Archaeological Excavations in the Holy Land* (Englewood Cliffs, NJ: Prentice Hall, 1976), vol. 2, 561.

194. Kenyon, *CAH*, vol. 1, pt. 2, 567–68; Dever, “The Middle Bronze I Period in Syria and Palestine,” 144; Wright, “The Archaeology of Palestine from the Neolithic Through the Middle Bronze Age,” 287; Thomas L. Thompson, *The Historicity of the Patriarchal Narratives* (New York/Berlin: de Gruyter, 1974), 163–65; Prag, “The Intermediate Early Bronze-Middle Bronze Age: An Interpretation of the Evidence from Transjordan, Syria and Lebanon,” 101–2.

or elsewhere).¹⁹⁵ There is no disagreement over the fact that the MBII culture continues through the late Bronze Age and even into the Iron Age. It is the only culture that could possibly correspond to a distinctive Israelite culture, and its great longevity forces those who would locate the conquest at the end of LBI or LBII to conclude that the Israelites had no culture of their own but adopted a degenerate form of Canaanite culture. “The demarcation of the Late Bronze Age from the Middle Bronze Age is political rather than cultural. The material equipment of the earlier period develops without break into that of the later.... Again, though ca. 1200 BC can be taken as a convenient point for the beginning of the Iron Age, with the arrival of the Philistines, there is, except on those sites that became Philistine cities, still cultural continuity. This continuity, from the Middle to the Late Bronze Age and into the Iron Age, is of particular importance, for this is the material culture that the Israelites found in the land. It is, moreover, the culture that they to a large degree adopted. One of the major difficulties in establishing the chronology of the entry of the Israelites is that at no point in a single site can one say that the material evidence shows that a new people had arrived. The ascription of a particular destruction to the Israelites is just a matter of guesswork.”¹⁹⁶

The Armed Men

The fact that many of the tombs of our intermediate period people contain an abundance of copper weapons indicates that these people were warriors, strengthening the commonly accepted thesis that the EBIV/MBI people were the ones responsible for bringing the Early Bronze urban culture to an end. “Metal weapons are rare in the Early Bronze Age, and not very common in the Middle Bronze Age. In the EB-MB period they are very common, with an especially large number of daggers.”¹⁹⁷ “In the earlier tomb groups weapons predominate—short swords, daggers, javelins, pikes.”¹⁹⁸

195. Dever, “The Peoples of Palestine in the Middle Bronze I Period,” 225, n. 64.

196. Kathleen M. Kenyon, *Amorites and Canaanites* (London: Oxford University Press, 1966), 4–5.

197. Kenyon, *CAH*, vol. 1, pt. 2, 568.

198. Dever, “The Peoples of Palestine in the Middle Bronze I Period,” 210.

Presuppositions

Biblical scholars have been plagued by the problem of reconciling the scriptural account of the conquest with the results of archaeological excavations. Although almost all agree that the conquest must have occurred at the end of the Late Bronze Age, the diggings have revealed no evidence of a cultural break indicating the arrival of a new people at this {132} point. No evidence of the existence of walled cities at Jericho or Ai has been found, and other sites reportedly conquered by the invading Israelites likewise show either no evidence of occupation during the Late Bronze Age or no evidence of conquest at the end of Late Bronze. The other dates suggested for the conquest have essentially the same problems. Those who would defend the historicity of the conquest narrative must “explain away” a lot of damaging evidence, and Miller is fully justified in criticizing this kind of scholarship.¹⁹⁹

Miller has pointed out that presuppositions are crucial, but he has oversimplified the issue by implying that jettisoning the presupposition of the historicity of the conquest narratives provides the only possible resolution of the discrepancy.²⁰⁰ He does not take into consideration the presupposition that the conventional dating (of the Egyptian Dynasties and the archaeological ages) provides an adequate framework for piecing together the history of ancient times. This is the underlying presupposition held by Miller and most modern archaeologists; they do not question it. Velikovsky, followed by Courville, has questioned it and found it wanting.²⁰¹ Both have shown the fallacy of the astronomical dating methods used to fix the absolute dates of certain points of Egypt’s history, and both have amply demonstrated the inability of historians to produce a self-consistent and coherent history of the ancient world by beginning with such a presupposition. Isaacson has done a particularly admirable job of collecting in a single article a number of glaring discrepancies that must be faced by those who pre-

199. Miller, “Archaeology and the Israelite Conquest of Canaan,” 87.

200. *Ibid.*, 89.

201. Immanuel Velikovsky, “Astronomy and Chronology,” *Pensée* 3, no. 2 (Spring-Summer 1973):38–49. This article, although first published in 1973, was written in the early 1950s and has now been included as a supplement to *Peoples of the Sea* (1977). See also Donovan Courville, *The Exodus Problem*, vol. 2, chap. 4.

suppose the conventional chronology of Egypt and the archaeological ages.²⁰²

The methodology of Velikovsky and Courville has been to embrace the first presupposition (the historicity of the Old Testament Scriptures) and to abandon the second (the conventional chronology), and the result has been a dramatic confirmation of the historicity of the Old Testament that has heretofore been so conspicuously absent. Rather than rewriting the history of Israel, as modern scholars are forced to do, Velikovsky and Courville began rewriting the history of Egypt and other ancient empires, recognizing that the Old Testament historical narratives, with their abundance of chronological and geographical data, provide the only suitable framework for establishing an accurate history of ancient times. If their work results in a scheme that displays a high degree of internal consistency and coherence, then we {133} have considerable assurance that they did not allow their presuppositions significantly to influence their interpretations of the historical and archaeological data. Objectivity is not attained by avoiding all presuppositions (which is impossible), but by not allowing our presuppositions to color our interpretation of the data or to distort the data itself.

The study we have presented in this article is intended only to gather together evidence that supports Courville's proposed redating of the end of the Early Bronze Age, and to call attention to the remarkable confirmation of the historicity of the conquest narrative that results. The more comprehensive task of demonstrating an overall internal consistency and coherence can be accomplished only by building upon and refining the entire reconstruction begun by Velikovsky and Courville. But I hope that I have contributed in some small way to nailing down one particular point in the revision.

Conclusion

The evidence given above demonstrates conclusively that there is only one point in the sequence of archaeological periods that could possibly correspond to the Israelite conquest of Canaan. If the scrip-

202. Israel M. Isaacson, "Applying the Revised Chronology," *Pensée* 4, no. 4 (Fall 1974):5–20, 33.

tural account of the conquest is true and accurate, then the sheer bulk of evidence, together with its uniqueness, forces us to conclude that the conquest must have occurred at the end of Early Bronze III and could not have occurred at any other point. The people who conquered Palestine at the end of Early Bronze III were none other than the Israelites and the EBIV/MBI transition period that follows corresponds roughly to the time of the Judges. If we follow biblical chronology, we can further conclude that the absolute date of the end of Early Bronze III should be ca. 1400 BC rather than the commonly accepted date of ca. 2300 BC. Recognizing the existence of such an enormous error in the dating of the archaeological periods of Palestine should impress us with the critical necessity of pursuing a systematic and comprehensive rewriting of ancient times recognizing that the historical and chronological data of Scripture is of the highest quality.

Appendix

Although many of the writers quoted above have designated the people of our intermediate period as “pastoral nomads” or “semi-nomadic pastoralists,” Thompson and Gottwald have offered convincing arguments that these people were not nomadic at all, and that their pastoral activities must have been closely associated with and dependent upon stable agricultural communities.²⁰³ Not so convincing are Thompson’s arguments that: 1) the destruction of many major sites in Palestine at the end of the Early Bronze {134} Age did not occur “within a relatively short period of time,” as stated by Lapp (above); and 2) the people of our intermediate period were not newcomers to Palestine at all.²⁰⁴ It is true that there are occasional destruction levels before and after the end of Early Bronze III, but this does not change the fact that the vast majority of important sites were destroyed or abandoned at the end of Early Bronze III. Beginning with the Early Bronze IC period and extending through Early Bronze III, Palestine was characterized by walled cities, and it should not be surprising if we should discover a

203. Thompson, *The Historicity of the Patriarchal Narratives*, 165–71; Norman K. Gottwald, “Were the Israelites Pastoral Nomads?” *Biblical Archaeology Review* 4, no. 2 (June 1978):2–7.

204. Thompson, *The History of the Patriarchal Narratives*, 158, 161.

few destruction levels during this interval. Speaking of Early Bronze II, de Vaux says, “The number of occupied sites and the density of the settlements point to a numerous population, and the great fortified cities suggest that the territory was divided into small states, often at war with one another.”²⁰⁵ Furthermore, the scriptural narratives make it plain that there were several major sites not initially taken by the invading Israelites, and that there was periodic warfare during the period of the Judges, so that if we are correct in locating the conquest at the end of Early Bronze III, we should expect to find a few destruction levels after the end of Early Bronze III as well.

In support of the second point, Thompson appeals to the continuity of pottery from Early Bronze proper through our intermediate period, and he tries to show that there is some continuity in burial practices as well.²⁰⁶ Both arguments are easily answered. William Dever has shown that pottery forms show a remarkable continuity throughout the archaeological ages, and that cultural breaks are characterized by changes in methods of manufacture and decoration. He follows Wright’s view that the most common pottery forms of our intermediate period “are survivals from, and adaptations of, Early Bronze forms, though made in a new way.”²⁰⁷ Pointing out that single burials had occurred at earlier times in Palestine does not change the well-established fact that at the end of Early Bronze III there was a sudden change from a predominance of multiple burials to a predominance of single burials of a distinctively different character.²⁰⁸ The evidence of the destruction levels, together with the sudden change in burial practices and in pottery techniques and decoration, clearly indicate the arrival of a new people.

205. Roland de Vaux, “Palestine in the Early Bronze Age,” *CAH*, vol. 1, pt. 2, 234–35.

206. Thompson, *The Historicity of the Patriarchal Narratives*, 154–55, 162.

207. Dever, “The Middle Bronze I Period in Syria and Palestine,” 160, n. 72; “The Peoples of Palestine in the Middle Bronze I Period,” 209, n. 28; “The EBIV-MBI Horizon in Transjordan and Southern Palestine,” 41–53. See also Paul W. Lapp, “The Conquest of Palestine in the Light of Archaeology,” *Concordia Theological Monthly* 38 (1967):295–96.

208. Vaux, “Palestine in the Early Bronze Age,” 222–25; Pritchard, *Gibeon: Where the Sun Stood Still*, 152; Kenyon, *Archaeology in the Holy Land*, 137.

3.
CONTEMPORARY
THEOLOGICAL TRENDS

BERKOUWER: THE EVOLUTION OF A TWENTIETH-CENTURY THEOLOGIAN

Carl W. Bogue

A part of the material in this article was previously published in 1977 in a monograph by Mack Publishing Company, entitled *A Hole in the Dike*. Much of the material on Berkouwer's view of Scripture was from my lecture given at the Reformed Presbyterian Seminary in Pittsburgh, Pennsylvania, as part of their 1978 Spring Lectures. This too is scheduled for publication by Mack Publishing Company, and both papers are utilized here with their kind permission.

In 1974 a significant book appeared from the pen of Gerrit Cornelis Berkouwer, the Dutch theologian who shares the stature of his two most distinguished predecessors, Abraham Kuyper and Herman Bavinck. Translated into English three years later, *A Half Century of Theology* has unique value among the many writings of this man, whose work includes volumes of dogmatical studies, monographs, and articles for journals and newspapers. Its uniqueness is the autobiographical insights it reveals of Berkouwer's participation in the period from 1920 to 1970.

Expanding on a survey given during the completion of his regular lectures at the Free University of Amsterdam, Berkouwer seeks to give "an overview of the fascinating events, with all their struggles and discussions, of the theology of this half-century." They are aspects that "are still profound and important, and, far from disappearing, still meet us as we scout today's theological arena."²⁰⁹ It is Berkouwer's contention "that we are wrestling today with questions put on the agenda a half century ago."²¹⁰ Yet his closing chapter in this most recent work is entitled, "Concern for the Faith," and is punctuated with thoughts about doubt, fear, unrest, uncertainty, alarm, and theology's inade-

209. G. C. Berkouwer, *A Half Century of Theology*, trans. Lewis B. Smedes (Grand Rapids, MI: Eerdmans Publishing Co., 1977), 8–9.

210. *Ibid.*, 9.

quacy in understanding. “The quest,” says Berkouwer, is “for a deeper and richer understanding,”²¹¹ but one suspects the measure for judging success in this quest has changed from what has historically guided the church.

The relevance of Berkouwer’s pilgrimage for this side of the Atlantic needs to be understood. His direct and indirect influence is considerable. During this same half century the American evangelical community has witnessed a profound transformation. There were those respected evangelicals who, willingly or not, began to be identified by the presence of {136} “neo” in front of the name “evangelical.” A growing split was emerging that was to become more than a mere intramural struggle. Part and parcel of this struggle was a growing difference of opinion on the doctrine of Scripture, a difference popularized by Lindsell’s *The Battle for the Bible*.²¹² The focal point is inerrancy. So aggressive had the errantists become that the erosion among Evangelicals was rampant. The situation had deteriorated to the point that we saw the emergence in 1977 of an evangelical counteroffensive in the form of the International Council on Biblical Inerrancy. Warfield versus Berkouwer, a distinction underlined by Berkouwer himself, has become a popular symbol of the battle.²¹³

Whether disciple or critic, those referring to Berkouwer as a “Reformed” theologian feel a necessity to qualify the definition. Rogers, for example, qualifies to remove him from the “bad company” of Warfield or Protestant scholastics.²¹⁴ Van Til qualifies to include him with the “bad company” of the neo-orthodox.²¹⁵ Berkouwer stands with one foot in a confessional heritage which he refuses to abandon and another foot in the world of ecumenical ventures which frequently conflict with his heritage. To some, Berkouwer represents a breath of fresh air, providing the evangelical with a way out of the dilemma

211. *Ibid.*, 263.

212. Harold Lindsell, *The Battle for the Bible* (Grand Rapids, MI: Zondervan Publishing House, 1977).

213. One of the papers presented at the 1978 “Summit” on inerrancy was precisely on this topic. Cf. Hendrick Krabbendam, “B. B. Warfield vs. G. C. Berkouwer on Scripture,” Summit Papers (unpublished), ed. Norman L. Geisler, International Council on Biblical Inerrancy, Chicago, October 1978, hereinafter cited as Summit Papers, 15.1–15.31. These papers in revised form are scheduled for publication in the near future.

between “conservative” and “liberal.” To others his theology is at best a frustrating inconsistency and at worst a theological capitulation. {137}

The thesis of this article is that Berkouwer has made some significant departures from his heritage, and on the basis of these departures there is justification for seeing a line of development from Berkouwer to the neo-evangelical movement and the rejection of biblical inerrancy. As contemporary evangelicals wake up to the fact that they have been robbed of much of the heart of classical Reformed orthodoxy, the “Dutch connection” may not be overlooked. Berkouwer is, of course, but one of many influences. He is, however, a considerable influence.

Early and Later Berkouwer

Among disciples and critics alike, it is commonplace to distinguish between an early and later Berkouwer. Whether one calls it maturity or capitulation, there is certainly change. Berkouwer believes he missed the “real intentions of Barth” in his 1932 dissertation on the new German theology.²¹⁶ His sympathy with Barth had increased significantly

214. Cf., for example, Jack Rogers, *Confessions of a Conservative Evangelical* (Philadelphia: Westminster Press, 1974), especially 134ff., and Jack Rogers, “The Church Doctrine of Biblical Authority,” *Biblical Authority*, ed. Jack Rogers (Waco, Texas: Word Books, 1977), 41ff. Rogers stretches generalities to the extreme in the blanket way he includes Kuyper and Bavinck with Berkouwer in opposition to “Old Princeton theology.” Rogers may be unknown to many readers, and some may question why we have not chosen a more prominent figure. The fact is that Rogers’s growing hostility toward everyone’s interpretation of the Westminster Confession except certain contemporary neo-orthodox and neo-evangelical writers, coupled with his vigorous allegiance to Berkouwer, has thrust him to the forefront of spokesmen of a Berkouwer-influenced neo-evangelicalism. His role will appear from time to time later in this article.

215. Cf., for example, Cornelius Van Til, *The Sovereignty of Grace* (Nutley, NJ: Presbyterian and Reformed Publishing Co., 1969), 32, where Van Til says of Berkouwer: “His love for the Reformed faith is unquestioned”; however, “concomitant with his more ‘positive’ attitude toward both Barth and Rome in recent times goes an increasingly negative attitude toward historic Reformed statements with respect to Scripture and doctrine.” Near the conclusion of the book (86) he states: “Berkouwer now advocates principles similar to those of Barth and of neo-orthodoxy as though through them alone we can defend the teaching of free grace.”

216. Berkouwer, *Half Century*, 45.

a couple of decades later in *The Triumph of Grace in the Theology of Karl Barth*, and by 1974 he was defending Barth against the likes of Van Til and Pannenberg.²¹⁷ His two main works on Scripture (1928 and 1966–67) reflect this change as dramatically as any. Krabbendam sees the early Berkouwer on Scripture as “practically identical” to Warfield, while the later Berkouwer is “critical of Warfield” and “endorses and adopts the neo-orthodox position.”²¹⁸ Berkouwer’s two books on Roman Catholicism subsequent to the Second Vatican Council breathe a different spirit from his early work, *The Conflict with Rome*.

It is a fair assumption that this “early/later” evaluation of Berkouwer accounts for the fact that only in more recent years has there been a growing chorus of critics willing to question the orthodoxy of such an esteemed “Reformed” theologian. In late 1975, I presented a paper critical of Berkouwer which was subsequently published as a monograph entitled *A Hole in the Dike*. The most prevalent response to that paper was from those who had become uneasy with Berkouwer but were not quite sure why. The absence of firm criticism of Berkouwer was no doubt to be attributed to their judgments of charity about a man of his stature and to the style of his writing, which is circumlocutory.

The critical voices are on the increase, however. With the appearance in 1975 of the English translation of Berkouwer’s work on *Holy Scripture*, a new wave of criticism was heard. At a time when evangelicals were growing in the awareness that biblical inerrancy is the issue where the battle must be fought, Berkouwer’s *Holy Scripture* was tried and found wanting. One need only read the papers from the “Inerrancy Summit” in Chicago {138} (1978), sponsored by the International Council on Biblical Inerrancy, to see Berkouwer attacked from a variety of quarters.

Paralleling this increasing criticism is the emergence of Berkouwer as a rallying point of the neo-evangelical and errantist movement. Find someone in the Reformed tradition who denies inerrancy but wants to affirm a “high view” of Scripture and its “infallible message,” and he will probably model his doctrine of Scripture from Berkouwer. Because of his prominence in the battle, Jack Rogers has become the most sym-

217. *Ibid.*, 69, 71.

218. Krabbendam, Summit Papers, 15.3, 15.28.

bolic of this influence. Editor of *Biblical Authority*, a book which attacks inerrancy and the “Hodge-Warfield... rationalistic defense of Scripture,”²¹⁹ Rogers had earlier written a doctoral dissertation on the doctrine of Scripture in the Westminster Confession and pushed credulity to the limits by trying to make the Westminster Divines’ view of Scripture essentially the same as that of Berkouwer. Such an unhistorical conclusion apparently is the fundamental credential by which Rogers has become a spokesman for the errantist movement among neo-evangelicals in this country. Such “revisionist” interpretation of the Westminster Assembly will no doubt be perpetuated in another book Rogers is writing on *Biblical Interpretation: An Historical Approach*.

Any discussion of an early and later Berkouwer should also take into account a significant article by Hendrikus Berkhof, a neo-orthodox theologian, on “The Method of Berkouwer’s Theology.” Berkhof finds three phases in Berkouwer’s theology, the first of which acknowledges “the absolute authority of Scripture.”²²⁰ The second phase Berkhof calls “the salvation content of Scripture,” which begins as early as the beginning of Berkouwer’s *Studies in Dogmatics* in 1949.²²¹ This phase is less polemical and moves from the authority of Scripture in an absolute sense to the nature of that authority, namely, the salvation content via Christ. The third phase is “the existential direction of Scripture,” with its kerygmatic-existential correlation manifesting itself in Berkouwer’s changed view on Dordt and his “asymmetrical” emphasis on election.²²²

This methodological analysis by Berkhof is a strong indictment to anyone from an evangelical perspective. Simply put, Berkhof is saying that Berkouwer went from traditional Reformed orthodoxy to existential theology via a form of neo-orthodoxy. Whether one agrees with this analysis or not, a theologian of Berkhof’s stature writing in an aca-

219. This particular quote is from David Hubbard, “The Current Tensions: Is There a Way Out?” *Biblical Authority*, 167.

220. H. Berkhof, “De Methode van Berkouwers Theologie,” *Ex Auditu Verbi*, ed. R. Schippers, G. E. Meuleman, J. T. Bakker, and H. M. Kuitert (Kampen: J. H. Kok, 1965), 40–43.

221. *Ibid.*, 44–48.

222. *Ibid.*, 48–53.

demic *Festschrift* honoring Professor Berkouwer must have seen some radical evidence to {139} draw such a far-reaching conclusion. I was in the Netherlands at the time and understood that Berkouwer protested vigorously to Berkhof, though I saw nothing in print. Recently, however, Hendrick Krabbendam has provided an important reference in this issue by citing a Dutch work by F. W. Buytendach to the effect “that Berkouwer has acknowledged the transition from the first to the second phase, but objected to the construct of a third phase.”²²³ Apparently Berkouwer is willing to acknowledge a significant change, a change which resulted in seeing Scripture content as not necessarily bound to scriptural form. This change, according to Krabbendam, would have been impossible “without... the influence of the Barthian type of neo-orthodoxy.”²²⁴

Surveying the past fifty years, Berkouwer looks back and acknowledges how he has changed or softened former criticism of modern trends in theology. Not surprisingly, there is a chapter devoted to Karl Barth. In that chapter and throughout *A Half Century of Theology*, one is struck by Berkouwer’s acknowledged sympathy with Kierkegaard, Brunner, and Barth in opposition to religious self-confidence. Berkouwer relates his change in attitude toward Barth on the question of faith certainty, and many quotes are given from Barth which sound very much like Berkouwer’s own solution to the certainty question, i.e., knowing “in faith.” In a chapter on Scripture, Berkouwer admits that he used to see kerygmatic theology as “the ‘way out’ of the problems of uncertainty.” He now sees it differently. Opposing Pannenberg in support of Barth, he now sees such accent on the kerygma “not as a ‘way out,’ but as *the way* in which the witness employs its power.”²²⁵

As we move to a more specific analysis of Berkouwer’s thought, a significant fact will emerge concerning the early and later Berkouwer. While such a distinction is valid and helpful, we will see that the seeds of what many consider the later Berkouwer were present very early. No doubt to the surprise of some, Berkhof is correct in seeing a significant change as early as the beginning of Berkouwer’s *Studies in Dogmatics* in

223. Krabbendam, *Summit Papers*, 15.3, note 6.

224. *Ibid.*

225. Berkouwer, *Half Century*, 132.

1949.²²⁶ The “hole in the dike” was present even that early. To the extent Berkouwer accurately reflects on the “half century” in which he participated, the seeds were present even at the beginning.

As I read the earlier *Studies in Dogmatics*, there was often the feeling that Berkouwer was orthodox on many doctrines in spite of his methodology. Perhaps it was not Berkouwer himself but the flood of his disciples in whom unorthodox views were more glaring which alerted so many in recent days to trace these views back to Professor Berkouwer. It was in {140} this light that I began more and more to use the phrase, “hole in the dike,” as descriptive of Berkouwer’s influence.

Scripture and Confession

A fundamental impression that emerges from Berkouwer’s writings is that he seeks to be in subjection to the Word of God. Theology is “relevant” only when it is “relative to the Word of God.” “... Theology is occupied in continuous attentive and obedient listening to the Word of God.”²²⁷ Because God’s love in Jesus Christ is revealed in Scripture, “beyond the word of Scripture we dare not go.”²²⁸ The English translation adds, “There is nothing beyond that.” That sentence is not in the Dutch, but it does reflect the total dichotomy in Berkouwer’s thought between explicit scriptural teaching and all other knowledge, whether deduced from Scripture or from non-biblical sources. The commendable aim of obedience to Scripture may be abused by such a dichotomy, however, and Berkouwer’s aversion to the “good and necessary consequence” statement in the Westminster Confession is a prime example of this.²²⁹

It is important to realize that Berkouwer is doing more than claiming to be in subjection to the Word of God. He is critical of the inerrancy doctrine and believes his view is really honoring God’s Word while the inerrantist’s is not. “Some,” he says, “are fascinated by a miraculous

226. Berkhof, *Ex Auditu Verbi*, 44.

227. G. C. Berkouwer, *Faith and Justification*, trans. Lewis B. Smedes (Grand Rapids, MI: Eerdmans Publishing Co., 1954), 9.

228. *Ibid.*, 160.

229. Cf., for example, G. C. Berkouwer, *Divine Election*, trans. Hugo Bekker (Grand Rapids, MI: Eerdmans Publishing Co., 1960), 17ff.

‘correctness,’” but “in the end it will damage reverence for Scripture more than it will further it.”²³⁰ “In appealing to its authority we are not dealing with a formal principle but with a deep spiritual witness to Jesus Christ...”²³¹ Thus a person who operates with “a certain theory of inspiration” (i.e., inerrancy) “is almost certainly going to cry ‘It stands written’ and still come out with something that misses the truth and power of Scripture.”²³² “To speak of *errors*... is to speak of an unhistorical approach.”²³³ “The slogan, ‘It stands written,’ is not a magic wand that can be waved to eliminate all problems...”²³⁴ Berkouwer, reflecting on his 1938 work on Scripture, affirms he is no less committed to the significance of “It stands written,”²³⁵ even though his present understanding of what that means has changed considerably. {141}

Of course, anyone may claim obedience to Scripture. He may do so with utmost integrity.²³⁶ The neo-orthodox, no less than neo-evangelicals, claim to be those who are truly honoring and reverently listening to God’s Word.²³⁷ Van Til, acknowledging some validity in Berkouwer’s criticism that he was not sufficiently exegetical, nevertheless makes this timely observation: “One can be ‘exegetical’ in terms of the neo-orthodox schematism of thought, and this is, after all, to be speculative first, and biblical afterwards.”²³⁸

230. G. C. Berkouwer, *Holy Scripture*, trans. Jack B. Rogers (Grand Rapids, MI: Eerdmans Publishing Co., 1975), 183.

231. Berkouwer, *Half Century*, 138.

232. *Ibid.*, 139.

233. *Ibid.*, 140.

234. *Ibid.*, 141.

235. *Ibid.*, 139.

236. It is interesting to note that on the assumption Berkouwer is not willfully deceiving us, his writing is inerrant as he defines it. According to Berkouwer, the biblical notion of error is not incorrectness but deception, as in intentional lying. Cf. Berkouwer, *Holy Scripture*, 181. Therefore, unless he is willfully trying to deceive us, Berkouwer’s writing is “inerrant.” Following this lead Rogers distinguishes “the biblical notion of error as willful deception” from “‘error’ in the sense of technical accuracy.” Rogers, *Biblical Authority*, 46. Thus error concerns the writer’s intent. Paul D. Feinberg, “The Meaning of Inerrancy,” Summit Papers, 10.21, shows how such a definition says too much with this telling comment: “If we accept Rogers’ understanding of error as ‘willful deception,’ then almost every book that has ever been written is inerrant.”

Closely related to Berkouwer's subjection to Scripture is his concern that confessions not lose their derivative character. Their subordinate status is coupled with another qualification. In an important article on confessions with special regard to the Canons of Dordt, Berkouwer speaks of the increasing awareness in recent times of the historically conditioned nature of confessions.²³⁹ There is, according to Berkouwer, a certain vulnerability in all confessions brought about by their reaction against a particular heresy with consequent selection and exegesis of "appropriate" passages.

Writing elsewhere concerning the question of whether Chalcedon is a Christological terminal point, Berkouwer writes: "For the Scriptures are richer than any pronouncement of the church, no matter how excellent it be..."²⁴⁰ "Chalcedon is not as rich as that Scriptural fullness on which the church... is continually allowed to draw."²⁴¹ What is perhaps the only basic difference in his most recent work is the stronger emphasis on the inadequacies of any confessional statement. Answering the fear that {142} questioning Chalcedon is "another alienation from the church's confession," Berkouwer writes:

It is worth remembering then that any fixed definition can fossilize, especially if the definitions are no longer understood. Indeed, we should remember that no definition is adequate.... Orthodoxy is maintained only in conformity with the truth that the church had in mind when it tried to state truth in its inadequate formulas.²⁴²

237. Cf., for example, Rogers, *Confessions of a Conservative Evangelical*, 103–4, where he claims Warfield "diverted attention" from a true listening of Scripture because of his concern for inerrancy. This criticism of defenders of inerrancy is implicit in the slogan emblazoned upon the cover of Rogers, ed., *Biblical Authority*: "Turn your Bible from a battleground into a source for spiritual strength." So also Hubbard, *Biblical Authority*, 167: "The Hodge-Warfield brand of Reformed theology, with its rationalistic defense of Scripture, comes close to jeopardizing the solid principle that Scripture is sufficient."

238. Cornelius Van Til, *Toward a Reformed Apologetics* (n.p., n.d.), 27.

239. G. C. Berkouwer, "Vragen Rondom de Belijdenis," *Gereformeerde Theologisch Tijdschrift* 63 (February 1963), 1–41.

240. G. C. Berkouwer, *The Person of Christ*, trans. John Vriend (Grand Rapids, MI: Eerdmans Publishing Co., 1954), 91.

241. *Ibid.*, 96.

242. Berkouwer, *Half Century*, 241.

This is a subtle but significant move from a warning of the inadequacies of language to what is almost an obsession with a confession's inadequacies necessitating a different measurement for certainty.

While Berkouwer himself has a high regard for the creeds of the church, such a theoretically accurate stance acknowledges the possibility of significant error in all human statements and runs the risk of relativizing any doctrinal statement. Berkouwer rejects relativizing run wild, but the danger lingers of an increasing transformation of what we once believed to be truth by one who zealously maintains the absolute authority of Scripture.

Any student of Berkouwer would, in this context, have one key word constantly in mind. In both lectures and writing, one word increasingly appears as fundamental to his historical understanding of theology. *Intent!* "What was the intent of the apostle or prophet in Scripture?" "What is the deepest intent of the framers of the confession?" "What was Rome really intending to say at Trent?" And on it goes. In a confessional statement, therefore, one must be alerted to the relation between the "unchangeable *animation* and changeable *representation*," the "really intended *content* and the *form*, in which this content comes to expression," and the fact that no form can adequately express the intended content in final form.²⁴³

There is an unfortunate temptation in the use of this valid interpretive method of seeking the true intent of those who spoke. The danger is that when we come to disagree with our theological heritage, but do not want to step out of that rich heritage, we can simply claim their commitment to our content while using historically conditioned forms. The result may be, and has been, the sneaking in of new content under the guise of a new form for the old content. Berkouwer's reinterpretation of the Canons of Dordt throws out the "causal" framework as an unfortunate historical form which tried to say too much and restricts the content (the Synod's real intent) to a doxological reference to the sovereignty of God's grace.²⁴⁴ The legitimate question is whether what the Synod of Dordt intended to confess regarding the

243. Berkouwer, *Gereformeerd Theologisch Tijdschrift*, 4–5.

244. *Ibid.*, 11–15.

sovereign, predestinating God has disappeared in such a reinterpretation. {143}

The form-content distinction provides Berkouwer with a ready-made vehicle for ecumenical dialogue where “hang-ups” with past formulations may be politely set aside to clear the way for “fresh” insights on old problems. Nowhere has this been more visible than in Berkouwer’s discussions with and about Roman Catholic theologians. In his first book on the Second Vatican Council, and even more so in lectures, Berkouwer radiates excitement and enthusiasm over similar methodological developments in the Roman Catholic Church.

Pope John XXIII opened the door by declaring some things to be not absolute (the plea for “unity in the essentials” implied there was an area of nonessentials where differences could be tolerated).²⁴⁵ Berkouwer gives great importance to this statement of the pope on the first day of the council:

The certain and unchangeable doctrine, to which we must ever remain faithful, must be examined and expounded by the methods applicable in our times. We must *distinguish* between the inheritance of the faith itself, or the truths which are contained in our holy doctrine, and the way in which these truths are formulated, of course with the same sense and the same significance.²⁴⁶

Berkouwer relates the pope’s distinction “between the *substance* and the *formulations* of the truth” to “similar distinctions that Roman theologians of the new stripe have been making in the recent past.”²⁴⁷ This was an entrance into “the danger zone of Roman Catholic problematics,” quite different from the 1950 encyclical *Humani Generis* of Pius XII.²⁴⁸ And even though Paul VI was less inclined in this direction, Berkouwer sees this new attitude as a significant breakthrough. In this context a whole chapter is given over to “Unchangeability and Changeability of Dogma.”

245. G. C. Berkouwer, *The Second Vatican Council and the New Catholicism*, trans. Lewis B. Smedes (Grand Rapids, MI: Eerdmans Publishing Co., 1965), 19–20.

246. *Ibid.*, 22. Encyclical *Gaudet Mater Ecclesia*.

247. *Ibid.*, 23.

248. *Ibid.*, 24.

In a second book growing out of Vatican II, the “intent” idea comes out strongly in a chapter on the continuity of dogma and its sameness. Dogma, Berkouwer says approvingly, was not “timelessly formulated” but used “historically fixed terminology, thought patterns, and presuppositions” which were not without philosophical presuppositions and which must be understood out of their polemical setting.²⁴⁹ “... The task of the church and theology is to penetrate through to what the church intended in *these* formulations and what she wanted to confess.”²⁵⁰ Hand in hand with this new approach is “a strong resistance” against a view of dogma as fixed {144} propositions from which logical implications may be drawn.²⁵¹ This view also was mentioned approvingly in *The Second Vatican Council*, where it is said that revelation “is not a reservoir of intellectual propositions” but rather “a personal self-disclosure by God in which He encounters the total person.”²⁵²

Via the form-content distinction Berkouwer had, with qualification, become a part of a new ecumenical alliance within and without the Roman Church where neo-orthodox theology tends to be the common denominator. While this must be said with care and qualification, it is nonetheless a true perspective on Berkouwer’s development.

Correlation versus Systematics

Another aspect of Berkouwer’s methodology has early roots and shows significant development through the years. While not formalized as a methodological principle, the word and the concept “correlation” permeate his theology. Lewis B. Smedes, a former student of Berkouwer and frequent translator of his books, calls “correlation” the “guiding principle” and “perhaps the greatest single most influential principle in Berkouwer’s theology.”²⁵³

This principle emerges clearly in an early work, *Faith and Justification*, as a valid attempt to understand the scriptural and Reformation

249. G. C. Berkouwer, *Nabetrachting op het Concilie* (Kampen: J. H. Kok, 1968), 52.

250. *Ibid.*

251. *Ibid.*, 53.

252. Berkouwer, *The Second Vatican Council*, 68. K. Rainier is specifically cited.

253. Lewis B. Smedes, “G. C. Berkouwer,” *Creative Minds in Contemporary Theology*, ed. Philip E. Hughes (Grand Rapids, MI: Eerdmans Publishing Co., 1966), 65.

understanding of faith. Discussing Abraham in the context of Romans 4, Berkouwer writes,

... where Abraham is concerned, there is not a causal relationship between Christ's righteousness and the righteousness of faith, but a *correlative association* in which the subjectivity of faith has meaning and significance only as it lives off grace.... We are prohibited from abstracting a "subjective righteousness of faith" from the imputed righteousness of Christ, since it is precisely His righteousness with which faith is concerned.²⁵⁴

Faith, says Berkouwer,

... is not added as a second, independent ingredient which makes its own contribution to justification in Christ. On the contrary faith does nothing but accept, or come to rest in the sovereignty of His benefit.²⁵⁵

*"The way of salvation is the way of faith just because it is only in faith that the exclusiveness of divine grace is recognized and honored."*²⁵⁶

The correlation idea, however, is much broader than an attempt to articulate {145} the instrumental, receptive aspect of faith or the sovereignty/ human responsibility question. Even in this early stage, an anti-systematic attitude is being expressed typical in much of modern theology. Correlation was being set forth not so much as an explanation as a *denial of the possibility of an explanation*. Berkouwer sets a "real theology of the Word" over against a "beautiful system."

As we reflect on faith and justification, we shall confront not merely theories, but realities—realities seen and understood only in faith, but, when thus perceived, definitive for our own lives and the life of the Church.²⁵⁷

Here and throughout Berkouwer's writing, the suggestion is ever present that a theory cannot (*a priori*) correspond to reality. Reality is a different dimension from theories and logic and systematics.

One should not miss this close affinity with the neo-orthodox emphasis on suprahistory even in this early work. The recent publica-

254. Berkouwer, *Faith and Justification*, 85.

255. *Ibid.*, 43.

256. *Ibid.*, 188–89.

257. *Ibid.*, 10.

tion of *A Half Century of Theology* throws some valuable light on even earlier roots of this unorthodox aspect of Berkouwer. He begins his reflections on his “half century” by noting that “‘ethical theology’ was a prominent issue for conservative theology in 1920.” “Ethical Theology” was characterized by the anti-dogma slogan: “not dead doctrine, but the living Lord.”²⁵⁸ In the following chapter, “The Era of Apologetics,” Berkouwer begins by criticizing the way dogmatics came “as a rounded-off and finished system,” and then states: “But later we came in touch with all sorts of doubts and uncertainty about facets of the system; problems and questions unsettled us.”²⁵⁹ This anti-systematics bias has characterized Berkouwer throughout but has become increasingly noticed by a larger audience.

K. H. Roessingh, professor at Leiden who died in 1925 at the age of 39, represented “a new form of modernism” and made a strong impression on Berkouwer. At Roessingh’s death, Berkouwer wrote in the student paper: “The effect of his work was not to make everything clear and certain.”²⁶⁰ What impresses one in his evaluation of Roessingh a half century later is the reference to his stand against orthodox Christology. Of Roessingh he writes: “While he saw no reason to deny the historicity of Jesus, he wanted his Christology to be independent of this question.”²⁶¹ Berkouwer goes on to write:

He was intrigued by the historical-critical question of how much Jesus’ {146} real self was actually reflected in the New Testament profile. But he preferred the language of trust and commitment. “Christ—I can venture with him.” There was always a tension at the point where theological problematics met personal piety.... But his piety did not turn him away from the problems.²⁶²

As I read these words describing Roessingh, I was struck by how accurately they describe what I understand Berkouwer himself to be saying. Taking Scripture as an example, Berkouwer wants the authority

258. Berkouwer, *Half Century*, 11. It is interesting to note that Berkouwer and his disciples are not averse to throwing this slogan at Old Princeton theology and their contemporary counterparts.

259. *Ibid.*, 25.

260. *Ibid.*, 18–19. Berkouwer says Roessingh raised doubts about Kuyper’s description of modernism (cf. 18, 20).

261. *Ibid.*, 20–21.

of Scripture and even its historicity without being tied to the historical-critical battleground. He is intrigued by the historical-critical question of how much of Scripture is historically accurate, but he prefers the language of trust and commitment. One could continue this parallel in many areas.

This direction suggested by Roessingh, coupled with Berkouwer's anti-systematics bias, is manifested in Berkouwer's *Studies in Dogmatics* under the name "correlation," and it has consequences more far-reaching than many have realized. The code word is "in faith." We must understand "in faith." What that means is difficult to ascertain, but it is set in contrast to logic, system, and the like. It is clearly affirmed as a "knowing," but a knowing that is distinctly another nature from the speculative knowledge of a nonbeliever. And the intent is not the traditional distinction in Reformed theology of the believer "acquiescing" or "relishing" in the truth as contrasted to the resistance of the person outside faith. It is a "deeper" knowing that sees "more clearly" and avoids the contradictions (real) within the speculative realm.

One can with justification use the word "subjective" in speaking of Berkouwer. It is true he attacks subjectivism, but what he is attacking is subjectivism à Schleiermacher, which "gave the human subject a determinative, creative function and made revelation dependent upon the subjective creation."²⁶³ "Creative" subjectivism is opposed, but a subjectivism in receiving truth, even to the extent of ignoring logic or "good and necessary consequences," is acceptable. What elevation of the Word of God means for Berkouwer is an *a priori* distinction between speculation (even true speculation) and theological study. "Theology can only bow before mystery."²⁶⁴ Berkouwer went down this road a long way to come under attack by Van Til for opting in favor of

262. *Ibid.*, 21. "We who were students at the time followed Roessingh's venture with no little amazement. We could hardly guess that what we saw in Roessingh, both his hesitations and his assertions, would hold our attention and demand our response for years to come" (23). In the following chapter, "The Era of Apologetics," Berkouwer begins by criticizing the way dogmatics came "as a rounded-off and finished system," and then states: "But later we came in touch with all sorts of doubts and uncertainty about facets of the system; problems and questions unsettled us" (25).

263. Berkouwer, *Faith and Justification*, 17.

264. *Ibid.*, 21.

the Kantian *noumenal* {147} realm and the neo-orthodox *Historie/Geschichte* distinction. Van Til would be far less critical of Berkouwer in this 1949 book on *Faith and Justification*, and we have, to be sure, drawn out some implications, but it is worth noting that the seeds of his later position are already implicitly present.

When Smedes sets forth Berkouwer's correlation principle, his summary confirms what we have just said regarding the faith/knowledge conflict. Paraphrasing Berkouwer, Smedes writes:

Theology is a work of faith, and all of its statements must be such as the believer can recognize as objects of faith.... It means that the object of theology is never the construction of a logically coherent system.... Only those matters that the believer can and ought to confess as his personal faith and which the Church can proclaim as the faith of the Gospel are the proper conclusions of theology.²⁶⁵

Berkouwer, says Smedes, “declines the temptation to let deduction and inference determine theological conclusions: the demand for faith, not the dictates of logic, must characterize the kerygma.”²⁶⁶ Such an evaluation by Smedes is basically a correct statement of Berkouwer's position.

We again find an updated confirmation of Berkouwer's views in this regard in *A Half Century of Theology*, especially in a chapter entitled “Faith and Reasonableness.” Berkouwer is unhappy with past solutions and again finds sympathy with the same struggle in recent Roman Catholicism. In rejecting the classical Reformed approach, as well as a subjective, existential “leap,” he sometimes confuses faith with knowledge of God and at other times seems to divorce them. In representing the issue as it emerged in the “half century,” it sounds very much like a description of Berkouwer's view.

Faith... is not *against* reason, though it is above reason.... Faith becomes defenseless, in a sense. It has no defenses for itself; it has no *apologia*, maybe no way of giving answers—except private ones.²⁶⁷

Here we see a parallel to the reference above of subjectivism in Berkouwer. Words like “tension” and “paradox” are preferred to

265. Smedes, *Creative Minds*, 65–66.

266. *Ibid.*, 69.

267. Berkouwer, *Half Century*, 147.

“argument,” “logic,” and “good and necessary consequences.” There is sympathy in the notion that a faith founded upon truth that is rational would cause faith to lose its dynamic and destroy true freedom. Faith is not true faith if its object can be known to be true by reason. Against this background, Berkouwer’s repudiation of faith as a subjective leap sounds somewhat hollow.

Given this increasing commitment to faith versus logic, correlation versus systematics, it is not hard to detect why Berkouwer has increasingly been at odds with classical Reformed orthodoxy, whether seventeenth-century or {148} the Princeton theologians.²⁶⁸ He is frequently maintaining a false dilemma between “logically coherent systems” and matters one confesses as “personal faith,” between “the demand for faith” and “the dictates of logic.” The assumption of their incompatibility is gratuitous. For those who operate with that assumption, or for those who see a contradiction because they are aware only of an abused or errant system (which would not then be “logically coherent”), Berkouwer gives the appearance of a solution via the attempt to lift theology out of the world of logic and reason and into the *noumenal* realm of Kantian philosophy.

To one who has read Berkouwer, that may seem like a strong statement. He wrestles with all of the hard issues that come along. He does not avoid the conflicts of church history. Yet at the end of the discussion, when each side has been brilliantly criticized, Berkouwer says in effect: “You’re both wrong ultimately; if you look at it ‘in faith,’ you can see the answer is deeper than you thought; come with me from the realm of the ‘phenomenal’ world of *Historie* to the ‘noumenal’ world of

268. I am well aware that some have and will seek to avoid the impact of this by suggesting a clear disagreement between Calvin and “Calvinism,” with truth and Berkouwer on the side of Calvin. However, something is not true simply because Calvin said it, and furthermore, it is a highly debatable conclusion that Calvin and possibly the Westminster Confession were substantially different from the Reformed orthodoxy of the seventeenth century or of the “Princeton theologians.” It is a highly questionable fad that sees Calvin as a post-Kantian existentialist or neo-orthodox depending on one’s perspective. On the contrary, as Krabbendam, *Summit Papers*, 15.2, points out: “There is every reason to believe that, according to Warfield, Berkouwer’s emphasis upon, and usage of, the concept of ‘correlation’ would betray a strand in his thinking that would place him in the climate of Schleiermacher’s theology—and of neo-orthodoxy.”

Geschichte.” It is a pattern which, once seen, becomes increasingly apparent in all his work.

Providence and Election: A Case Study

Prior to the latter volumes on Scripture, the area where Berkouwer’s correlation principle of viewing all theology “in faith” (as we have defined it above) was most visible is in the areas of providence and election. These are crucial areas which deserve some special attention at this point.

In a chapter entitled “A Third Aspect,” Berkouwer treats the concept of “concurrence” as a way to express God’s exercise of providence in the world.²⁶⁹ This is an important chapter. The problem arises of “whether total human dependence upon God leaves room for significant creaturely activity...”²⁷⁰ Berkouwer’s concern is to avoid “speculation.” Given the biblical *a priori* that “God is not the author of sin,” how do you “conceive of Divine cooperation in sin?” “Is sin wholly a product of the first as well {149} as the second cause?”²⁷¹ According to Berkouwer, “the dilemma is usually construed as: determinism or indeterminism.”

Berkouwer, not wanting indeterminism, is reacting against what he feels is a logical consequence of all determinism, namely, a kind of causality that excludes human responsibility and makes God the author of sin. In this reaction he makes several crucial assertions. “The essential error of identifying the Providence doctrine with determinism is the de-personalization of the God-concept.”²⁷² “The Reformed confession of Providence does not reason from the idea of causation. It simply recognizes the invincibility of God’s sovereign activity.”²⁷³ “... The use of the terms first and second causes implies that God is only the most important cause among equal causes.... This brings God even... less disguisedly down into the world-process.”²⁷⁴ For Berkouwer there is

269. G. C. Berkouwer, *The Providence of God*, trans. Lewis B. Smedes (Grand Rapids, MI: Eerdmans Publishing Co., 1952), 125–60.

270. *Ibid.*, 126.

271. *Ibid.*, 131.

272. *Ibid.*, 152.

273. *Ibid.*

274. *Ibid.*, 155.

apparently a contradiction between Creator and cause. Concerning the biblical reference to Jehovah as the “first and the last,” he says, “The word *first* points to the absolute Creator, not the first cause of all things.”²⁷⁵ At best one can agree with these statements if qualified. At worst one sees caricatures and false dilemmas.

Berkouwer apparently is convinced of the inescapable dilemma, however, since he seeks a way out, a third or middle way. The problem, he says, is not properly formulated as determinism-indeterminism.²⁷⁶

The alternatives, determinism or indeterminism, are true alternatives only on a horizontal, anthropological level. They pose a dilemma which is resolved in the relationship that man sustains to God. This vertical relationship between God and man alone gives possibility to a correct understanding of the problem of freedom. Both determinism... and indeterminism... neglect the religious aspect of the problem.²⁷⁷

“Faith knows its boundaries,” says Berkouwer. “Rational conclusions... give way to living faith in *Him*.”²⁷⁸

The problem is resolved, though not rationally, in confession of guilt {150} and in faith. There is a solution, but it is the solution of faith, which knows its own responsibility—as it knows the unapproachable holiness of God. He who does not listen in faith to God’s voice is left with an insoluble dilemma.²⁷⁹

We are again struck with the conclusion that Berkouwer’s solution, the “religious” approach “in faith” contra “rational conclusions,” has ended in the subjective, *noumenal* sphere.

275. *Ibid.*, 158.

276. *Ibid.*, 145.

277. *Ibid.*, 146. The Kantian roots of this mentality are illustrated in a summary of Kant’s agnosticism in Norman L. Geisler, “Philosophical Presuppositions of Biblical Errancy” Summit Papers, 11.15. “Hence, I can know the ‘thing-to-me’ but not the ‘thing-in-itself.’ One can know what *appears* to him but not what really is. The former Kant called *phenomena* and the latter, *noumena*. Between the phenomenal and the noumenal realms there is an insurpassable gulf fixed by the very nature of the knowing process.” Another reason “we must remain forever ignorant of reality-in-itself” is this: “Whenever one attempts to apply the categories of his mind (such as unity or causality) to the noumenal realm he ends in hopeless contradictions and antinomies” (11.6).

278. *Ibid.*, 159.

279. *Ibid.*, 133.

When we turn to the doctrines surrounding election, we would expect to see a similar pattern, and this is the case. Lewis Smedes's summary may serve as a helpful starter.

Perhaps the most significant contribution that Berkouwer has made to the doctrine of election is his rescue of it from the doctrine of reprobation as its logical corollary. The notion of reprobation as a logical consequence of election is inescapable, as long as election is viewed as an arbitrary selection of individuals. To Berkouwer this is as objectionable as it is logical.²⁸⁰

One must understand that Berkouwer moves back and forth on these issues in a way that is hard to pin down. He writes a chapter on "Election and Arbitrariness" and states as *a priori* evidence that God is not arbitrary.²⁸¹ "Arbitrary" seems to be a word to be avoided, whatever the qualifications, even though it has been used, properly qualified, within the Reformed tradition. Berkouwer accepts Calvin's expression that "God is a law unto Himself" as a rejection of "*potentia absoluta* as well as a law above God."²⁸² "The protest against the term *potentia absoluta* was not directed against the absoluteness of divine power, but against its unbiblical formalization."²⁸³ Berkouwer seems thus to open the door for a qualified arbitrariness, but he insists that despite qualifications, the concept brings into question "the stability and trustworthiness of God's revelation."²⁸⁴ "... We shall not be able to discuss the election of God properly without continually reminding ourselves that there is no arbitrariness in God's acts."²⁸⁵

In the statement of Smedes quoted above one spots a problem. Apparently the "absoluteness of divine power" which Berkouwer affirms cannot be understood rationally without falling into the "error" of arbitrariness, *potentia absoluta*, and formalization. What is significant is that Berkouwer does not deny the logic of it. It is not sloppy thinking. In Smedes's words, "this is as objectionable as it is logical."

280. Smedes, *Creative Minds*, 78.

281. Berkouwer, *Divine Election*, 53.

282. *Ibid.*, 59.

283. *Ibid.*, 62.

284. *Ibid.*, 62–63.

285. *Ibid.*, 87.

Our problem is in not seeing that logic (Kant's phenomenal world?) is a secondary reality. "There is a third way," says Berkouwer, "between the *potentia* {151} *absoluta* and the subjection of God to a law. The third way is the way of revelation."²⁸⁶ Thus, logic is set over against revelation; the "noumenal" realm of a third way, a "religious" and "in faith" way, is set over against rational conclusions.

Much of the election doctrine centers around "the boundaries of reflection." When Berkouwer deals with the Synod of Dordt, the issue of "good and necessary consequences" is at the forefront. The "hard sayings" of Dordt as deduced from Scripture as consequence, culminating in the phrase "predestined to sin," is an area that disturbs Berkouwer. The issue of reprobation, the rejection of some, is crucial.

In an important chapter on "Election and Rejection," Berkouwer defines the issue as symmetry versus asymmetry. When the Canons of Dordt speak of election and rejection, "we could get the impression that we are confronted with an obvious duality of two symmetrical 'decrees' " predestinating to life and to death."²⁸⁷ Reformed theology rejects the idea that election and rejection occur "in the same manner," and Berkouwer attributes this to its desire to reject deterministic interpretations. The Scriptures, says Berkouwer, are asymmetrical. God is the "cause" of salvation; man is the cause of unbelief and hence rejection.²⁸⁸

Our criticism of Berkouwer must not be affirming symmetry or a determinism that makes God the author of sin. Berkouwer's method is again at issue. We do not escape determinism by indeterminism. Reformed theology, he says, affirms asymmetry, and "in doing so, it reaches beyond the dilemma between determinism and indeterminism."²⁸⁹ The use of causality can *never* bring us to a solution.²⁹⁰ The rising above the dilemma, however, is back in the subjective realm. We must, he insists, rediscover the "doxological connections." "... We cannot discuss the election of God apart from faith."²⁹¹ Not metaphysics,

286. *Ibid.*, 86.

287. *Ibid.*, 175.

288. *Ibid.*, 181ff.

289. *Ibid.*, 182.

290. *Ibid.*, 188, 190.

but confession. Referring to the words of adoration which Paul speaks in Romans 11:33, he states: “That is for us men—with all our problems—the profoundest exegetical secret of Romans 9 to 11.”²⁹²

But more than an acknowledgement of the mystery of election is being set forth. Smedes says of Berkouwer’s teaching: “God is the source of election. Man is the cause of his reprobation.”²⁹³ H. Berkhof says Berkouwer’s book on election “is built on asymmetrical confession, inspired by ‘the boundaries of Scripture,’ that God elects whom he will and rejects those who reject him.”²⁹⁴ That sounds orthodox enough if interpreted {152} in an orthodox manner. However, couple what we have seen with this statement:

Scripture showed us that in the doctrine of God’s election the issue is not a *decretum absolutum*, abstracted from Jesus Christ, neither a *necessitas rerum* which cannot be changed under any circumstances, nor a dark and irrational power of the *potentia absoluta*. Rather, Scripture points in its doxologies and songs in praise of the free election of God....²⁹⁵

One gets the impression that Berkouwer tends to be a Calvinist in election and an Arminian in rejection. But if God’s election is not something “which cannot be changed” (i.e., election can be changed?), even his doctrine of election as Calvinistic is suspect.

Berkouwer would reject such conclusions and say we are not looking in the way of faith. Faith sees things differently, not in causality but in doxologies that point to a way that is true but not transparent to rational considerations. We have yet to apprehend adequately what that means, but apparently one must risk the loss of objective certainty and take the existential leap of faith into the realm of theological (*noumenal?*) understanding.

It is worth noting that in Van Til’s book on Berkouwer and Dordt he gives an account of Woelderink’s 1951 work on *Election* which shows his move from the historic Reformed faith to Barthianism. The causal

291. *Ibid.*, 25.

292. *Ibid.*, 65. Cf. *Faith and Justification*, 31–32.

293. Smedes, *Creative Minds*, 78.

294. Berkhof, *Ex Auditu Verbi*, 49.

295. Berkouwer, *Divine Election*, 172.

question is called unbiblical and equated with determinism, which is limited to the nonhuman realm of the I-it dimension. Election transcends causal thinking. “We are referring to the noumenal not the phenomenal realm.”²⁹⁶ Though our criticism of Berkouwer has been based largely on his book on *Divine Election* and is admittedly drawing implications, the validity of our fear is illustrated by Van Til’s comparison of an earlier and later Berkouwer with the position of Woelderink.

It is of interest to note that in 1955 Berkouwer defended the Synod of Dordt as having the concrete biblical view of election against the charge of determinism launched by Woelderink, while in 1965 his criticism of Dordt was practically the same as that of Woelderink.²⁹⁷

Van Til equates Berkouwer’s terminology with that of neo-orthodoxy and places him within the Kantian framework of modern theology.

Still, the “hole in the dike” was there in the “earlier” Berkouwer, and subsequent writings differ by degree rather than reflecting an essentially new position. Nor was Berkouwer unaware that he was traveling “other routes.” He states in *A Half Century of Theology* that the publication of *Divine Election* in 1955 was “not without hesitation and persistent questions.”²⁹⁸ {153} At the risk of some repetition we should not overlook what he says about this doctrine in his survey of the last fifty years. Here we have the advantage of an autobiographical reflection of his mature thought, the vantage point of the “later Berkouwer,” as he views the “half century.”

It is Berkouwer’s conviction that election is the very “heart of the church,” and it should therefore be a doctrine of comfort rather than something to dread. There is, therefore, a strong pastoral emphasis in relation to questions that are seen as problems, “questions about the certainty of one’s own salvation, about the ‘book of life’ in which names of only certain persons had been written, and questions about the secrecy and mystery of election.”²⁹⁹ Dogmatics and the life of the

296. Van Til, *The Sovereignty of Grace*, 29–31.

297. *Ibid.*, 40.

298. Berkouwer, *Half Century*, 100. In an interesting distinction Berkouwer says he was “wary, not of logic, but of certain logical consequences.” How one can be for logic and not logical consequences is puzzling.

299. *Ibid.*, 78.

church merge in the question “whether election can be proclaimed without arousing all sorts of new problems in the mind of the listening congregation.”³⁰⁰ Berkouwer cites an experience of his first congregation of the man who argued, “nothing could help him ‘if he were not elect’ and his own break from the church could not hurt him ‘if he were elect.’”³⁰¹

Berkouwer seems to view such “problems” as inappropriate for a doctrine that is the “heart of the church.” He says he probably counseled the man against caricaturing and pointed to the “relation between election and responsibility,” but then concludes that “pastoral warning is really powerless over against this sort of logic.”³⁰² Such concerns have led Berkouwer to see the problem not so much in his parishioner’s caricatures as in the traditional statement of the doctrine. One “solves” the problem aspect by denying the orthodox doctrine of election.

The orthodox statement of the doctrine, the “form” if not the “content” (intent) of the Canons of Dordt, is dominated by arbitrariness.

By arbitrariness we have in mind the “once-for-all” decision made in eternity that seals the lot of all people forever. The eternal decree of predestination (or predetermination) has its logical corollary in reprobation. The question is: Does not double predestination render pointless everything people decide to do?³⁰³

Berkouwer believes that is the result, and since the Bible teaches “tension and struggle” rather than “self-evident reason for indifference or complacency,” double predestination cannot therefore be scriptural. The biblical call for response evaporates “by the thought of that decree, fixed from eternity... that determines everything and every person, a decree that must be realized in history.”³⁰⁴ {154}

In the notion of double predestination we have something else on our hands than a hymn of praise to God’s gracious election. The question is whether the notion of double destiny does not turn divine freedom into divine arbitrariness.³⁰⁵

300. *Ibid.*, 80.

301. *Ibid.*, 81.

302. *Ibid.*

303. *Ibid.*, 82–83.

304. *Ibid.*, 83.

It is apparent that Berkouwer's desire to retain the doctrine of divine election as the heart of the church will necessitate a concept of decree quite different from what is normally understood.

Berkouwer now decries a resorting "to obtuse explanations" and a striving "toward an elusive harmony and synthesis" in the doctrine of election.³⁰⁶ Kuyper's language is charged as being essentially the same as "arbitrary determination of an 'absolute might.'"³⁰⁷ Berkouwer claims to be questioning the form, not the content, of the sovereignty of God, and it is not a desire "to replace determinism with indeterminism."³⁰⁸ To negate so much of the doctrine of election and yet boldly affirm it, one has to move "above" the rational-historical realm into the "Kantian noumenal realm"; that is, it must be seen "in faith." Piety is set over against rational harmonization.

Once understanding "in faith" is seen as incompatible with understanding in rational knowledge, many new directions are open for biblical reflection. Commenting on Matthew 20:15, where Jesus says, "Am I not free to do what I choose with what belongs to me," Berkouwer rejects the "logical" conclusion which is double predestination and declares instead that freedom means the goodness of God.³⁰⁹ Similarly, he denies that Paul could conclude Romans 9–11 "with a breathtaking doxology" if his intention was to teach "that the destiny of everything and everyone is sealed from eternity."³¹⁰ Apparently we cannot truly praise God if He "ordained whatsoever comes to pass."

Noordmans is said to have been "ahead of his time" in teaching that the "pre-" of predestination "is a 'pre-' of divine desire, not of logical determinism."³¹¹ Predestination, therefore, is not choosing some and rejecting others, but merely "desiring" something in regard to sinners without being the cause of it. The "pre-" of predestination as set forth in the Canons of Dort "does not let the grace of election come to its

305. *Ibid.*, 87.

306. *Ibid.*, 89.

307. *Ibid.*, 90.

308. *Ibid.*, 91.

309. *Ibid.*

310. *Ibid.*, 92.

311. *Ibid.*, 93.

own,” and “grace takes a back seat because of the double focus of the divine decree.”³¹² Reprobation is made incompatible with God’s grace.

In view of the *a priori* decree of election and reprobation, universal proclamation is not possible, so long as the seriousness and genuinely intended offer of grace is concerned. The offer of grace could not be directed to people who were excluded from salvation by God’s decree.³¹³ {155}

Against this background, Berkouwer says he published *Divine Election*, “not without hesitation and persistent questions,” surely aware that he was changing not only the form but also the content of the Reformed doctrine of predestination.

Berkouwer believes he has growing support for choosing a doxological approach versus a decree fixed in eternity.

Thus the reconsideration of election has tended for several years, not in the direction of a double decree that merely waits to be executed, but in the direction of grace as the nature, the character of election.... I cannot help noting that this shift... has gained an encouraging consensus, supporting my own efforts to understand the meaning of the confession of election....³¹⁴

In private conversation, Berkouwer mentioned James Daane’s *The Freedom of God* as an English language work reflecting his view. But he especially mentioned Herman Ridderbos in this connection as one who arrived at a similar view of election on exegetical grounds. In *A Half Century of Theology* Berkouwer says their mutual understanding occurred before the publication of *Divine Election* in 1955. “Our discussion was supportive for me in my conviction that my rejection of consistent views like Hoeksema’s and others need not lead me into a fruitless polarization; I did not have to posit indeterminism over against determinism.”³¹⁵

Not surprisingly, we find Ridderbos writing in a similar vein:

In “election” there is not of itself the thought of a decree....

312. *Ibid.*, 94.

313. *Ibid.*, 98.

314. *Ibid.*, 102.

315. *Ibid.*, 100–101.

The purport of Paul's argument is not to show that all that God does in history has been foreordained from eternity and therefore, so far as his mercy as well as his hardening is concerned, has an irresistible and inevitable issue.... It is evident that one may not identify the omnipotence and sovereignty of God's grace thus upheld on the one hand and of his reprobation and hardening on the other with irrevocable "eternal" decrees, in which God would once and forever have predestined the salvation or ruin of man....

There is... an inner contradiction, if one conceives of the divine purpose and the number of the elect in a deterministic sense as an immutably established decree of the counsel of God; or if, on the other hand, one supposes that without the individual's power of decision human responsibility toward the gospel becomes a fiction.³¹⁶ {156}

Neither determinism nor indeterminism! Ridderbos, like Berkouwer, has sought a third way. What that way is remains elusive and protected in the "storm-free harbor of suprahistory."

Berkouwer and the Battle for the Bible

If Lindsell is correct in *The Battle for the Bible* when he calls biblical inerrancy "the most important theological topic of this age," with the battleground being the evangelical community, then the significance of Berkouwer must not be underestimated. His influence is considerable in the shift of the doctrine of Scripture manifesting itself among neo-evangelicalism. Krabbendam sees Berkouwer as "the fountainhead of a new type of thinking" which "led him and his followers to the denial of... inerrancy."³¹⁷ Gordon Lewis, in a paper on "The Human Author-

316. Herman Ridderbos, *Paul: An Outline of His Theology*, trans. John Richard DeWitt (Grand Rapids, MI: Eerdmans Publishing Co., 1975), 344–45, 353. "This concept of election denotes the omnipotence, not the deterministic character of God's work of grace" (346). "Here again it is a matter... not simply of a decree of God that only later comes to realization..." (347). Concerning Romans 8:29ff., Ridderbos says: "This is not an abstract pronouncement concerning the immutability of the number of those predestined for salvation, but a pastoral encouragement for the persecuted and embattled church.... 'Chosen in Christ' does not say that Christ is the means or the medium through whom or in whom an antecedent absolute decree would be effected" (350–51). Even hardening "need" not bear a definitive character, but rather, as with the rejection and hardening of unbelieving Israel, presupposes a situation that is still 'open'" (352).

317. Krabbendam, *Summit Papers*, 15.1.

ship of Inspired Scripture,” calls Berkouwer’s view of Scripture “both inadequate and unorthodox.”³¹⁸ John Gerstner says Berkouwer’s view of Scripture “does more than ‘damage reverence for Scripture,’” it “damages reverence for God.”³¹⁹ If the battle is for the Bible, then Berkouwer is a major combatant!

Concerning Berkouwer’s view of Scripture I would make two qualifying comments which could well apply to the whole article. In the first place I will be very selective. This is necessary simply because of the amount of material. But I am also being selective in dealing with what appears to me to be problem areas. I will not spend time relating all the good things Berkouwer has to say, but I will purposely choose that material which suggests deviation from the more generally accepted Reformed doctrine of verbal inerrancy. This is not a balanced study, and is not intended to be, but I believe it is justified.

The other qualification I would make concerns the way Berkouwer writes. When he treats the historical development of a doctrine along with the exegetical and theological questions to be considered, there is usually great clarity. *But when it comes to a forthright statement of his own view on an area of controversy within the Reformed heritage, there is a studied {157} lack of forthrightness.* Here the issue of biblical inerrancy is a prime example. While Berkouwer has been more candid in recent years, one still does not find blatant denials of inerrancy. It is there in rhetorical questions and implication. He is not interested in the “battle for the Bible” as Lindsell and others might formulate it. Berkouwer does not wish to state boldly that there are errors in the Bible, but under the assumption that there are errors, he wants us to see the authority and certainty questions from a different perspective.

The hesitation of Berkouwer to be drawn into a commitment to inerrancy or errancy is illustrated by an incident related by Lindsell in his recent book. With reference to Berkouwer, he writes:

318. Gordon R. Lewis, “The Human Authorship of Inspired Scripture,” Summit Papers, 9.11.

319. John H. Gerstner, “The Church’s Doctrine of Biblical Inspiration,” *The Foundation of Biblical Authority*, ed. James Montgomery Boice (Grand Rapids, MI: Zondervan Publishing House, 1978), 49–50.

He was a contributor to the Current Religious Thought Column of *Christianity Today* for some years. When readers raised the question about his belief in biblical inerrancy, I wrote to him for clarification. Despite extended correspondence, I could get no answer from him either affirming or denying inerrancy. When a man refuses to reply to a direct question about his continued acceptance of inerrancy, the only conclusion that can be drawn is obvious.³²⁰

I believe it is increasingly obvious, and for those who see this as a critical issue *the time is past for giving his “no comment” the benefit of the doubt.*

In treating this subject I made a decision to use something of an historical framework. I have mixed feelings about this method, inasmuch as there will be some duplication which might be confusing. Yet there is a general consensus that Berkouwer has moved in his personal understanding, that there is an early and late Berkouwer, and that consequently we must note this change in his doctrine of Scripture.³²¹ There is, of course, much truth in the evaluation that Berkouwer’s position has changed. We will begin and end with reference to the contrast. Yet it is also true that the seeds of what he would consider his “mature” view were present in those early years. Interestingly, in his most recent publication he chooses not to repudiate his early work on Scripture but to see it as a different emphasis.³²²

The historical, or chronological, exposition of Berkouwer’s doctrine of Scripture will begin with a book published forty years ago and continue through his recently published work in which he surveys the past fifty years of theology as he experienced it. I hope to conclude with some references to disciples of Berkouwer which dramatically illustrate the bearing {158} of his doctrine of Scripture on the current debate over inerrancy.

320. Lindsell, *The Battle for the Bible*, 135.

321. Cf., for example, Krabbendam, *Summit Papers*, 15.1–15.31, where a very helpful study is made comparing Warfield and Berkouwer on their views of Scripture as God’s Word and man’s word. The general conclusion is that the early Berkouwer and Warfield are in basic agreement, while the later Berkouwer has capitulated to what is basically a neo-orthodox view.

322. Berkouwer, *Half Century*, 139.

In 1938 Berkouwer's first of two major works on Scripture appeared. Almost 400 pages long, *Het Probleem der Schriftkritiek* is a positive statement of the Reformed doctrine of Scripture in relation to the debates raging at that time. A central theme was the contrast of the Reformed doctrine to the "subjectivism" of the increasingly popular biblical criticism. According to Berkouwer, "the modern Scripture examination stands in sharp antithesis with that of orthodoxy," and "if the Scripture is lost the context of the Christian faith is lost."³²³ He apparently saw the deception of the modern critic of Scripture. "The battle against petrification of orthodoxy," says Berkouwer, "was in reality a letting go of Scripture revelation," and the "self-sufficient autonomous subject" dominates the "modern" reflection on Scripture.³²⁴

We should pay attention to the striking contrast here to the later Berkouwer. In his later work on Scripture, it is precisely this battle against the petrification of orthodoxy which became his battle, but it is now affirmed that it does not involve a "letting go of Scripture revelation." This contrast is put in bold relief by Berkouwer's more recent doubts about the early chapters of Genesis. In the 1938 work, opposing those who questioned the historicity of these early chapters, his position is quite orthodox. Modern theology distinguishes, he says, "between form and content or between the kernel and the husk, between fact and the clothing of that fact."³²⁵ Such a form-content distinction is part and parcel of most of Berkouwer's dogmatical studies and especially his work on Scripture, but hear what he said about it in 1938: "The natural question is what remains of the religious significance when the historical surroundings are considered doubtful."³²⁶ The crux of the matter is how one receives certainty in the "*religious* connection" if the "religious relation's indissoluble connection to the historical givens is devalued."³²⁷ A few pages later he writes: "According to Scripture the character of sin cannot be established apart from the historic fact of the fall and the surrounding trustworthy communications given to us."³²⁸

323. G. C. Berkouwer, *Het Probleem der Schriftkritiek* (Kampen: J. H. Kok, 1928), 44.

324. *Ibid.*

325. *Ibid.*, 129.

326. *Ibid.*, 131.

327. *Ibid.*

The prevailing message of that early work is clear. A modern “subjective” viewpoint is clearly set *in opposition to* the orthodox view of Scripture as revelation of God. There was resistance to all forms of subjectivism which denied the indissoluble connection between the form and the content. Van Til is basically correct, I believe, in seeing Berkouwer in this early work as opposed to the neo-orthodox view of Scripture, a {159} view Van Til now sees as Berkouwer’s own.

It was almost thirty years later when Berkouwer wrote an even larger work on the doctrine of Holy Scripture. Entitled *De Heilige Schrift*, it appeared in two volumes in 1966 and 1967, the next to last in his *Studies in Dogmatics*. The English translation appeared in a somewhat abridged one-volume edition in 1975. The translation is done by Jack Rogers of Fuller Seminary, and it is from this edition that I will be citing.

It would be a serious error to suppose that this work represented anything other than the combined development of his thinking during those thirty years, now put down in a somewhat systematic fashion. Berkouwer’s view of Scripture was not unknown prior to this 1966 publication. Indeed, one could without too much difficulty ascertain his doctrine of Scripture from his other writing during that time, not the least of which would be his books and articles on the Roman Catholic Church and the “new theology” emerging there. For the sake of space, however, I want to concentrate now specifically on his work, *Holy Scripture*.

The fact that Berkouwer’s view on Scripture was generally known prior to this publication is not without significance. I was living in the Netherlands at that time, and there was an air of expectancy as people wondered to what extent Berkouwer would repudiate his 1938 book. It was my impression of both church and university circles that no one really doubted that Berkouwer had moved considerably from his early work. What made his new book newsworthy was to find out whether he would ignore, repudiate, or reinterpret it. Those familiar with Berkouwer’s style will not be surprised that he did *a lot of ignoring, some reinterpretation, and a studied avoidance of explicit repudiation*.

328. *Ibid.*, 135.

A common denominator in the modernist-fundamentalist debate in the early part of this century and the “battle for the Bible” today is *the question of certainty with regard to our faith*. Berkouwer begins his book with a chapter on Holy Scripture and the certainty of faith. It is not a faith certainty that is grounded in an infallible Scripture, but a recognition that Scripture is the Word of God, a recognition which grows out of one’s existing faith certainty. It is “an incorrect conception of theology,” according to Berkouwer, “which considers it possible to discuss Holy Scripture apart from a personal relationship of belief in it.”³²⁹ He acknowledges “that for a long time during church history certainty of faith was specifically linked to the trustworthiness of Holy Scripture as the Word of God,”³³⁰ but this traditional view is “an incorrect conception of theology.” The correct view is a correlation between faith and the object of faith, namely, God and His Word. “Only God himself can give us {160} definite and indubitable certainty and place us for time and eternity on an immovable foundation.”³³¹ Berkouwer does not tell us how God does this. He says he does not mean “a miraculous voice of God,” and he strongly denies charges of mysticism, spiritualism, or subjectivism. Yet *his correlation is strongly influenced by the existential character of modern theology*, what Berkhof calls Berkouwer’s third phase of “the existential direction of Scripture” with its kerygmatic-existential correlation.³³²

Berkouwer sees a strong parallel with the struggles within Roman Catholicism over the certainty question and sympathizes with the approach of neo-orthodox-type liberal Roman Catholics. The final chapter of *A Half Century of Theology* is entitled “Concern for the Faith,” and has this same certainty theme. Some people feel betrayed and threatened, he says. “For Protestants, it is tied to a fear that the complete trustworthiness of Scripture is somehow being subverted. For Catholics, it is related to a loss of respect for the authority of the church as the last word for questions of faith.”³³³ Both books by Berkouwer on

329. Berkouwer, *Holy Scripture*, 9.

330. *Ibid.*, 11.

331. *Ibid.*, 15.

332. Berkhof, *Ex Auditū Verbi*, 48ff.

333. Berkouwer, *Half Century*, 215.

the Second Vatican Council and subsequent developments are illustrative of this. But one page from *A Half Century of Theology* will dramatically illustrate how this parallel between Rome and Protestantism functions.

Hans Küng, according to Berkouwer, “called for a hard look at the actual history of papal statements in which error was, as a matter of fact, mixed with truth. He wanted complete honesty and integrity.”³³⁴ We, of course, agree with Küng that there is a great deal of error in papal statements. But remember, Berkouwer is drawing a parallel with the Protestant doctrine of Scripture. “The *church* is, Küng insisted, indefectible. But this does not require, as a *conditio sine qua non*, that its *teachings* are infallible nor that the church’s path is marked by irrevocable statements.”³³⁵ The church is “indefectible,” but the particular teachings are fallible. If you understand that concept from Küng, you will be prepared to understand what men like Berkouwer mean when they say Scripture is infallible but not inerrant!

Berkouwer continues to paraphrase Küng with words very similar to the neo-orthodox banner: follow the living Lord, not a dead book. “We should rather think in terms of being guided and sustained by the Spirit as he leads us through the valleys of possible error.... Küng talked in the same vein as Bavinck did and as the Belgic Confession does: the church is preserved by God as it walks amid enemies (Article XXVII).”³³⁶ That is a remarkable statement. Küng’s view of an infallible church with fallible teaching is likened to the Belgic Confession teaching that the church is preserved by God as it walks amid enemies. Berkouwer here equates enemies {161} with errors, and in the Scripture parallel to the Roman Catholic discussion, the *infallible purpose of Scripture* is preserved by God as it *dwells amid error*.

Getting back to chapter 1 of Berkouwer’s *Holy Scripture*, we find another theme that will be frequently repeated— “the transition from a more ‘mechanical’ to a more ‘organic’ view of Scripture.”³³⁷ He sees a continuity between the traditional view where “certainty of faith was

334. *Ibid.*, 222.

335. *Ibid.*

336. *Ibid.*

337. Berkouwer, *Holy Scripture*, 11.

specifically linked to the trustworthiness of Holy Scripture” and what he calls a mechanical view of inspiration. By contrast, the rise of historical criticism focused attention on the human aspect. This resulted in taking seriously the human “organ” of revelation, and thus, almost self-evident according to Berkouwer, came the preference for an organic view of inspiration. With this also came problems which Berkouwer recognizes. “Students of Scripture began to wonder... whether Holy Scripture as God’s Word was truly beyond all criticism,” and questions were raised concerning the meaning of “is” in the confession: Holy Scripture is the Word of God.³³⁸

Again, Berkouwer’s sympathy with Roman Catholic parallels is interesting. In a chapter on “Exegesis and Doctrinal Authority” in his book on the Second Vatican Council, he deals with the tension within the Roman Church growing out of two encyclicals. The 1943 encyclical, *Divino Afflante Spiritu*, “carries a hint of new directions” for biblical studies. In it Pius XII introduced “the question as to the *nature*” of scriptural authority, granted an area of freedom and “emphasized the necessity of interpreting the Bible according to its own intent and purpose.”³³⁹ Without denying inspiration, the door was nevertheless opened. One of the results was a challenge of the accuracy of the Genesis stories while emphasizing their religious intent. One is reminded of Barth’s comment that the literal existence of the serpent is not important, but what the serpent said! A 1950 encyclical, *Humani Generis*, was necessitated by the erosion of previously proclaimed infallible doctrines regarding the origin of human life. The expected loss of fallible form was resulting in the loss of “infallible” content as well.

This is a fascinating area of study, with a wealth of material which we cannot go into now. The Roman Church will probably never be the same because of it. But it is important to us in understanding Berkouwer, since he is not only sympathetic with the new and unorthodox Roman exegetes, but sees Protestantism faced with the same issue. Listen carefully to this rather lengthy quotation: {162}

We must acknowledge that we are not able to look on the tensions within the Roman Catholic Church on this point from a restful

338. *Ibid.*, 13, 17.

339. Berkouwer, *The Second Vatican Council*, 113–14.

Reformed eminence, as though Reformation theology is untouched by similar problems. One could maintain such an illusion only by supposing that exegesis is an individual and not a Church concern and that exegesis is secured against error by the motto, *sola Scriptura*. Actually, the question of Scriptural authority is a most pressing one within Reformed churches. Ever since they abandoned a mechanical view of Scripture's inspiration and came to terms with an "organic" view, they have been faced, wittingly or not, with problems parallel to Catholicism's problem of the Church's teaching authority and free exegesis of Scripture. Pius XII wrote in his encyclical, *Divino Afflante Spiritu*, of the writers of Scripture as "organs" and "living, rationally gifted instruments" of the Spirit. He emphasized the authority of Scripture, but his acknowledgement of the human writers as "organs" opened the question of *how* the organs functioned in the service of revelation and how their dynamic function affects the character of Scripture's authority. Evangelical theology faces the same question. The witness of Scripture itself along with the "biblical studies of our time" faces evangelical churches with problems that only a docetic view of Scripture can ignore.³⁴⁰

Berkouwer's commitment to a confessional church gives him great empathy with the liberal Roman Catholics who want their heritage and changes too, and the solution for both is sought not in orthodoxy, but a "neo"orthodoxy.

I think it is clear that Berkouwer is not satisfied with past formulations. There is a move, he says, from mechanical to an organic view of Scripture. And it is important to understand something of his criticism of the alleged enemy, mechanical inspiration, as well as who the enemy is, before moving on with his own view. Unhappily, Berkouwer does not clearly identify the enemy. There are hints; there are indicators. Yet many readers will surely be asking themselves, "Who is he referring to?" or "Is he implying I am guilty of that?" The task of identification is further complicated by what Berkouwer himself acknowledges, namely, that "no one deliberately takes the side of a mechanical idea of inspiration."³⁴¹ Thus his criticism of persons holding a "mechanical view," if they are not to be straw men, they are persons who deny that theirs is a mechanical view.

340. *Ibid.*, 141–42.

341. Berkouwer, *Holy Scripture*, 153.

It is thus necessary to make an assumption which some may not like. I believe it is a valid assumption founded on my whole experience with his lectures as well as his writings. And while disciples are not necessarily true reflectors of their teacher, those who espouse Berkouwer's doctrine of Scripture would give confirmation of my assumption. My assumption is this: *When Berkouwer speaks of a mechanical view of inspiration, or {163} fundamentalism, or a formalized doctrine of Scripture, he is in the broad sweep referring to those of us who hold to the classical Reformed doctrine of biblical inerrancy.* I believe he means Warfield and Old Princeton. On the contemporary scene, I believe he means John Gerstner or J. I. Packer or Cornelius Van Til or many others who hold to an inerrant Bible. I think it is important to say this, since it is very easy to read Berkouwer's criticisms with approval, assuming he is attacking the same abuses you would, while in reality he means your own position. It is to some of these charges we now turn.

Part and parcel to the nonorganic, mechanical view of inspiration was a supposed overemphasis on the supernatural or divine aspect. According to Berkouwer, the tendency in the church was "to minimize the human aspect of Scripture." In what borders on a false dichotomy, he says, "The human element of Scripture does not receive the attention it deserves if certainty of faith can only be grounded in the divine testimony, for then it can no longer be maintained that God's Word came to us in the form of human witness."³⁴² In this context the word "Docetism" appears. Docetism was the heresy of stressing the divine nature of Christ to the neglect of the human nature. Berkouwer raises the question, "whether a kind of Docetism possibly lay behind the so-called theory of mechanical inspiration," and assures us that it is a "totally wrong concept of Scripture" which thinks "that the trustworthiness of Scripture is protected by means of a docetic view."³⁴³

From a discussion of certainty which is grounded in a docetic view of Scripture, Berkouwer moves into the discussion of *fundamentalism*. He is critical of the "very defensive character" of fundamentalism.

To be sure, many expressions from the fundamentalist camp frequently give the impression that the acceptance of a fundamental

342. *Ibid.*, 18.

343. *Ibid.*, 18–19.

truth and a certainty that cannot be subjectified are at stake, especially when its members gladly accept the name “fundamentalist” to set them apart from those who have fallen victim to the influence of subjectivism. This, however, terminates the discussion at the point where it actually should begin.³⁴⁴

Berkouwer claims the same “simple and childlike acceptance of Scripture” as the fundamentalist. The problem is that the fundamentalist fails to see the complexity of the problem.

The fact that Berkouwer sees implicit Docetism in the inerrancy of fundamentalism is illustrated in the following quotation:

I believe that I am judging no one unfairly when I say that fundamentalism, in its eagerness to maintain Holy Scripture’s divinity, does not fully realize the significance of Holy Scripture as a prophetic-apostolic, and consequently human, testimony. It is true that fundamentalists do {164} not deny the human element in Scripture, but they allow their apologetics to be determined by the fear that emphasis on the human witness may threaten and overshadow Scripture’s divinity.³⁴⁵

According to Berkouwer, the real point at issue is not the acceptance or rejection of the voice of God, as the fundamentalist insists. In what many fundamentalists would see as grossly unfair, if not slanderous, he writes:

They suggest that... an *a priori* acceptance of Scripture’s infallibility precludes all dangers. Thus, they manifest great tolerance for all who maintain the fundamentalist view of Holy Scripture. They tend to relativize concrete obedience in understanding Scripture. The result is that their apologetic, which is meant to safeguard Scripture’s divine aspect, threatens in many respects to block the road to a correct understanding of Scripture, which is normative, by ignoring and neglecting its human aspect.³⁴⁶

I want to pursue this theme in some detail because these charges are serious. Here are some more of Berkouwer’s extreme charges against the fundamentalist or inerrant view of Scripture. The fundamentalist sees Scripture “as though it were a string of divine or supernaturally revealed statements, ignoring the fact that God’s Word has passed

344. *Ibid.*, 21.

345. *Ibid.*, 22.

346. *Ibid.*, 22–23.

through humanity and has incorporated its service.” The fundamentalist is said to be guided by the “wholly divine or wholly human” dilemma, opting for the “wholly divine.” “Thus to them the human aspect of Holy Scripture lost all constitutive meaning and became blurred through the overwhelming divine reality of God’s speaking.” The fundamentalist “greatly obscures the contexts in which God himself gave us Scripture.” There is “an unconscious wish not to have God’s Word enter the creaturely realm,” and “this background... determines fundamentalist apologetics.”³⁴⁷

Berkouwer takes another line of attack against the psychological fundamentalism of defenders of inerrancy. Citing critics of post-Reformation theology with apparent approval, he describes the danger thus:

An incorrect connection between Scripture and certainty of faith can be made by proceeding *a priori* from the premise that for our certainty of faith we need an immovable basis to the conclusion that we can find this only in an infallible Scripture. It is especially the so-called orthodox view of Scripture that came to the fore in this analysis.³⁴⁸

Verbal inspiration is thus “an attempt to make the basis of certainty of faith immovable by an *a priori* preclusion of every element of uncertainty because of the unique, supernatural, divine quality of Holy Scripture.”³⁴⁹ *Faith in Scripture* is called a “religious postulate,” and the “religio-psychological explanation” of a need for absolute certainties is seen as the source of the doctrine of inerrancy. {165}

What bothers me about such an attack is an apparent disregard for the question of truth. Defenders of inerrancy take that position because of a supposed psychological need for certainty. They are categorized with “Islam’s evaluation of the Koran” and Roman Catholicism’s evaluation of the pope, with the common denominator being a need for certainty. I find that personally offensive. Berkouwer says, “Faith is not and cannot be based on a theoretical reflection on what, according to our insight, must be the nature of the divine revelations.”³⁵⁰ None of my teachers on inerrancy ever claimed to arrive at

347. *Ibid.*, 24–25.

348. *Ibid.*, 30.

349. *Ibid.*, 31.

350. *Ibid.*, 33.

their conclusion on what their “insight” told them it must be. They believed, with good reason, that inerrancy was taught by God and did not originate as a result of their own creation. The traditional doctrine appears on firm ground between the existential direction of Berkouwer and the straw man of human wisdom envisioned in his criticism. We look next at the *testimony of the Spirit*, and while this alone could be a large topic since it relates to Berkouwer’s whole methodology, we must at least see how it functions in his Scripture doctrine. I must say that it is my experience to see in Berkouwer’s treatment of this doctrine something quite different from what is generally understood by the testimony of the Holy Spirit.

Berkouwer sees traditional apologetics and inerrancy as exemplifying the same problem, and he raises the issue in the context of the testimony of the Spirit. He is using Bavinck to summarize his criticism. (Let me say parenthetically that Berkouwer is continually citing Bavinck with deep appreciation. He sees himself as in line with Bavinck’s direction. I am no authority on Bavinck. I have read a master’s thesis on Bavinck’s view of Scripture by Jack Rogers, and I’ve read the quotes from Berkouwer. As best I remember, I never had problems with Bavinck’s own words, but only the paraphrasing and inferences Rogers or Berkouwer drew from Bavinck.) Here, then, is what Berkouwer writes:

The doctrine of the *testimonium* was somehow revived again when it was realized that rationalism was untrustworthy and apologetics unfruitful. In this connection he mentions Kant’s criticism of the proofs for the existence of God. Once again there was room for the conviction that it is meaningful to speak of a testimony of the Spirit, because it was seen that the ultimate basis of faith cannot lie outside of us in proofs and arguments, the church, or tradition, “but can be found only in man himself, in the *religious* subject.”³⁵¹

You see the relevancy for inerrancy. Whether apologetics in general or Scripture in particular, *certainty is denied possibility in the phenomenal world*. Certainty, religious certainty, is possible only in the Kantian noumenal realm of suprahistorical and existentialism. {166}

According to Berkouwer, “only the Holy Spirit himself can give certainty and conquer all doubts.”³⁵² The certainty of Scripture is not in

351. *Ibid.*, 47.

the realm of reason; we cannot speak of its objective truth apart from a believing subject. Are we not in the realm of existential theology's "truth as encounter"? Berkouwer mentions this view approvingly in *The Second Vatican Council*, where it is said that revelation "is not a reservoir of intellectual propositions" but rather "a personal self-disclosure by God in which He encounters the total person."³⁵³ It is obvious, says Berkouwer, "that there are not two separate kinds of witness, one that must be called the outer and the other the inner testimony."³⁵⁴ He states further: "A merely natural recognition of Scripture as a supernatural phenomenon with the consequential 'rational' proofs is not possible."³⁵⁵ In this framework the question of inerrancy is irrelevant.

I find also a confusion by Berkouwer between "faith" in Scripture and "faith" in Christ, or saving faith. This affects many areas. But he confuses them intentionally via his exposition on the testimony of the Spirit. According to Berkouwer, "there can be no splitting of the *testimonium* into two separate *testimonia*, namely, one regarding our sonship, and another concerning the truth of Scripture."³⁵⁶ It is certainly true that the regenerating, light-giving, eye-opening work of the Holy Spirit wins our acquiescence in both Scripture and the Savior. The issue, however, is not our "faith" in Scripture but the truth of Scripture, whether we acquiesce or not. Is it objectively true or only existentially true?

For Berkouwer the message, if not the medium, determines the medium's veracity. "On the basis of the New Testament, the confession of the Spirit is first of all related to salvation in Christ; and *then* the Word of God is discussed."³⁵⁷ He can use the same full meaning of faith with regard to both Scripture and Christ, since faith in Scripture is really not in Scripture at all, but in the message of Scripture, namely, Jesus Christ. This is what Berkouwer says:

352. *Ibid.*, 47–48.

353. Berkouwer, *Second Vatican Council*, 68.

354. Berkouwer, *Holy Scripture*, 58.

355. *Ibid.*, 63.

356. *Ibid.*, 52.

357. *Ibid.*, 52–53.

True belief in Scripture is possible and real only in relation to the message of Scripture.... When the “acceptance” of Holy Scripture as the Word of God is separated from a living faith in Christ, it is meaningless and confusing to call this acceptance belief in Scripture or an “element” of the Christian faith.³⁵⁸

But again the issue is not whether we should call acceptance of the Holy Scripture as the Word of God “belief” or “faith,” but whether it *is* the Word of God or only *becomes* the Word of God when one is related to it as a Christian. Berkouwer’s position is clear. “The confession of the {167} *Testimonium Spiritus Sancti* once and for all precludes every separation of faith in Christ from faith in Scripture. Faith in Scripture is not a separate belief that must be complemented by trust.”³⁵⁹

Berkouwer writes two chapters on the God-breathed character of Holy Scripture, and within these chapters the fundamental issues are raised, some of which we have already touched. Berkouwer’s concern for the intent or purpose of Scripture predominates. The word *inspiration* may be difficult fully to grasp, but the “functional character of Scripture” which concerns salvation and the future is what we must comprehend. “Scripture is the Word of God,” says Berkouwer, “because the Holy Spirit witnesses in it of Christ.”³⁶⁰ “Seen from the perspective of *sola Scriptura*, this will not be an abstract and empty confession. The concreteness of the goal idea is of great importance.”³⁶¹ John’s words are cited: “These things are written that you may believe that Jesus is the Christ” (John 20:31). In *A Half Century of Theology* Berkouwer calls this a “religious pragmatic,” an “awareness that the gospel records were portraits of Jesus Christ rather than ordinary historical reporting,” with the result that “closer attention had to be paid to the purpose of the Gospel writers.”³⁶² You must realize that defenders of inerrancy will make a similar emphasis, but *Berkouwer is placing the purpose in opposition to inerrancy*. In his own words: “The mystery of the God-breathed Scripture is not meant to place us before a theoretical prob-

358. *Ibid.*, 54.

359. *Ibid.*, 55.

360. *Ibid.*, 162.

361. *Ibid.*, 124.

362. Berkouwer, *Half Century*, 121.

lem of how Scripture could possibly and conceivably be both God's Word and man's word, and how they could be 'united.' It rather places us before the mystery of Christ."³⁶³

The *scopus*, or intention, of Scripture is the primary thrust of Berkouwer over against "verbal inspiration" and its concomitant "inerrancy." "Believing Scripture does not mean staring at a holy and mysterious book, but hearing the witness concerning Christ."³⁶⁴ There is room for error growing out of the time-boundedness of Scripture. The concept of "accommodation" is introduced in making a "distinction between *essential content* and *time-related form*."³⁶⁵ "The *scopus* of Scripture," according to Berkouwer, means "a concentrated attention... to the Word in the midst of many words, to its intent and purpose."³⁶⁶ He then cites the Pharisees' misunderstanding of the Sabbath commandant as an example of missing the "intent" of the Sabbath. But all that text teaches is that the Pharisees had a faulty understanding of the law, not that the law was an errant statement pointing to an inerrant intention. Berkouwer implies an either/or choice between his *scopus* idea and Scripture as "many words without the goal" {168} in which "its God-breathed character is thereby neglected."³⁶⁷ Happily, we are not confronted with such a dilemma.

Berkouwer, in criticizing inerrancy as set forth by Warfield, will speak of an inerrancy in the sense of "sin and deception." But inerrancy as Warfield advocates is a "serious formalization" which is "far removed from the serious manner with which erring is dealt in Scripture."³⁶⁸ Recognizing the good intention of inerrancy, Berkouwer nevertheless maintains that "the formalization of inerrancy virtually destroys this intention" by ignoring the organic nature of Scripture and its testimony.³⁶⁹ Inerrancy in addition to infallibility is not needed "to guarantee the full and clear message of Scripture."³⁷⁰ Inerrantists, then,

363. Berkouwer, *Holy Scripture*, 162–63.

364. *Ibid.*, 166.

365. *Ibid.*, 175.

366. *Ibid.*, 184.

367. *Ibid.*

368. *Ibid.*, 181.

369. *Ibid.*, 182.

according to Berkouwer, are “fascinated by a miraculous ‘correctness’ that forever disregards every problem of time relatedness,” and “in the end it will damage reverence for Scripture more than it will further it.”³⁷¹

It is undoubtedly a long way from Berkouwer’s 1938 book on Scripture to his contemporary writings. Reflecting on that 1938 book, Berkouwer remarks that the appeal—“It stands written”—made a powerful impact on him. In 1974 he writes:

As I reread my book of 1938, I sense the difference between then and now is not that I was at that time impressed with “It stands written” and that later, in my volume on the Scriptures, I was less committed to it. I still wish to stand, attentively and devoutly, by that appeal, made by Christ.³⁷²

Who will question, however, that the phrase “It stands written” functions differently for Berkouwer now?

In 1938 he rejected the form-content distinction. The intention, the religious meaning, was inseparable from the historical surroundings. Later, such a distinction was the key to the *scopus* or intention of Scripture. *In 1938 he defended the historicity of Genesis 3*, as the Gereformeerde Kerken had done in 1926. The Gereformeerde Kerken officially abandoned that position forty years later, and Berkouwer saw no break with the church’s past. In 1971 Berkouwer publicly asked the question, “Is there room in the Reformed Churches for persons—and I reckon myself among them—who at this stage of their reflection have great hesitations concerning the historicity of Adam?”³⁷³

One begins to see why Lindsell calls it a battle rather than an intramural skirmish. It is not just how we get the message, but it is a conflicting {169} message. Berkouwer speaks of the same infallible content in the fallible form. But in time what he said in 1938 proves correct. The form and content are bound together, and we see new content emerging. The new position of Berkouwer on the historicity of Adam and the relationship to Genesis 3 and Romans 5 is but one of several

370. *Ibid.*

371. *Ibid.*, 183.

372. Berkouwer, *Half Century*, 139.

373. Quoted in Lindsell, *The Battle for the Bible*, 135.

problems. The whole question of Paul's statements on womanhood and marriage is involved also. "At one time," says Berkouwer, "virtually no attention was given to time-boundedness in these passages." They were read out of context, with a faulty view of inspiration, creating insoluble problems. "But Paul, in contrast, did not in the least render timeless propositions concerning womanhood."³⁷⁴

Berkouwer is not unaware of the uneasiness surrounding these developments. In chapter one of *Holy Scripture* and in the concluding chapter of *A Half Century of Theology*, he speaks of the fear, uncertainty, and alarm within the church. The last page of his *Holy Scripture* affirms that his approach "is the true and only way to obedience."³⁷⁵ The last page of *A Half Century of Theology* encourages us not to lose courage and "lapse into skepticism," but be stimulated by the promise: "Seek and ye shall find."³⁷⁶ Berkouwer is convinced his way most honors the authority of Scripture. The question that must be asked, however, is this: when part of God's truth is surrendered, will the time not come when the Gospel itself will also be surrendered?

Confessions of a Disciple

I have elsewhere referred to Berkouwer as "the hole in the dike" through which a flood would come.³⁷⁷ Of the many small streams that are making up that flood I have selected Jack Rogers of Fuller Seminary for particular reference. A variety of circumstances has made him something of a spokesman for Berkouwer's thought in this country. The inclusion here of a disciple is justified in that disciples are sometimes quicker to draw conclusions and thus are frequently bolder in stating their goals.

Rogers is certainly a zealous supporter of Berkouwer, and he is not without impressive credentials. His doctoral dissertation on the doctrine of Scripture in the Westminster Confession was under Berkou-

374. Berkouwer, *Holy Scripture*, 187. Cf. Rogers, *Confessions of a Conservative Evangelical*, 116: "Jesus was a feminist."

375. *Ibid.*, 366.

376. Berkouwer, *Half Century*, 263.

377. Carl Bogue, *A Hole in the Dike* (Cherry Hill, NJ: Mack Publishing Co., 1977), 25–26.

wer's supervision, and he is the translator of Berkouwer's *Holy Scripture*. Furthermore, he sees himself as leaving behind his "conservative" background and its "rigidity" while finding deliverance in Berkouwer. "It is possible to {170} avoid the extremes of both conservatism and liberalism and yet develop into an outstanding evangelical theologian. My example is G. C. Berkouwer of the Netherlands."³⁷⁸

Rogers claims to have been "a straight, uptight, conservative Christian." While his self-deception often sounds like pietistic moralism rather than healthy orthodox Christianity, his critique does not distinguish between the two. He wants to be "less conservative and more evangelical." Before being enlightened by Berkouwer he "needed an idealized Bible."³⁷⁹ No more:

I can no longer be conservative and talk about what the Bible must be, or ought to be—reasoning logically from some idealized human notion of perfection. I want to be evangelical and accept the Word that God has given me, with all its magnificent surprises in both content and form.³⁸⁰

The reason there are such "surprises" for Rogers is found in the subjectivism of his philosophical presuppositions. Convinced of Hume's skepticism, he finds a way to "keep the faith" in Kant's philosophy which "turns our attention from the objective world outside to what we subjectively bring to it."³⁸¹ The "way out" becomes the "way up" to "suprahistory" where one is not bound to the logic of space and time, cause and effect. Or, to use Berkouwer's expression, he is seeing things "in faith."

The imprint of Berkouwer on Rogers was clearly seen in 1966, when his published dissertation, *Scripture in the Westminster Confession*, appeared. There was tremendous research involved giving us important information on the background of the Confession. In my judgment, however, it is most significant as a reinterpretation of the Confession, making it read like Berkouwer on Scripture. The difference is that the attack, I fear a slanderous attack, was fully in the open.

378. Rogers, *Confessions of a Conservative Evangelical*, 134.

379. *Ibid.*, 9, 12.

380. *Ibid.*, 26.

381. *Ibid.*, 125.

According to Rogers, “Princeton Theology’s... emphasis on the inerrant original autographs of the Bible signaled a change from the approach of the Westminster Divines.”³⁸² How was it different? “Princeton Theology undervalued the witness of the Holy Spirit” and relied on rationalism. There was “a lack of emphasis on the living dynamic Word of God in preaching,” and there “was an underemphasis on the *scopus* or purpose of Scripture.” There was “an undervaluation of the human element in Scripture.”³⁸³ Furthermore, the New {171} Princeton theologians in the then “proposed” “Confession of 1967” for the United Presbyterian Church “acted rightly in restoring the emphasis on the witness of the Holy Spirit and on Jesus Christ the Savior as being the central content of Scripture,” an emphasis Rogers thought lost in “American Presbyterian orthodoxy.”³⁸⁴

Not surprisingly, Jack Rogers appears in the current battle for the Bible. Significantly, he is the editor of *Biblical Authority*, a collection of articles specifically attacking Lindsell’s book, by men opposed to inerrancy. Rogers’s own article purports to be an historical survey of biblical authority. In reality *it is a vehement polemic against inerrancy* which is open to challenge on almost every page. Apart from an amazing zeal to promote a Platonic-Augustinian philosophical foundation for his doctrine of Scripture,³⁸⁵ the article is characterized by repeated quotations or paraphrases of Berkouwer’s work on Scripture. The primary conclusion, aimed at Lindsell’s *The Battle for the Bible*, is that “it is historically irresponsible to claim that for two thousand years Christians have believed that the authority of the Bible entails a modern concept of inerrancy in scientific and historical details.”³⁸⁶ However one might view Lindsell’s book, it is apparent that Rogers has entered the battle in opposition to inerrancy. {172}

382. Jack Bartlett Rogers, *Scripture in the Westminster Confession* (Kampen: J. H. Kok, 1966), 448.

383. *Ibid.*, 449. American Presbyterian orthodoxy “underemphasized the witness of the Spirit and the saving purpose of Scripture” (449–50). “While the Princeton theology felt obligated to defend Scripture’s statements on every subject, the Westminster Divines emphasized that Scripture did not deal with matters of art and science” (452).

384. *Ibid.*, 453. “The proposed Book of Confessions, including the ‘Confession of 1967,’ offers the United Presbyterian Church in the U.S.A. a fresh opportunity to understand its heritage and confess its faith” (454).

To return again to Rogers's "confessions," we find him asserting that Berkouwer did indeed change his position on Scripture and that in doing so he was following the "good" Dutch Reformed tradition as opposed to the "bad" American Reformed tradition. Of Berkouwer's *Holy Scripture* he writes: "I believe that this work on Scripture really does break the liberal-conservative dilemmas we have wrestled with for a century. It offers a genuinely evangelical middle way." Then, referring to Berkouwer's early work on Scripture, he says:

It encourages me to see how his thinking has changed and developed in this mature work.... The extremes—formalism and subjectivism, rationalism and existentialism—have been rejected. We do not have to choose one or the other of those extremes as so much of our American theology has suggested.³⁸⁷

385. Rogers, *Biblical Authority*, 18–45. "Post-Reformation Protestants" used "the same Aristotelian-Thomistic arguments which Roman Catholics used.... Thus a significant shift in theological method occurred from the neo-Platonic Augustinianism of Luther and Calvin to the neo-Aristotelian Thomism of their immediate followers" (29). "The old Princeton tradition... is a reactionary one... wedded to a prior commitment to Aristotelian philosophy" (45). Norman L. Geisler, *Summit Papers*, 11.2–11.4, gives some elementary philosophical teaching which destroys the credibility of much of what Rogers has to say. Concerning "the alleged Aristotelian background of inerrancy," Geisler lists several inconsistencies: "First, the 'aristotelian' Turretin did not originate the doctrine of inerrancy. The platonic Augustine... clearly held to inerrancy.... Secondly, Augustine... was not the fideist Rogers would make him to be.... Thirdly, Rogers speaks as if Aristotle invented the law of non-contradiction.... Fourthly, even Rogers and other errantists use the law of non-contradiction as a pillar of their position.... Finally, it was not Aquinas nor Turretin who first applied logic to God's revelation. The biblical writers themselves warned the believers to 'avoid... contradictions' and anything 'contrary' to sound doctrine." Geisler then makes this telling critique of Rogers's preference for Platonic presuppositions: "A further irony in Rogers' position is his assumption of a relative harmlessness of platonic presuppositions as they bear on the inerrancy of Scripture. While Rogers consciously rejects Turretin's 'aristotelian rationalism,' he unconsciously adopts a kind of platonic 'spiritualism'.... Now Rogers is apparently not aware of the fact that this dualistic separation of the material and spiritual worlds is a philosophical presupposition at the root of the errancy position." The implications of this philosophical preference of Rogers is indeed manifest throughout much of what he writes.

386. *Ibid.*, 44.

387. Rogers, *Confessions of a Conservative Evangelical*, 136.

“Warfield left on his followers the imprint of the apologist and polemicist. Bavinck influenced the generations after him to be theological scientists and churchmen. Berkouwer reflects this influence.”³⁸⁸ “In the nineteenth century, while Hodge and Warfield were building defenses against Biblical criticism, Kuyper and Bavinck were meeting the issue openly and constructively.”³⁸⁹ “G. C. Berkouwer has taught that the choice between conservatism and liberalism is a false dilemma.”³⁹⁰ Rogers has thus found a comfortable, platonic, Kantian home in Berkouwer’s “evangelical middle way.”

Into a Storm-Free Harbor

We return in closing to the teacher. The word “change” repeatedly appears as we survey Berkouwer’s “half century” of theological reflection. Neo-orthodox and liberal Roman Catholics have increasingly embraced Berkouwer, while relations are strained within his own tradition. Rogers is “encouraged” by this change and finds support for his hostility to American Presbyterianism in what he call’s Berkouwer’s “evangelical middle way.” Berkouwer’s evolution is from a conservative, orthodox, Reformed theologian to a contemporary theologian for whom conservative and liberal is a false dilemma.

The way out of that dilemma is not a “way” at all in the traditional sense. One of my professors described the post-Kantian developments in modern theology as “piety within the framework of the enlightenment.” Being convinced that rational investigation left faith defenseless, they sought a way to retain their “faith” anyway. Truth was equated with “encounter” and the realm of the so-called “suprahistory” became a {173} “storm-free harbor” to avoid the “critical historical flood tide.” *Berkouwer’s “middle way” of doing theology “in faith” is meaningful only in this anti-meaning philosophical framework.*

As alluded to earlier, the shadow of Immanuel Kant hangs heavy over Berkouwer. “The principle of causality is valid only within the limits of our experience.”³⁹¹ Causality is thus valid only in what Kant calls the “phenomenal” realm, not the “noumenal” realm of “suprahis-

388. *Ibid.*, 135.

389. *Ibid.*, 137.

390. *Ibid.*, 141.

tory.” It is this new view of causality that has resulted in Berkouwer’s growing criticism of the treatment of election in the Canons of Dordt as well as his criticism of the traditional Reformed doctrine of Scripture. Revelation is in the “noumenal” realm where logic is not applicable, and therefore all theology must be done “in faith.” “The function of human reason is not to investigate revelation but to draw logical conclusions.”³⁹² *All revelation is thus lifted out of the rational, logical, causal investigation and placed in the “noumenal” realm.*

Van Til has leveled strong criticism against Berkouwer. The fundamental charge is that Berkouwer is influenced by the “philosophy of the utter relativism of history” with the “modern view” of a “would-be autonomous man.”

This man lives and moves and has his being in Kant’s noumenal realm. The existentialist philosophers and their theological followers today often speak of this realm as being that of *Geschichte*. The realm of Kant’s phenomenal world is now often called *Historie*. In order to escape the charge of contradiction, of determinism, man now says that the distinctions between determinism and indeterminism do not concern him. He now lives in a free world, the world of person-to-person confrontation. He now has no theory of reality, no concept of God or of man, no metaphysics. He is now in the realm of ethical relations.³⁹³

Such strong criticism may seem severe as one surveys the bulk of Berkouwer’s writing and sees many seemingly sound expositions of biblical doctrines. It is justified, however, in that something is at stake which is more significant than what Berkouwer says on any given topic. It concerns the “continental divide” of modern theology. It is perhaps misleading to speak of “a hole in the dike.” The dike has already been breached, and the flood has come. Even statements that sound orthodox must be viewed in light of what Berkouwer means by “in faith,” and all theology must be evaluated anew as pointing to “truth” rather than being “true.”

Berkouwer, then, has anchored his ship in the “storm-free harbor of suprahistory” to be safe from the “critical historical flood tide.” But if

391. G. C. Berkouwer, *General Revelation* (Grand Rapids, MI: Eerdmans Publishing Co., 1955), 68.

392. *Ibid.*, 75.

393. Van Til, *The Sovereignty of Grace*, 86.

{174} Berkouwer's "middle way" is utterly illusive by the very nature of its subjectivism, the storm-free nature of his harbor is no less so. For in that harbor the only standard by which we may test anything is *our own experience* with "every man doing whatever is right in his own eyes." In that harbor there is no safety from being "tossed here and there by waves, and carried about by every wind of doctrine, by the trickery of men, by craftiness in deceitful scheming."³⁹⁴

394. Ephesians 4:14.

4.
DEFENDERS OF
THE FAITH

JAMES HENLEY THORNWELL

Tommy Rogers

Joseph M. Atkinson described the death of the Rev. James Henley Thornwell (August 1, 1862), a “renowned and admirable man, just at this crisis, and in the fulness of his powers, his usefulness, and his fame,” as an event which could “be regarded in no other light than that of a national affliction.”³⁹⁵ Dr. Benjamin Palmer, in a commemorative sermon delivered at the Presbyterian Church, Columbia, South Carolina, with whose fortunes both Palmer and Thornwell had long been intimately associated, described the departed divine and educator as

... a man gifted with the highest genius, not that fatal gift of genius which, without guidance, so often blasts its possessor, its baleful gleam blighting every thing pure and true on earth, — but genius disciplined by the severest culture, and harnessing itself to the practical duties of life, until it wrought a full work of blessing and comfort to mankind; a mind which ranged through the broad fields of human knowledge, gathered up the fruits of almost universal learning, and wove garlands of beauty around discussions the most thorny and abstruse; an intellect steeped in philosophy, which soared upon its eagle ways into the highest regions of speculative thought, then stooped with meek docility and worshipped in child-like faith at the cross of Christ; a man who held communion with all of every age that had eternal thoughts, and then brought the treasures hoarded in the literature of the past, and sanctified them to the uses of practical religion.³⁹⁶

John B. Adger, writing two decades afterwards, described the reverend doctor Thornwell in company with Calvin as a watershed figure of continuing significance. “Our eminent Professor had no Genevan crowd of students, but in his little Theological Seminary he taught the

395. Joseph M. Atkinson, “The Puritans,” *Southern Presbyterian Review* 15 (October 1863): 247.

396. Benjamin Palmer, “Life, Character, and Genius of the Late Rev. James Henley Thornwell, D.D., LL.D.,” *Southern Presbyterian Review* 15 (October 1863): 256.

truth long enough to perpetuate it with new life and vigor, and spread it all throughout this Southland.”³⁹⁷ Adger felt it was in large measure due to the influence emanating from “perhaps the most intellectual divine in the United States”³⁹⁸ {176} of his era that the Southern Presbyterian Church at the time Adger spoke seemed “to be in advance of her Presbyterian sisters the world over in the full and complete reception of these principles.”³⁹⁹ Thornton Whaling, speaking three decades later and well up into the twentieth century, felt that “the most significant event which has occurred in Presbyterian circles in South Carolina during one hundred years was the appearance of James Henley Thornwell as a gift from God to His Church, with the divine mission of interpreting anew in the light of the best philosophy and science of his day the essentials of the Holy Word.”⁴⁰⁰

“All Europe,” Calvin responded when reproached for his lack of progeny, “is peopled with my sons.” In time his sons were to provide the doctrinal and systemic moral thrust that was to subdue a continent apart from Calvin’s reference. While this task initiated under Puritan auspices and whose successes even into this current age have been drawn from the reservoir of moral capital of the Puritans was the accomplishment of a conglomerate of religious bodies—Congregationalists, Baptists, Methodists, and a menagerie of others and vast reservoirs of the ungodly also, it was an accomplishment in which his more direct lineal descendants in the form of the Scotch-Irish Presbyterians played no small part in conquering and civilizing a land without civilization in the Western context. The challenge of the frontier and the carrying of civilization into the Old West were not the exclusive accomplishments of the latter, nor did they provide the majority of its citizens, but their frontier role was distinctly notable.

397. John B. Adger, “Memorials of James Henley Thornwell, D.D., LL.D.,” *Memorial Volume of the Semi-Centennial of the Theological Seminary at Columbia, South Carolina* (Columbia, SC: Presbyterian Publishing House, 1884), 188.

398. Clement Eaton, *The Freedom-of-Thought Struggle in the Old South* (Durham, NC: Duke University Press, 1964), 317.

399. Adger, “Memorials,” 188.

400. Thornton Whaling, “Dr. Thornwell as a Theologian,” in *Centennial Address Commemorating the Birth of the Reverend James Henley Thornwell* (Spartanburg: Band and White, Printers, 1913), 22.

Thornwell, described by an opponent in Assembly debate as the “Hyper-hyper-hyper-Calvinist” and contemporarily as “one of the last great representatives of Puritan theology,”⁴⁰¹ whose entire ecclesiastical life was spent entirely in connection with the Synod of South Carolina, “in which he rendered most valuable and distinguished service to the Church and State,”⁴⁰² is doubtless neither so widely known as, say, D. L. Moody, nor so widely quoted as, say, Spurgeon.⁴⁰³ While he did not complete in his lifetime a finished system of theology,⁴⁰⁴ objective judgment would seem clearly to {177} rank him “among the most consequential ministerial personages of his time.”⁴⁰⁵ Thornwell’s influence through his sons ranged far beyond South Carolina and to generations not contemporary of the great man.

First the Blade

James Henley Thornwell (with his twin brother, who died within a few weeks) was born on December 9, 1812, on a plantation in the Marlborough District, South Carolina, where his father was a plantation overseer. When the boy was eight years old, his father died, and he wept after gazing upon the mystery of death, and with the sudden rush of grief stretching into the future, crying out in heart-broken accents, “*What will Mother do? What will become of us?*”⁴⁰⁶ It was apparent as a youth that the diminutive, sickly appearing boy was of a scholarly turn

401. Iain H. Murray, *The Puritan Hope: A Study in Revival and the Interpretation of Prophecy* (Carlisle, PA: Banner of Truth Trust, 1971), xxii.

402. *Centennial Address*, 3.

403. This writer, whose nominal background is hyper-Arminian (Southern Baptist), has never heard a pulpit reference to Thornwell, though hearing many references to Moody and Spurgeon. It may well be that Thornwell is not unknown in contemporary evangelical preaching within his own denomination. The general impression, however, is that Thornwell is not a particular source for anecdote or illustration in contemporary evangelical circles.

404. His lectures and recorded sermons and articles were published posthumously. The four-volume set has recently been reprinted by Banner of Truth Trust.

405. This was a frequently made observation by people of his era. It has also been echoed by historians in terms of Thornwell’s impact itself. Not the least of his influence, however, has been the hold it has had within his own denomination and that church’s theology.

of mind, of which circumstance and reputational factors resulted in the acquaintance of several gentlemen friends who became his patrons for his future education and who “were benefactors, not simply with the purse, but in the distinct impression of their character upon his. A kind Providence has brought him into just such personal relations as were suited to his development.”⁴⁰⁷ “Thus does Providence watch over its chosen instruments, and a hidden hand touches the secret springs of activity and life.”⁴⁰⁸

So far as is known there was nothing in Thornwell’s early life and circumstances which pointed him toward the gospel ministry.⁴⁰⁹ Even so, Thornwell was wont to argue such issues as election and free will even as a youth. On overhearing a discussion of a noble patron with whom he was residing, that law would likely be his sphere, the lad felt compelled to announce his determination “to adopt theology as my profession.”⁴¹⁰ Fearing he would thereby forfeit his prospects of education, the “little, pale-faced protegee” wrote his feelings in a letter which he placed under the plate of his guardian. The latter read this “remarkable epistle... with deep amazement,”⁴¹¹ found his ward on the porch weeping as if his heart would break, whereon he, “noble and wise man that he was, took James by the hand, led him back to his accustomed place, and comforted his {178} anxious heart with the assurance that no obstacle would be put in the way to complying with his convictions of duty, and that the kindly relations between him and his patrons would not be disturbed on that account.”⁴¹²

406. B. M. Palmer, *The Life and Letters of James Henley Thornwell* (Carlisle, PA: Banner of Truth Trust, 1974), 4. This is a reissue of the 1875 edition of Dr. Palmer’s classic biography.

407. *Ibid.*, 35.

408. *Ibid.*, 45.

409. Thomas H. Law, “Dr. Thornwell as a Preacher and a Teacher,” in *Centennial Address*, 6.

410. Palmer, *Life and Letters*, 47.

411. *Ibid.*, 48.

412. *Ibid.*

College, Conversion, and Early Ministry

In December 1829, Thornwell appeared on the campus of the South Carolina College, the state school at Columbia, to stand examination for admission to the junior class. Though preceded by a reputation among students from his section of the state, he was possibly “the most unpromising specimen of humanity that ever entered in such an institution”⁴¹³ in terms of personal appearance.

Thornwell was unsuccessful in his first examination on his petition to enter the junior class. After a month of concentrated study, Thornwell was again examined and admitted, entering into the life of the college scholar joyously and successfully. “There is no being on earth more happy than the student,”⁴¹⁴ one letter proclaimed. The student Thornwell, says Palmer, pushed his investigations “beyond the text books of the class room.... He used the library as no student before him had ever done, and knocked the dust from ancient tomes touched but by the brush of the librarian.”⁴¹⁵

The disciplined and well-armed Thornwell distinguished himself in elocution and the conflict of debate, reveling in the combat. In 1831 Thornwell graduated first in his class, with “universal predictions of his future greatness.”⁴¹⁶ Scarcely a dozen recitations had taken place until it was conceded by all hands of “a remarkably ambitious class” that Thornwell’s mental preeminence would render the first honor of the class his beyond all question.⁴¹⁷ Thornwell’s graduating class had one future governor, as did the class following, along with J. Marion Sims, the founder of modern gynecology.⁴¹⁸

It was Thornwell’s intent to remain at the college for a year after graduation as a resident graduate, but the meager support he was able to command as a tutor resulted in abandonment of this plan, and Thornwell left to teach school in Sumterville. By November 1832, he

413. Palmer, *Life and Letters*, 53.

414. *Ibid.*, 55.

415. *Ibid.*, 65.

416. *Ibid.*, 82.

417. *Ibid.*

418. D. W. Hollis, *The South Carolina College* (Columbia: University of South Carolina Press, 1951), 95.

was teaching at an academy in Cheraw, where he himself had prepared for college. Here Thornwell underwent both spiritual and physical transformations. Physically he grew to normal height. In psyche development his maturation {179} passed the phase of “feverish irritability” of “youth of large promise encounter[ing] a trying middle passage, just as they enter upon manhood.”⁴¹⁹ Yet he was still a youth who “needed to be turned upside down, and to bring the better qualities to their legitimate supremacy.”⁴²⁰

Thornwell had not been a follower of religion in college. It was said that he attended the Presbyterian Church in Columbia only once while a student there. However, it is related that on an afternoon stroll in Columbia he stopped in a bookstore, “and ever eager after books, he noticed one lying in the counter bearing the name ‘Confessions of Faith’ (Westminster). Struck by its contents, he bought it and took to his room in the college. Beginning to read it, he became so fascinated with its logical unfolding of Scriptural truth that he read it through that night before he lay down to sleep; and was so thoroughly convinced by the truth it set forth, that he accepted its system of doctrine at once. Hence, when two years later he was converted, he naturally sought membership in the Presbyterian Church.”⁴²¹

Of the occasion of his conversion we know nothing as to “the spiritual exercises through which he was led to this eventful decision.”⁴²² On May 13, 1832, he united with the Concord Presbyterian Church near Sumterville. In 1833, he was taken “under the care” of a doubtful Presbytery on a less than satisfactory examination. In 1834, he went to Andover Seminary, but impressed neither with the place nor with the “awfully New School” faculty whose theology he could not countenance, he transferred his residence to Cambridge with the intent of spending one year at Harvard as a resident graduate, an evangelical surrounded by Unitarians, to prepare himself for the senior class at Columbia (South Carolina) Seminary. Thornwell wrote a friend that “I

419. Palmer, 91.

420. *Ibid.*

421. Law, “Dr. Thornwell as a Preacher,” 7.

422. Palmer, *Life and Letters*, 95.

look upon the tenets of modern Unitarianism as little better than downright infidelity.”

... The peculiarity of their belief consists in *not believing*. Read over their tracts and pamphlets, and you will find they all consist, not in establishing a better system, but simply in *not believing* the system of the Orthodox.... And yet these *not-believers* talk about Christian charity with a great deal of pompousness, and take it hugely amiss that they are not regarded by pious me as disciples of Jesus.... The Unitarian will tell you that experiential religion is all an idle dream; but, my friend, believe not the tale. It is no such thing. The truly pious man walks with God; he is under the influence of the Holy Spirit; the consolations of the Gospel support him.... There is such a thing as holy communion with the blessed Trinity.... There is no fanaticism, no enthusiasm here; it is all sobre truth.... May God be with us both! {180}

May he take us under the shadow of His wing, and save us in the hour of final retribution!⁴²³

At Harvard, residing in Divinity Hall, Thornwell was a fifteen-hour-day student, pursuing scholarly delights with pleasure and profit. However, told by physicians his constitution could not survive an alien winter, Thornwell shortly left Harvard to return home. On return, Thornwell was licensed to preach in November 1834. Ordained in 1835, he served multiple charges at Bethel, Waxhaw, and Six-Mile Creek in the Lancaster District.

Residing in the village of Lancaster, Thornwell settled into the role of a rural pastor. Joyous in social intercourse, romping with children and bantering the middle-aged with sportive wit and sparkling native gaiety of disposition, tendering pastoral comfort and instruction, he caused people to wonder at him as he passed along the streets. Some, perhaps, had to unlearn some of the stereotyped cant between genuine zeal and the sanctimonious Pharisaism marked by the stiff precision of artificial saintliness as they attempted to reconcile his pulpit utterances with his buoyancy. The result was influence and respect “as much won by the artless demeanor of the week, as by the stormy eloquence of the Sabbath.”⁴²⁴

423. *Ibid.*, 117–18.

424. *Ibid.*, 127–44.

While here he was married, on December 3, 1835, to the daughter of a former lieutenant governor and the sister of a college classmate, acquiring in the process a “small estate” in the form of a plantation and slaves, providing repose, security, and enterprise amidst his duties upon entering the professoriat. Entry into such activity was his next move, and with it his rise to eminence reached a point of acceleration.

The Thomas Cooper Affair

Though he elevated reason to the noblest realm, reason was always subject to divine revelation in Thornwell’s scheme. Reason was to serve the creator, not to contradict, circumvent, or deny biblical order or law. The preeminence of Thornwell in the antebellum South and the intrinsic biblicality of his views, calling for subjugation of all mental faculties and derived systems to biblical principle and command, have probably given Thornwell’s philosophy visibility as well as having attracted the evaluative wrath of historians speaking within the *Weltanschauung* of a humanistic religious culture.

Secular progress and liberal beneficence advanced into the South in the 1830s, along with attendant cults and isms, particularly Unitarianism. Unitarian ministers, Eaton states, usually trained at Harvard or the Unitarian Seminary at Meadville, “found it decidedly uphill work to prove that Unitarians {181} were Christians⁴²⁵ and not atheists or agnostics, and to free their converts from thralldom to the literal word of the Bible.”⁴²⁶

Cash’s evaluation of “the God and the faith of the Methodists and the Baptists, and the Presbyterians” of the antebellum South was that they functioned to draw men together in hordes, to terrify them by apocalyptic rhetoric, to cast them into the pit and bring them shouting into the fold of grace, a “faith of primitive frenzy and blood sacrifice which demanded an anthropomorphic God—the God Jehovah, the Old Testament, a passionate whimsical tyrant.”⁴²⁷ The establishment of the Puritan ideal, Cash complains, was the triumph of evangelical sects.

425. That Unitarians were not Christians in fact probably raises no sense of contradiction to the secular mind.

426. Eaton, *Freedom-of-Thought*, 317.

427. W. J. Cash, *The Mind of the South* (New York: Knopf, 1968), 56.

Eaton feels that in the South of *circa* 1830 there were “many evidences to indicate that the South was passing through a liberal cycle of its history, marked by a rational attitude toward religion.” This liberalism is described by Eaton as embodying an “optimism of human nature,” “rejection of the ‘dogmas of depravity,’” belief that “man should use his reasoning faculties fearlessly to investigate the mysteries of religion,” and a “serenity of mind and a tolerance of variety of opinions different from the complacency of ignorance or childlike faith in authority.” The “religion of the liberals,” Eaton claims, “was ideally suited to form the substratum of a republican type of government.”⁴²⁸

Unitarianism, aptly described by Thornwell as a system of nonbelief,⁴²⁹ seems to have been a favored carrier—an alleged embodiment, to the liberal historian—“of love and Catholic tolerance which sought to overcome the sectarian spirit,” and a rebuke to the “fire and brimstone type of sermons and the reliance on supernatural elements common to many orthodox preachers.” Unitarianism, an enlightened counteragent to the Puritan ideal and to the “narrow ascetic spirit of evangelical religion,” represented *prima facie* superior values from the viewpoint of secular humanism, i.e., “faith in reason as a purifier of superstition, and a belief in the goodness of human nature” coupled with “an emphasis on ethics rather than theology.” However, this “liberal minority” fighting a “never-ending battle against the intolerant mores of the people” was defeated as “a great resurgence of religious orthodoxy in the South occurred after 1830 as that section began to regiment thought within its borders to protect powerful vested interests that were threatened by the liberal forces of the period.”⁴³⁰ Consequently, Cash states, “skepticism of any sort in religion {182} was anathema, and lack of frenzied zeal was set down for heresy.”⁴³¹

Thomas Cooper,⁴³² president of South Carolina College (1819–1834), a man whose “erudition... trenchant style... and enthusiasm in whatever he espoused,” “boldness and courage with which he maintained opinions at variance with the popular sentiment” and whose

428. Clement Eaton, *A History of the Old South* (New York: Macmillan, 1966), 430.

429. Palmer, *Life and Letters*, 118.

430. Eaton, *Freedom-of-Thought*, 316–17.

431. Cash, *Mind of the South*, 56.

possession of “just the cleverness and... dash and dogmatism which seem to the inexperienced the elements of the heroic” were “qualities exceedingly captivating to the youth under charge,”⁴³³ has been cited as a prime example of the expanded liberalism of the period.⁴³⁴ However, Cash states, “Before long a Presbyterian minister, named Thornwell, raised a clamour against the ‘infidelity’ of Dr. Cooper, whose pupil he had sometimes been, and got the old man turned out of his post and himself elected in his place.”⁴³⁵

One would think that Thornwell himself had been a mobilizer of opposition against Cooper. The historical equation of Cooper the liberal undermined by the illiberal Thornwell may be more of a reflection of the fact that Thornwell did indeed represent, and was a prominent and articulate spokesman for, a view whose superstructure was thoroughly diametrical to that of Cooper, rather than to activity vis-a-vis Cooper on Thornwell’s part.⁴³⁶ While public conflict over Cooper was continual and sometimes vehement, it is by no means clear that Thorn-

432. Cooper, an agitator, scientist, physician, judge, educator, was born in England, matriculated at Oxford, spent a sojourn as a Jacobin in France, and came to the United States and settled in Pennsylvania, where he practiced law and medicine. In 1799 he was given a six-month sentence for violating the Alien and Sedition Law because of his trenchant pen in support of Thomas Jefferson. He was removed as a judge in Pennsylvania for “arbitrary conduct” in office, and returned to science, teaching at Carlisle and publishing consistently. Jefferson was not successful in obtaining Cooper a position at the University of Virginia, but he did land a position at South Carolina College in 1819 and became president in 1821. He was widely known for dispensing of laissez-faire and State’s rights political economy. “Cooper’s career at the college resembled the course of a meteor: he flashed across the heavens with brilliant light and exploded.” Hollis, *South Carolina College*, 78.

433. Palmer, *Life and Letters*, 61.

434. Eaton, *Freedom-of-Thought*, 395–96.

435. Cash, *Mind of the South*, 57.

436. The secular historians probably disliked Thornwell primarily because of the ideas he represented. Although a spokesman for secular learning, a tolerant academic administrator having even a Francis Lieber on his faculty, a friend of secular reasoning, nevertheless Thornwell’s view was directly anathema to secular humanism, even that which accepts liberal civic religion as a carrier vehicle. For Thornwell, the basis of human, civil, and ecclesiastical order was the revealed Word.

well played any particular agitative role. At any rate, their apposite views were conducive to polemical stances. Palmer states,

... young Thornwell fell at first under the charm of his influence.... It is equally certain that this spell was at length broken. It could not be {183} otherwise. The antagonism between the two was complete in the structure of their minds.... The historian of the College records of the President (Cooper), that “his genius was eminently practical—*utilitarian*. He looked upon man very much as an animal.... Of man in his higher nature... he just had no conception.” From such gross materialism, a mind of such structure as that of young Thornwell was compelled to diverge....⁴³⁷

Cooper, who has been described as the “schoolmaster of radical state’s rights,” “the high priest of nullification,”⁴³⁸ and the first prophet of secession, though successful in administrative and academic matters, was constantly involved in controversy. Because of his outspoken support of nullification,⁴³⁹ a ripe issue in South Carolina *circa* 1830, Cooper accumulated both ardent popular and political favor and vehement opposition. Without question, Cooper represented what Eaton chose to describe as “a bold spirit of rationalism and free-thinking”⁴⁴⁰ and had “an amazing career of advocating unorthodox ideas in the South.”⁴⁴¹ Cooper is credited with having considerable influence on sowing the South with the attitudes toward the federal government,

437. Palmer, *Life and Letters*, 61.

438. William Childs Robinson, *Columbia Theological Seminary and the Southern Presbyterian Church: A Study in Church History, Presbyterian Polity, Missionary Enterprise, and Religious Thought* (copyright by author, 1931), 38.

439. Cooper declared that the time had come for the people of South Carolina to calculate the value of the Union. He was among the radical leaders who recognized that the federal government “was merely the agent of the States, created by the Constitution, and it could not act beyond the written instructions in the compact.... In the case of grand clashes between the State and federal government over a question of interpretation of the Constitution, there was no common umpire (the Supreme Court could not be considered such, since it was a part of the federal government). Each State, therefore, had a right to judge whether the federal government had violated the Constitution. To arrest the operation of unconstitutional law it was necessary for a special elected convention to exercise the sovereignty of the State.” Eaton, *A History*, 306.

440. *Ibid.*, 422.

441. *Ibid.*

slavery, and other aspects of the dogma which came to be described as the South Carolina doctrines.⁴⁴²

However, he was less than circumspect and seems to have been hyper-agitative in his salvos against Christianity, which went far beyond the mere personal possession or circumspect advertising of his views. Accusations raged in the public press about Cooper's making his lecture platform the occasion for tirades against Christianity instead of instruction in the subjects he was supposedly teaching. Thus both religious and political passions fueled the conflict. "Presbyterians trembled with indignation at the very mention of his name, and lovers of the federal union longed to see him exiled from the State."⁴⁴³ Cooper seems to have conducted a continual {184} reign of relentless provocation against Presbyterians, while the *Charleston Observer*, a Presbyterian weekly, was his most persistent assailant.⁴⁴⁴

In 1829, Cooper, in the midst of public prominence for his outspoken convictions on nullification and on the tariff question, escalated hostilities on the religious front in a pamphlet tirade against the clergy who were supposedly mobilizing opinion against Sunday mail for financial reasons.⁴⁴⁵ In 1830, Cooper published *An Exposition of the Doctrines of Calvinism*, which challenged the Calvinistic (or Christian) doctrines of predestination and the depravity of man. A pamphlet war ensued during 1830–1831. Cooper published an edition of Brownsias's *On Irritation and Insanity*, which asserted that materialism was the doctrine of Christ and the apostles. The opposition analyzed Cooper's paranoia toward Presbyterianism, with one pamphlet suggesting that for Cooper, "terrified by his own fancies, in the warmth of his imagination, the very posts and trees are converted into clergymen."

Hollis, in his history of the University of South Carolina, feels that such attacks as Cooper produced "should arouse the people of the State is no reflection on the tolerance of the people; they were uncalled for, offensive, and unwarranted."⁴⁴⁶ Hollis advises that the attack on Co-

442. Hollis, *South Carolina College*, 98.

443. *Ibid.*

444. Ernest Trice Thompson, *Presbyterians in the South, 1607–1861* (Richmond, VA: John Knox Press, 1963), vol. 1, 496.

445. Hollis, *South Carolina College*, 108.

per “was almost entirely of a religious nature, even though it was to a large degree political in motivation.” James L. Pettigru, carrying the attack for the anti-Cooper forces in the legislature, argued that the issue did not concern Cooper’s “freedom” of religious opinion, which he did not question. However, Pettigru argued, Cooper’s personal views did not entitle him to a public stipend to destroy the fabric of religion. The motion to remove Cooper was supported primarily by unionists in the legislature.⁴⁴⁷

The legislature failed to remove Cooper, as did the Board of Trustees. Thornwell testified at the trustees’ hearing, as a former student, that “Cooper taught that Moses was not the author of the Pentateuch, but that he had never made any attack upon the Sabbath.” Thornwell had “no distinct recollection of any attack on prayer although he did have a vague feeling that Cooper was hostile to it. He knew of no attempt by Cooper to bring Christianity into disrepute at the college.” This, Hollis observes, was hardly damaging testimony. Although Cooper was sustained by the legislature and the trustees, public support was largely withdrawn. Many parents of prospective students seemed to feel, as expressed by the *Augusta (GA.) Courier*, “Dr. Cooper is acquitted of the charges brought against him and left to continue the installation of treason and infidelity....”⁴⁴⁸ {185}

In 1833, developments provided Cooper a dignified exit at age 74. Cooper requested that he be relieved of his duties as president (mentioning requests for him to participate in a contemplated law school in Columbia). He was granted his request that he retain his lectureship in chemistry. Although it was widely advertised that Dr. Cooper was no longer president of the school, enrollment continued to drop. In 1834, pursuant to a resolution, the entire faculty resigned. Enrollment by this time had dwindled to about forty students. Thus, the man who possibly did more than any but Lieber⁴⁴⁹ to give the college a national reputation and who “taught with universal brilliance and raised the quality of academic work at the college immeasurably”

446. *Ibid.*

447. *Ibid.*, 109.

448. *Ibid.*, 115.

was gone, but the current of hostility and public distrust of the college was still detectable over a century later.⁴⁵⁰

Thus, Cash notwithstanding, Cooper himself was removed before Thornwell could have become an intimidating personality. The controversy, however, was raging at its height during Thornwell's student days. Thornwell's actual opposition seems nil.⁴⁵¹ His influence on the college over the next two decades, however, might be seen as a direct application of an antidote to Cooper's infidelity. Law stated that Thornwell

... seems to have been the man God raised up, qualified and sent to this very fountain of baleful influence to correct and purify it.... While yet himself a youthful student in the College, although an ardent admirer of Dr. Cooper personally, he soon discovered and began to combat... the infidel system of his instructor. And, as he developed more and more, he appeared to be the very man capable of destroying this evil.... To do, and to complete this great and important work, the Lord appears to have held him in the College, and to have sent him back again and again, until the time had come for him to enter upon and fulfill his noblest and best work in connection with the School of the Prophets (Columbia Seminary).⁴⁵²

Hollis noted that by the 1850s the college administration had moved from the hands of a deist to those of a "fundamentalist" (Hollis's terminology) wherein, Hollis felt, a "crowning irony lay in the fact that fundamentalism at the college was so ably represented by one of its own graduates."⁴⁵³ {186}

449. Lieber was one of the outstanding professors of the South of the period. It was contemporarily said that "few literary persons in our country have exhibited the proof of as much industry as Professor Lieber." "Lieber's Political Ethics," *Southern Quarterly Review* 24 (October 1847): 464.

450. Hollis, *South Carolina College*, 117.

451. It seems probable that if Thornwell could have exerted any role as a catalyst or mobilizer of opinion against Cooper such writings would be extant and/or referenced by chroniclers. Smith's bibliography lists four articles in 1832, with the next publication appearing in 1840. M. H. Smith, *Studies in Southern Presbyterian Theology* (Jackson, MS: Presbyterian Reformation Society, 1962), 357.

452. Law, "Dr. Thornwell as a Preacher," 12.

453. Hollis, *South Carolina College*, 165.

Professorships and Pastorates

In August 1837, the Bethesda Church met to elect a pastor, with the names of R. B. Campbell and James Thornwell submitted on agreement that the candidate receiving the highest number of ballots be called, with the result that Campbell was elected.⁴⁵⁴ In November of that year Thornwell, upon the death of Professor H. J. Nott, was appointed professor of belles lettres and rhetoric, and shortly thereafter was given a more congenial professorship of metaphysics.

The college had been reorganized, with Hon. Robert W. Barnwell as president and Dr. Stephen Elliott, an Episcopal clergyman, appointed to a newly established chair of Evidences of Christianity and as college chaplain, in an effort to recapture public support. These three seem to have been blessed in their interpersonal relationships with each other. How Thornwell, “with his exalted views of his sacred calling, could have accepted this position which did not offer the opportunity of regular preaching of the gospel, we are not advised. But doubtless, there were reasons unrecorded which made him recognize this to be the call of God.”⁴⁵⁵

“On the 1st day of January, 1838, he (Thornwell) found himself transferred from the quiet duties of a country pastorate to the still greater seclusion of academic life.”⁴⁵⁶ In this capacity, Thornwell frequently supplied the pulpit of the Presbyterian Church in Columbia, pastored by Dr. John Witherspoon, who was plagued by chronic illness at this point in his life. In May 1839, Thornwell, with a view to the pastorate, resigned his professorship to take effect at the close of the year. He was installed as pastor of the Columbia Church on January 1, 1840, subsequent to Dr. Witherspoon’s resignation.

The election of Dr. Elliott as bishop of the diocese of Georgia left vacant the college chaplaincy and the professorship of sacred literature and evidences of Christianity. In 1841, Thornwell assumed the positions at the college vacated by Dr. Elliott. He “soon became the domi-

454. George Howe, *History of the Presbyterian Church in South Carolina* (Columbia, SC: Duffie and Chapman, 1870), 496.

455. Law, “Dr. Thornwell as a Preacher,” 9.

456. Palmer, *Life and Letters*, 152.

nant force of the college, and also the most powerful figure in Southern Presbyterianism.”⁴⁵⁷

This position Dr. Thornwell filled with signal ability and success for several years. While he taught Christianity from his chair with such ardor and force, he served also as the duly appointed pastor of the college community, conducted daily prayers, and preached the Gospel with burning zeal every Sabbath in the chapel.⁴⁵⁸ {187}

Thornwell was to remain a period of fifteen years, with only slight interruptions, in this renewed connection with the college.

The college administration which succeeded Hon. R. W. Barnwell, who retired in 1841, was not as popular as had been the former, nor did Thornwell feel himself as cordially supported in his office as chaplain. When Dr. R. J. Breckenridge left the pastorate of the Second Presbyterian Church of Baltimore for the presidency of Jefferson College, the call to that pulpit was extended to Thornwell. Thornwell, disposed to accept the call, tendered his resignation to the trustees of the college in 1845. However, his resignation was turned down by the trustees, who elected to make a unique enforcement of the requirement of a twelve months’ notice.

In the interim the noted orator and statesman W. C. Preston was elected to the presidency of the college. The Second Church of Baltimore had resolved to press its claim to Thornwell’s services at the expiration of the year. Shortly prior to the meeting of the Presbytery in 1846, Mr. Preston approached Benjamin Palmer, then pastoring the church at Columbia, to seek the interposition of the Presbytery in preventing Thornwell from leaving the college for the Baltimore charge. Preston’s argument was that the college could not afford to lose Dr. Thornwell⁴⁵⁹ for two reasons: one was that Dr. Thornwell represented the Presbyterian Church, without whose members’ support the college would lose a major portion of its public patronage, and, secondly, because Thornwell had “acquired moral influence over the students,

457. Thompson, *Presbyterians*, 262.

458. Law, “Dr. Thornwell as a Preacher,” 10.

459. Thornwell had now been “dubbed” with triple doctorates of Divinity by Jefferson College, Hampden Sidney College, and Centre College, apparently at about the same time (1845). Later an honorary LL.D. was bestowed. Palmer, *Life and Letters*, 269–70, 430.

which is superior even to law; and his removal will take away the very buttress on which the administration of the College rests.”⁴⁶⁰ Palmer submitted a paper to the Presbytery which was adopted in April 1846, requesting that the church at Baltimore withdraw its call because of changes which had occurred in the interim and feeling that “the fields of labor now opening, in the Providence of God,... in our own bounds, afford most ample scope for his ability and learning. And it is the most deliberate judgment of this body, in view of the necessities of the Church within this State, of the movements which are now on foot amongst us, and of the *status* which he has acquired in this portion of the Church, that he should not remove without the limits of this Synod.”⁴⁶¹ Accordingly, the remainder of Thornwell’s life, as was the prior portion, was spent within his native state. {188}

In 1851, Thornwell received a call from the Gable Street Church, Charleston, and again entered into the pastorate. Palmer notes that through the whole period of his nearly two decades’ connection with the college “there were seasons of restlessness, when Dr. Thornwell seemed to chafe under the restrictions of his position, and to sigh for other fields of labor.”⁴⁶²

Palmer describes 1850 as a turbulent year in the history of South Carolina College wherein the “Lord of Misrule” asserted his supremacy. “For some trivial reason,” Palmer wrote, “the whole Junior class rose in rebellion... and were suspended.”⁴⁶³ Other causes, he adds, of a more private and personal nature, rendered Thornwell uncomfortable in his position.

The Gable Street Church was little more than a missionary enterprise meeting in “a small, unattractive building located on a narrow side street in an obscure situation.” Even so, Thornwell “attracted audiences that made the little building overflow and required enlargement

460. *Ibid.*, 281.

461. *Ibid.*, 283. Palmer revealed these to be Thornwell’s election to the seminary faculty and the beginning of the *Southern Presbyterian Review*.

462. *Ibid.*, 339.

463. *Ibid.*, 347. Hollis reveals this to have occurred when a professor who had been ill determined to use Dr. Thornwell’s period for make-up sessions for his class during a time of Thornwell’s absence. The junior class put the kibosh on this notion.

of its accommodations, and growth doubled his flock.”⁴⁶⁴ Thornwell, in a letter to his wife soon after accepting the charge, described the congregation as plain people with whom he had been “agreeably at the tone of piety and prayerfulness” which seemed to prevail among them. Thornwell’s letters published in Palmer’s biography indicate Thornwell’s sojourn in Charleston to have been of grace, enjoyment, and congeniality pleasing to the tenor of Thornwell’s spirit. The time gave him a change of pace in what seems, in result, to have provided a kind of working vacation.

The presidency of the South Carolina College during this time has been described as one of the most prominent and sought after positions in the state.⁴⁶⁵ Though unsought after by Thornwell, in less than a year he was to leave the Gable Street pastorate to become president of the school where he had spent the major portion of his career.

In December 1851, Thornwell was elected president when Hon. W. C. Preston resigned due to ill health. “It is remarkable that every effort made by him to escape from the duties of academic life, was instantly arrested,” Palmer observed. “Indeed,” he wrote, “his whole career shows how often Divine providence holds a man to a given station, even against his own wishes in the case, until his work is fully done.”⁴⁶⁶

Determining whether to leave the Gable Street pastorate was one of severe conflict. Thornwell’s preference was for the church, where he {189} found a real love for him personally as a minister of the gospel. He described the alternative as that between “so delightful a charge” and the “martyrdom of College.” He entered upon his duties as president of South Carolina College in January 1852.

Thornwell as Educator

There is doubtless validity to Hollis’s observation that Thornwell’s rise to fame, power, and position, and his importance to the college, must be interpreted within the background of South Carolina history. He further observes that during the two decades prior to the War of Northern Aggression (known in the textbooks as the Civil War),

464. Law, “Dr. Thornwell as a Preacher,” 11.

465. Hollis, *South Carolina College*, 147.

466. Palmer, *Life and Letters*, 353.

Thornwell, first as professor, then as president, then as trustee, “was perhaps the most important person connected with the institution.” Hollis feels that his influence exceeded that of either Barnwell or Preston, who were better known in political circles, or Lieber, who was better known nationally. His educational theories, Hollis states, triumphed over those of the other three. His presence in Columbia quieted much of the criticism of the college in religious quarters and retained the confidence of many people who might have otherwise become harsh critics.⁴⁶⁷

There is little doubt that he had immense influence in his students. In a sparkling address delivered before the two college societies in 1839, the twenty-seven year-old professor exhibited his bitter opposition to Hegelian and Kantian philosophies, which were creeping into New England from Germany. He especially disliked utilitarianism and transcendentalism. The latter... was “preposterous stuff,” based on the “false assumption of the absolute sufficiency of human reason for the recovery of all truth.” Man was... “blind, ignorant, and erring.” He had little patience with the latest efforts of Emerson, Channing, Thoreau, Parker, Whittier, or indeed for any product of the New England mind, either in the field of religion or belles lettres. “New England metaphysics,” said this Presbyterian defender of the Old South, “resembles more the dry and crusty jargon of the schools than the sober discussions of Christian men and Protestant divines. The consequence is that their literature is almost as frozen as their climate.”⁴⁶⁸

Law, a former pupil, gave several qualities which he felt characterized Thornwell’s teaching style. These were *enthusiasm* for the subject he taught (“he ever brought into the professor’s chair a zeal and love for what he was to teach, which at once impressed and captivated his pupils...”); profound, accurate *scholarship* (his mental ability, range of learning, and recollection and ability to organize, synthesize, and integrate information and his “ready grasp of truth” were such as to “put him altogether out of the ordinary”); “great and marvelous apprehension {190} [comprehension] of the needs of his students” or what seemingly could be described as *sensitivity*; his *living illustration* of what he taught (“... he stood before his students as an exemplification—not perfect as the Divine Master, but His disciple, like Paul, whom they

467. Hollis, *South Carolina College*, 161.

468. *Ibid.*, 164.

might follow even as he followed Christ...”); and his personal *magnetism* or “capacity of entering freely into the feelings of others.”⁴⁶⁹

Thornwell was a leading supporter of state-supported higher education. His letter to Governor Manning in 1853, a defense of state education, has been described as a major document of education history in the South.⁴⁷⁰ This document also affirmed Thornwell’s commitment to a compulsory curriculum and opposition to an elective system and his opposition of an attachment of professional schools of law or medicine, unless physically removed from the main campus. Thornwell was explicit that the “College would be unwilling to confer any degree without a liberal education”⁴⁷¹ and upon “mere professional attainment” alone.⁴⁷²

Thornwell saw no connection between faculties of arts and medicine which resulted in an educationally beneficial interchange by adding professional schools to a college. Mental “discipline” was the first objective of higher education. Boarding of professional students “comparatively free from the restraints of discipline” would not be salubrious; the liberty of the professional school students would be a temptation to undergraduates and present difficulties of internal management.

Thornwell’s influence was probably the key factor blocking development of an antebellum Presbyterian college in South Carolina. He saw denominational colleges as threats to state colleges. Thornwell rejected the idea that state colleges must necessarily be nesting grounds for irreligion; he felt that placing educational enterprises under sectarian domination did not insure that they would not become “hotbeds of vilest heresy and infidelity.”⁴⁷³

469. Law, “Dr. Thornwell as a Theologian,” 18–21.

470. Hollis, *South Carolina College*, 124.

471. *Dr. James H. Thornwell’s Letter to Governor Manning on Public Instruction in South Carolina* (Charleston, SC: News and Courier Book Presses, 1885).

472. Thornwell felt that higher education should teach mental discipline, the necessary ingredient for learning. The type of education and its function as seems to have been espoused by Thornwell is depicted in Frank R. Harrison, “Plucking Minerva’s Owl,” *Modern Age* 21 (Spring 1977): 173–83.

473. *Letter to Governor Manning*.

For most of his career Thornwell combined the functions of preaching and teaching. Preaching, editing, writing, class preparation, academic housekeeping, ministerial duties, participation in ecclesiastical affairs—a combination of activities which in consortium formed the arena for Thornwell’s display of ability and character. “The author sustains the double office in the College as a preacher of the Gospel, and a Teacher of Moral {191} Philosophy,” Thornwell wrote in the preface to his book, *Discourses on Truth*. “It is his custom to make the pulpit and the lecture room subservient to each other.”⁴⁷⁴

Thornwell had many close friends at the college who greatly admired him. The students apparently respected him, and he was in demand to address the student societies.⁴⁷⁵ Palmer details “the wonderful ascendancy” which Thornwell acquired over the students. Palmer’s description is too exquisite to attempt abstracting.⁴⁷⁶

Thornwell’s presidency extended for four years. Nevertheless, Hollis states, it was important. Thornwell introduced written examinations (abandoning the oral system which had existed in the college since 1805), and entrance requirements were raised to the highest level during the antebellum period. He was, Hollis says, conscientious in his duties and attempted to improve the institution in every way possible.⁴⁷⁷

Thornwell was finding administrative duties irritating. Furthermore, some concern was being aired about the possibility of too effective inculcation of a sectarian nature in the college. The nature and drudgery of administrative housekeeping left Thornwell with a “perpetual feeling of uneasiness.”⁴⁷⁸ Furthermore, there was a desire among colleagues within the ministry that Thornwell systematically develop his theological system which it was felt greater opportunity would allow him to achieve. In 1856, Thornwell left the presidency of South Caro-

474. James H. Thornwell, *Discourses on Truth* (New York: Robert Carter & Brothers 1856), vi.

475. Hollis, *South Carolina College*, 167.

476. Palmer, *Life and Letters*, 391–93.

477. Hollis, *South Carolina College*, 166.

478. Palmer, *Life and Letters*, 381.

lina College to become professor of didactic and polemic theology at the Presbyterian seminary in the same city.

Southern Presbyterian Review

In the mid-1840s, “the desire to have an organ for the thorough, scholarly, and unmuzzled discussion of theological and ecclesiastical themes became strong in Columbia. There were giants there in those days. They had messages from the Lord to their brethren.... Accordingly an association of members, in the town of Columbia, established... the *Southern Presbyterian Review*...”⁴⁷⁹

The first issue appeared in 1847, with Thornwell writing the lead article. Titled “The Office of Reason in Regard to Revelation,” Thornwell noted that reason was capable of immense abuse:

This is an arena upon which shallow philosophy and specious science {192} have delighted to contest the claims of Christianity.... The Jews, without controversy, not only had the right, but were solemnly bound to try the religion of Jesus by the standard of Moses and the prophets, and yet, in the exercise of this unquestionable right—the discharge of this imperative obligation—they were led to condemn the Saviour as an imposter and blasphemer. They were surely not to be denied the privilege of reasoning badly.... If God gives reason the right to judge, He gives it subject to a fearful responsibility—and in nothing is the obligation so solemn and awful to cultivate a love of truth—to cherish a spirit of honesty and candor, and guard to the mind....⁴⁸⁰

Thornwell argued that it was not within the compass of nature, moral philosophy, or metaphysics to devise a system of religion adequate to fallen mankind. Determination of the elements it should contain, the manner in which it should operate, in what form it should be dispensed, and under what circumstances it is to be imputed, are secret things which belong to God and can be known only as He chooses. While reason could not say what the scheme of salvation was to be, it does have the office of condemning systems which, professing to be of

479. Thomas Carey Johnson, *The Life and Letters of Benjamin Morgan Palmer* (Richmond, VA: Presbyterian Church South Publishers, 1906), 126.

480. James H. Thornwell, “The Office of Reason in Regard to Revelation,” *Southern Presbyterian Review* 1 (1847): 28–29.

divinity, contradict the obvious principles of truth and rectitude. Reason, in this sense, has an essentially *negative* jurisdiction.⁴⁸¹

Hollis describes Thornwell's contributions to the *Review* as "expressing a conservative theological and social outlook, (which) soon involved him in political skirmishes with Orestes Brownson and William S. Channing."⁴⁸² "Thornwell and other writers in the *Southern Presbyterian Review*," states Robinson, "mined as deeply into the underlying principles of theology, as ever did Calhoun into the underlying principles of civil polity."⁴⁸³ The *Review* was more than a theological journal, and it represented a magazine of political, social science, and literary subjects as well. The board of the *Review* was expanded in 1856, and the journal continued publication until 1885.

Thornwellian Theology

Thornwell's death at age fifty prevented him from completion of a systematic presentation of his theological thought.⁴⁸⁴ Nevertheless, it was possibly as a theologian that Thornwell made his greatest contribution to posterity.⁴⁸⁵ Whaling states that as "preacher, teacher, writer, and ecclesiastic, he was always the theological preacher, teacher, author and ecclesiastic. He touched no subject in any sphere at any time without {193} pressing through the accidental and circumstantial to the fundamental and essential in reason and in the Scriptures upon which a valid conclusion alone could rest."⁴⁸⁶

Whaling characterized Thornwell's theological thought as philosophic yet biblical. Thornwell, he said, felt there was more laziness than piety in refusal to use human reason to its full force in every arena of thought and faith. To Thornwell revelation made a threefold appeal to reason, whose function was to:

1. Weigh the evidence which proved the revelation.

481. *Ibid.*, 31–32.

482. Hollis, *South Carolina College*, 163.

483. Robinson, *Columbia Theological Seminary*, 149.

484. Smith, *Southern Presbyterian Theology*, 126.

485. Morton H. Smith, "Preface," James Henley Thornwell, *Election and Reprobation* (Jackson, MS: Presbyterian Reformation Society, 1961).

486. Whaling, "Dr. Thornwell as a Theologian," 22.

2. Interpret the content of the revelation, reducing its substance to logical and systematic form.
3. Reveal the harmony between the teaching of the revealed word and right reason.

There was no inconsistency between Thornwell's candid commitment to the Bible as the infallible Word of God and his belief that the Westminster Confession and Catechisms set forth the theology revealed therein and his exaltation of reason as the noblest of faculties. "The conciliation of reason and faith the harmony of theology and philosophy... presented for him no impossible task, but prescribed for him the chief work of the theologian, and at this task he worked with adamant industry, sanctified with genius, with ample scholarship..."⁴⁸⁷

Thornwell's concept of theology is defined by Whaling as "that system of truth in its logical connection and dependence which, when spiritually preserved, results in true religion." He credits Thornwell with successfully uniting "theological dogma to Scriptural and Christian ethics, so that dogmas and duties are really focused into unity in this system."⁴⁸⁸ Theology was to be built around the chief object of religious thought, which is the relationship between God and man. These relations are expressed in moral government and are regulated by the principle of distributive justice.

Thornwell felt that the field of theological science could be subsumed under the categories of "The Moral Government of God in Its Essential Principles," "The Moral Government of God as Modified by the Covenant of Works," and "The Moral Government of God as Modified by the Covenant of Grace."⁴⁸⁹ Man is God's creature and servant, and as long as he obeys he will be rewarded, but disobedience brings condemnation. God being more than just, but gracious, may alter the status of His creature and make him a son and free him from a system of eternal probation {194} which if terminated could end only in failure.⁴⁹⁰

487. *Ibid.*, 23.

488. *Ibid.*, 25.

489. *Ibid.*, 127.

490. *Ibid.*

Thornwell refuted the Romanist view of the church and the rationalistic view of the human mind as definitive sources of theology. “The Bible,” he said in his lectures, “is the Religion of the Protestants—the supreme standard of faith and duty...” His view of inspiration was that the Bible in final product is as if God had dictated its contents, but he did not support a theory of mechanical dictation. He believed in a verbal inspiration that applies to the whole of Scripture as the absolute trustworthy, infallible Word of God as written.

God is the Source and Object of all our knowing; there is no possibility of true knowledge without recognition of God. Our knowledge of God is limited to His revelation of Himself in His Word. Thornwell understood the cause of condemnation of the reprobate to be their sins, not the decree of God. All are sinners, and election, which is personal, is purely gracious on the part of God. “Out of this race of guilty and polluted sinners, thus justly condemned, God graciously and eternally elected some to life and happiness and glory, while He left the rest in their state of wretchedness and ruin, and determined to inflict upon them the punishment which they justly deserved.” Thornwell refused to question the justice of God in passing this universal sentence. Its reason was seen to be in the wisdom of God Himself—to the counsel of His own will or to His mere good pleasure.

The central principle running through all of theology was that of justification. It is in answer to the question of how the moral creature is to be in right relation to God that the Covenant of Works was given, and then after the fall the Covenant of Grace was given. Thornwell was in full accord with the historic Protestant position that faith is the instrument by which we receive the benefits of Christ and His redemption. It is the bond of our union with Christ, from which flows the whole of eternal life.

Smith reports that there is little to be found in Thornwell’s writings concerning eschatology, but is of the opinion that “Thornwell felt a certain revulsion against the pre-millennial view, especially against the modern forms which it has taken in what is known as ‘Dispensationalism.’”⁴⁹¹ Smith feels that whether Thornwell actually committed himself to any millennial view may be questioned; however,

491. Smith, *Southern Presbyterian Theology*, 180–81.

Thornwell's position that we must wait to know what the future will bring did not curb his sense of duty or the Church's mission to press her cause to the world.⁴⁹²

Thornwell as Pulpiteer

None of the descriptions of Thornwell's pulpit style and manner indicate any particularly outstanding characteristics of innovative style, drama, or {195} uniqueness in form. Thornwell's reputation as a preacher rested on the solid content of his messages. Listening to his sermons, one became impressed with the unfolding lucidity and logical consistency of the development of his topic. And his messages were full of vital godliness, always pointing to the source of the fountain.

Law's recollection of Thornwell's sermon presentation was one of an awkward pulpit manner, language of the learned rather than the common tongue, with references to literature and philosophy as well as Scripture, and of a form which many felt was difficult to understand. However, his reasoning was "wonderful and clear and thoroughly accurate—always using the very best English word to express the thought." Thornwell had so thoroughly studied God's written revelation and had so incorporated its truth and language into the very fiber of his own thought that his sermons were steeped with the ideas and phraseology of Scripture—"his grandest arguments finding expression in the very words of inspiration."⁴⁹³ This, thought Law, added charm to his style.

Law, hearing Thornwell while the former was a seminary student in the later 1850s, described Thornwell's sermons as

... most thoroughly Scriptural and spiritual. He heartily accepted the Bible as the infallible and all-sufficient Word of God, which alone he was commissioned to preach. And I never sat under any preacher who more forcefully expounded the Scripture. And as he himself had drank deeply of the fountains of grace in his profound studies and in the frequent and severe discipline to which Providence subjected him, he poured forth in his sermons the most spiritual views and applications of Divine truth.⁴⁹⁴

492. *Ibid.*

493. Law, "Dr. Thornwell as a Preacher," 13.

494. *Ibid.*, 14.

However Thornwell might be characterized as a preacher, “That he was a Revivalist, whose ministry was distinguished by gathering of souls into the kingdom—as Dr. Daniel Baker or Dr. R. A. Torrey of the present time, none would say.” He seems not to have directed his efforts toward this theme, Law states; however, “as to the real, permanent effects of his ministry in upholding the truth, in vindicating the word of God, in relieving doubts, in comforting the sorrowing, and in edifying the saints, there is abundant testimony. Everywhere that God called him to preach, the common people... flocked to attend upon his ministrations.”⁴⁹⁵ It was the kind of pulpit ministry that affects generations.⁴⁹⁶

Ecclesiology

Dr. Fraser described Thornwell as “first of all an eminent Christian, a {196} preacher of the gospel; a profound theologian and philosopher; and afterwards an ecclesiologist.”⁴⁹⁷ Thornwell is well known for his views on church government, practice, and policy. Thornwell’s first Assembly was in 1837, in the midst of the New and Old School controversy. He took no active part in the debates at this conference. He took a more conspicuous role in the Assemblies of 1840 and 1845, and in 1847, when the Assembly convened in Richmond, he was elected moderator, being the youngest man to have occupied that position.

Thornwell was a member of the General Assembly which met in New York in 1856. Here Thornwell delivered a well-received sermon on “The Sacrifice of Christ the Type and Model of Missionary Effort.” He was returned to the Assembly of 1857 at Lexington, preceded by a tour of over two months through several Southern states on behalf of the Seminary at Columbia. His preaching, states Palmer, was attended with great power wherever he went; and in the freedom of epistolary intercourse his letters express the humble gratitude of God’s grant of favor and good reception to his appearances.

495. *Ibid.*, 15.

496. Chronicles of the life of Dr. Thornwell abound in this kind of testimony with both individual instance and institutional influence.

497. A. M. Fraser, “Dr. Thornwell as an Ecclesiologist,” in *Centennial Address*, 31.

At the 1859 Assembly in Indianapolis, he delivered an impromptu speech on the spiritual functions of the Church, which was occasioned by a paper on the African colonization scheme. The Church, he argued, was exclusively a *spiritual* organization and possessed only *spiritual* power. Her business is the salvation of men. He was once attended by a native of Great Britain through the Tower of London. As his companion pointed to trophies which England's prowess had won in many wars, Thornwell interjected: "Your country has carried on two wars with mine; but I see no trophies won from American valour." Let our Church, he continued, "lend herself, in the name of the Lord, and in her own proper sphere, to her own mission, and her enemies will never rejoice over trophies won from her. Palmer records that "the generous patriotism that breathed in these closing sentences... sent an electric thrill through the house..."⁴⁹⁸

Thornwell "held to the absolute severance of Church and State—the pure spirituality of the one, the distinct secularity of the other."⁴⁹⁹ The missionary task of the church was 1) to preach the gospel of salvation through the atonement of Christ; 2) to gather, educate, and discipline believers (edification of the body of Christ); 3) to take order for extension of the kingdom to all the world.

Extension of the kingdom was not the task of merely secular education, nor were civil and social betterment objectives which failed to seek salvation {197} of the soul within the mission of the church. Touching these he used the language "Let the dead bury their dead." Consequently, Thornwell opposed "all schemes for enlisting the Church in secular education, making the Church ancillary to benevolent societies, and opposing any direct alliance between the Church and societies for mere moral reform." This was not because of any depreciation of education nor indifference to moral virtue, but was due to his denial that the church had a mission to provide civic righteousness apart from renewal of the whole man after the image of Christ. This view was crystallized in his observations on temperance societies at the Baltimore Assembly in 1848, as he described the mission of the church:

498. Palmer, *Life and Letters*, 437.

499. Whaling, "Dr. Thornwell as a Theologian," 44.

Its ends are holiness of life and the manifestation of the riches and glory of divine grace, and not simply morality, decency, and good order, which may to some extent be secured without faith in a Redeemer, or the transforming efficacy of the Holy Spirit.⁵⁰⁰

The object of the church is to secure the regeneration and sanctification of men. Men restored by divine grace will act as Christians should in all life circumstances. If a Christian had children, he would educate them; if he saw depravity and suffering, he would relieve the suffering. "Give him political power of any sort, whether on the hustings, at the polls, in halls of legislation, under the judicial ermine, or in the executive chair, and he will use that power out of conscience toward God."⁵⁰¹ Thus, while the church must confine her work to the work of salvation, souls can *not* be regenerated without leaving a generic impression upon the face of all society.

Thornwell never confused the spiritual mission of the church with the legislative exercise of the state. The church's goal is not reform without regenerative substance. Thus, he was in opposition to giving church sanctity and support to veneer movements of civic righteousness. At South Carolina College, Thornwell did not become enamored with social problems issues. Francis Lieber's efforts to interest him in such diversions as prison reform and other items of general social progress did not stir any wave of active support.⁵⁰² Temperance and other good causes are desirable, but were not desirable in substitution of the church's divine mission. Individuals might support them as good citizens, and indeed, Thornwell, by the time of the organization of the Confederacy, had come to the view that the Presbyterian people of the South could profitably organize an institution of higher education provided it was not under ecclesiastical control.⁵⁰³ {198}

The Assembly at Rochester in 1860 was the tenth and last General Assembly of the united Church in which Dr. Thornwell sat as a member. Shortly afterwards, he left for a trip to Europe, which would hopefully result in a restoration of health as had a similar endeavor nineteen

500. *Ibid.*, 43.

501. *Ibid.*, 46.

502. Hollis, *South Carolina College*, 165.

503. Palmer, *Life and Letters*, 328.

years earlier. His consideration of the state of national affairs led him to the verge of adopting emancipation in order to preserve the Union.⁵⁰⁴

Civil Government, Polity, and Slavery

Hollis summarizes Thornwell's world-and-life view by stating that he "had nothing but scorn for the 'heretical' doctrines that exalted the excellence of human nature and the perfectibility of man. He became a powerful defender of the South's social system, and a brilliant rationalizer of Church and slavery, and was vigorously opposed to reform movements."⁵⁰⁵ All of these features of Thornwell's career are true. Outside the church, it is probably with respect to his defense of slavery on the "alleged support of Bible"⁵⁰⁶ that has brought him to the attention of posterity.

True enough also that Southern spokesmen wove a defense of Southern society, based on slavery, that found authority in the Bible and in science. Craven cites Thornwell as an example of "how tangled men's thinking could become on slavery as the symbol of all the differences and conflicts between the sections" in reference to Thornwell's position that the real cause of excitement in the South was "the profound conviction that the Constitution, in its relation to slavery, has been virtually repealed; that the government has assumed a new and dangerous attitude on the subject; that we have, in short, new terms of union submitted to our acceptance or rejection."⁵⁰⁷

One feature of this *zeitgeist* which seems to be infuriating to historians was the Southern conception that the South was pitted against evil. Cash interprets the influence of conflict and solidification of the South as it became distinctively apparent in its religious patterns as a "severe, almost primitive, naiveté of belief and feeling... sweeping back even such sophistication of religions as was already growing up..."⁵⁰⁸ The South regarded itself as a last great bulwark of Christianity. However,

504. Robinson, *Columbia Theological Seminary*, 41.

505. Hollis, *South Carolina College*, 164.

506. Eaton, *History of the Old South*, 346.

507. A. O. Craven, *The Growth of Southern Nationalism, 1848–1861*, vol. 6, *A History of the South* (Baton Rouge, LA: Louisiana State University, 1953), 395–96.

508. Cash, *Mind of the South*, 79–80.

or so goes the secular historical account, the God enthroned was a tribal God, and “from the pulpit and hustings ran the dark suggestion... that infidelity and paganism under name of science were sweeping the world.”⁵⁰⁹

The substance of this charge, though pejoratively phrased, is absolutely {199} true. The South did, as Richard Weaver has noted, reach the eve of the War of Northern Aggression as one of the last comparatively religious peoples left on earth. The God enthroned was a God to be worshipped and obeyed, and this obedience went to the heart of the culture in entirety, including the ideas behind and the structure of the social system.⁵¹⁰ Rick Harwell, in his essay in *The Everlasting South*, observes that the South had retained the idiom of people and the mentality of outlook which most closely resembled that of the generation of the Constitution.⁵¹¹ It was here that the reservoir of moral capital descended from the Puritan lineage lay in deepest vein and closest to the surface. This was fault enough to bring upon the South pejorative evaluation similar to that cast on the national patriotism a century later.⁵¹²

The spirit of evil was given characteristic representation by Thornwell in 1850, “the year before his countrymen were to call him to the presidency of South Carolina College, from which he had sometime ejected Dr. Cooper for his ‘infidel’ views.”⁵¹³ “The parties in this conflict are not merely abolitionists and slaveholders—they are atheists,

509. *Ibid.*

510. Manifestations of opposition to this spirit and its symbols contemporarily are admirably depicted in James Fitzpatrick, *Jesus Christ Before He Became a Superstar* (New Rochelle, NY: Arlington House, 1976).

511. Palmer explains how Thornwell, who as a pronounced Union man had taken open ground against the declared policy of his native state during the Nullification struggle of 1832 and in the controversy of 1850, threw himself into the movement of the Confederacy after South Carolina exercised her legal and moral right to withdraw from the contract after violation of its terms by the federal government “with all the ardour of his nature; and to the day of his death, laboured and prayed, with patriotic fervor, for the success of the Confederate cause.” “The same principles which led him to the national ensign, so long as hope remained of preserving its symbolic significance, carried him away from it when hope had fled. The same patriotism which gloried in the principles of American constitutional liberty, transferred his affections to that which gave some promise of their perpetuation.” Palmer, *Life and Letters*, 467, 481.

socialists, communists, red republicans, jacobins on the one side, and the friends of order and regulated freedom on the other. In one word, the world is a battleground—Christianity and atheism the combatants; and the progress of humanity is at stake.”⁵¹⁴

Thornwell’s attachment to the Union has been described as approaching idolatry. As a youth just out of college, Thornwell had set himself against the South Carolina policy of nullification, taking to the public press to {200} express his views. During the great threat of division, 1849–1851, Thornwell strongly set himself against the secessionist tendency toward which South Carolina was strongly inclined. Within the church, Thornwell’s influence helped prevent the kind of geographical schism which had severed denominational bodies at the Mason–Dixon Line. That the Old Presbyterian Church remained united was in no small part due to the fact that “... in the very hotbed of secession, there was a mind as vigorous and a personality as dynamic as that of Calhoun himself—James Henley Thornwell—and a small but steady stream of influence trickling from Columbia Seminary to allay the passions of sectionalism. These two—the man and the institution... were constantly calling to patience, Christian longsuffering and forbearance.”

Thornwell viewed civil government as an ordinance of God in the sense that men were related to each other so that government is a necessity and in the sense that God endowed man with sufficient reason to construct government. Government, so constructed, becomes the ordinance of God to all who are subject to it, which they are subject to obey. Government is not an ordinance in the sense that any particular form has been prescribed by Him.

The church, by contrast, is a divine institution in a direct sense. God has prescribed a particular form of government for the church. Even

512. An interesting parallel in the quality of assessment of Thornwell and the tenor of evaluation placed upon him, though they involved differential times, persons, and objects, seems to be raised by that which is academically given to Sen. McCarthy and that which historians seem to give to Thornwell. Both notable, but notorious—and loose accusations when applied to them personally seem to be attached to them in attacking the tenor of the whole movements which indeed they did represent.

513. Cash, *Mind of the South*, 57.

514. Craven, *Southern Nationalism*, 395–96.

though a voluntary organization, it has no authority to administer any laws except those explicitly provided for in the Word of God.

Thornwell believed that a representative republic is the highest form of civil government.⁵¹⁵ He was fond of citing Milton's panegyric that it was "held by the wisest men of all ages, the noblest, the manliest, the equalest, the justest government, the most agreeable to all due liberty and proportioned equality, both human and civil and Christian, most cherishing to virtue and true religion." Since there can be no security for the wisdom and character of a monarch, the representative republic is the best form to serve the equilibrium of efficiency and human freedom.⁵¹⁶

Thornwell was unequivocally Southern and Anglo-Saxon in his veneration for the Constitution. The federal government, he felt, is restrained by the terms of the compact. The Constitution was a solemn compact among the states, and "the powers delegated in it to the General Government cannot, without the grossest ill-faith, be prostituted to the injury or destruction of the peculiar institutions of any of the parties."

"We cheerfully conclude that there is a higher law than the law of man," Thornwell said in recognition of the Northern conscience, which held that slavery is a wrong which must be abolished, "and that when human legislation contravenes the authority of God, it should not be permitted to bind {201} the conscience." He recognized that "if slavery is a sin no statutes or ordinances of earth can make it obligatory to sanction or sustain it. Then it would be the duty of the Northern States... to dissolve the Union themselves. They are criminal in remaining parties to a compact which, in their judgment, is a snare to their consciences." They should withdraw if they cannot abide the conditions to which they voluntarily agreed.

Thornwell saw slavery as part of the curse to be seen in the same relationship as is poverty, sickness, disease, and death—a relationship among fallen human beings. Robinson distinguishes two views toward slavery in the South. One was a conscious effort to provide spiritual uplift to the colored brethren. This view (the Thornwellian perspec-

515. Robinson, *Columbia Theological Seminary*, 41.

516. Whaling, "Dr. Thornwell as a Theologian," 44.

tive) “held that personal rights and personal responsibilities pervaded the whole system of slavery.” Thornwell urged all brethren of the South to promote colored evangelization.⁵¹⁷

Thornwell was a defender of the sanctity of slave marriage, possibly one reason why he came to the point of endorsing emancipation. The opposite view to the Christian evangel, states Robinson, is illustrated by the utilitarianism represented by Thomas Cooper. Robinson finds it suggestive that in the 1780s Cooper denounced slavery and the slave trade. Fifty years later he was declaring that Negroes were “a permanently degraded people” without inherent civil rights, was willing to “swallow up every other issue—even the ‘gag’ law to repudiate his own fundamental political principle—freedom of speech.”⁵¹⁸

In a sermon dedicating the Anson Street Church at Charleston in 1850, Thornwell told the leading citizens of Charleston that Southern writers had tended to extravagance in defense of slavery. He depreciated any attempt to claim the Negro was not of the same blood. “We recognize him in the image of God. We are not ashamed to call him our brother.” With rather curious logic he denied that slavery is “property of man in man” and held that slavery is not a right to the man but to the man’s labor.⁵¹⁹ {202}

517. Evangelization of the slaves was a major concern of Southern Christians. For discussion of this issue and the interest of Southern Presbyterians, see E. T. Baird, “The Religious Instruction of Our Colored Population,” *Southern Presbyterian Review* 12, no. 2 (1848):345–61; unsigned, “The Religious Instruction of the Black Population,” *Southern Presbyterian Review* 1 (December 1847):89–120; Edward C. Jones, “Work Among the Negroes”; Joseph B. Mack, “Work Among the Negroes, Part II”; George A. Blackburn, “Work Among the Negroes, Part III,” in George A. Blackburn, ed., *The Life and Work of John L. Girardeau* (Columbia, SC: State Company, 1916), 31–84; James H. Thornwell, “Critical Notices,” review of “The Religious Instruction of the Colored Population,” a sermon by John B. Adger, Second Presbyterian Church, Charleston, May 9, 1847, *Southern Presbyterian Review* 1, no. 2 (September 1847):137–50. Robinson cites Thornwell as the author of this unsigned piece (*Columbia Theological Seminary*, 128), although he erroneously cites the issue as vol. 2.

518. Robinson, *Columbia Theological Seminary*, 91.

Full Corn in the Ear ⁵²⁰

Elected to the Board of Directors of Columbia Seminary in 1838, from this time until his death Thornwell “continued in increasingly close connection with the Seminary.” He was perhaps “the dominating personality in the seminary in this period.”⁵²¹ In addition to serving as a professor in the seminary, Thornwell served the Presbyterian Church in Columbia, and handled the editorial work for the *Southern Quarterly Review*.

This review had been under such men as Legare, Harper, Elliott, and others and had ranked among the top periodicals in the nation. It was hoped that under the prestige of Thornwell’s name the languishing state of the journal would be bolstered by increased support. His correspondence with such persons as Edward Everette, George Bancroft, George F. Holmes, and F. A. P. Barnard attests to the quality he sought to build into the journal. However, public support was not forthcoming, and the journal soon ceased its existence.

The Confederacy sought a peaceful transfer of the military depot at Fort Sumter and was assured by Secretary Sumner of a disposition in favor of peace. As late as April 7, 1861, Mr. Sumner gave assurance that “faith as to Sumter fully kept” in reply to a note to the Confederate commissioners President Davis had dispatched to Washington. At this time a relief squad from New York was approaching Charleston. It was

519. Some Southern writers had a tendency to transform slavery into some other system by rhetorical distinction. One of the more ambitious efforts in this regard was that of Henry Hughes (Oakland College, 1847) to articulate the warrantee theory of slavery, which became not slavery, but warranteeism. No chicanery is implied on the part of either Thornwell, Hughes, or other spokesmen. The evils of Northern wage slavery were readily apparent, and did give an unfavorable comparison between that system and the domestic nature of Southern slavery among Covenant slave-owners in the South. For Thornwell, and others, the slaves, in full humanity, were a part of the domestic household. Furthermore, the distinction between ownership of the man and ownership of the labor could be a pivotal theoretical item for differential vesting of interests.

520. Palmer stated the “great law of the Christian life” as “first the blade, and then the full corn in the ear.” *Life and Letters*, 563.

521. Robinson, *Columbia Theological Seminary*, 37, 211.

after this action, conceived to be tantamount to a declaration of war, that the bombardment of Fort Sumter began on April 12, 1861.

In May the General Assembly of the Presbyterian Church met in Philadelphia. Telegraph lines were open between the administration in Washington and the Assembly with regard to the resolutions it would adopt. The “Spring Resolutions,” adopted 154 to 66, declared acknowledgement of Assembly “obligation to promote and perpetuate... the Federal government...” During the summer and autumn of 1861, forty-seven Presbyteries dissolved their connection with the General Assembly. Each separation was based “upon the unconstitutional character of the Assembly’s legislation.” In December 1861, the city of Augusta was the {203} scene of the organization of the General Assembly of the Presbyterian Church in the Confederate States.

Thornwell was present and participated in this organization. During the winter of 1861–62, Thornwell published reasoned appeals for public support in the struggle to which his country had become committed. The following quotation is from a widely circulated tract, titled “Our Danger and Our Duty,” in which Thornwell interpreted the consequence of a triumph by federal arms.

... *If they prevail*, the whole character of the Government will be changed, and, instead of a federal republic, the common agent of sovereign and independent States, we shall have a central despotism... deriving its powers from the will, and shaping its policy according to the wishes, of a numerical majority of the people.... The will of the North will stand for law. The Government does not now recognize itself as an ordinance of God; and, when all the checks and balances of the Constitution are gone, we may easily figure to ourselves the career and the destiny of this godless monster of democratic absolutism.... The avowed end of the present war, to make the Government a government of force.⁵²²

Thornwell’s letters reveal him to have been a man of immense humanity and godliness. His correspondence with colleagues, friends, family, his role as father, husband, master of slaves, reveal the thorough permeation of his character with the principles of godliness, intrinsic, smoothly worn, characteristic, and thereby unobtrusive. These principles were the man. Even the beasts of the field were to be treated by

522. Palmer, *Life and Letters*, 514.

godly principles. Vital godliness makes men great in the smallest and most minute of details of life, thought, and action. Thornwell exemplified this truth.

Thornwell's age was over three-quarters of a century prior to the antibiotics which have been instrumental in controlling some communicable diseases. It was a time in which "here today, gone tomorrow," due to the effect of a now-controllable communicable disease, was an immediate potential. Families were typically larger, but death as a result of communicable disease was a more immediate part of life.

In October 1856, Dr. Thornwell's mother died of typhoid while visiting Thornwell in Columbia. He accompanied her remains to her home in Bennettsville, South Carolina. He immediately returned home, where two of his children were lying ill. The sad countenance of the family, meeting him at the door, prompted the question: "Tell me if my dear daughter is dead?" "No, but Witherspoon (a nine-year-old boy) is." This death was neither the first nor the last of the Thornwell children—from infant to blossoming children, to a twenty-year-old daughter who died on the eve of her marriage (1859), who was interred in the Elmwood Cemetery at {204} Columbia with the inscription marking her burial place:

"Prepared As A Bride Adorned For Her Husband"

"It was a sorrow from which the stricken father never fully recovered. From this time his health became feebler."⁵²³ Many of the letters printed in Palmer's biography contain references to "the General," a child named after General James Gillespie, a benefactor of Thornwell during the latter's youth. The sorrows of the war were to touch Dr. Thornwell in his home.⁵²⁴ His son Gillespie was wounded by a saber thrust at Williamsburg in the spring of 1862, and was removed to Richmond. In June 1862, taking advantage of the time allowed by the seminary vacation for repose and travel, Dr. Thornwell made a hopefully recuperative trip into North Carolina. In the middle of July he spent a day with Gillespie and Mrs. Thornwell, the latter two having come up to Charlotte. The young soldier, his wound yet imperfectly healed, returned to active service in Virginia.⁵²⁵

523. *Ibid.*, 440.

524. *Ibid.*, 515.

Death of the Great Man

On the day when father and son parted in Charlotte, “Dr. Thornwell took his bed, from which he was lifted only to be borne to his burial.”⁵²⁶ For nearly two weeks he lingered, impressed that this illness was the final, nursed at the house of a friend in Charlotte. Racked by consumption and dysentery, he spoke little. Once being asked for instructions for when he was gone, he replied, “The Judge of all the earth will do right.”⁵²⁷

He died at noon, August 1, 1862, attended by the Revs. John Adger and John Douglas, one daughter, and one son. Adger, who was at his bedside for more than six hours before he breathed his last, reported there were no signs death was immediate. Thornwell seemed to be dreaming, and to be mentally transposed to his classroom. Once he said, “Well, you have stated your position, now prove it.”

For a long time he lay in quiet slumber, his countenance continually lit up with passing smiles, just as on a summer’s evening in our Southern skies... illumines itself... with beautiful flashes of lightning. Towards the close he exclaimed, “Wonderful, wonderful, nothing but space—expanse, expanse, expanse!” At the last, while we silently watched him, without any sign of suffering... he suddenly was gone.⁵²⁸

In an 1845 publication Dr. Thornwell made a dedication thereof to Dr. {205} Robert Breckenridge, wherein he described him as “an ornament to his Church, and a blessing to his country, a stranger to every other fear but the fear of God, the bold defender and untiring advocate, of Truth, Liberty, and Religion.”⁵²⁹ A more succinct and apt statement could not have been made of Thornwell himself.

525. Gillespie Robbins Thornwell, sixteen years old, was in the ranks on the coast when Sumter opened the war. He enlisted for cavalry service as soon as troops were massed in Virginia. One year after receiving his wound, he encountered a second, May 3, 1863, which was fatal.

526. Palmer, *Life and Letters*, 521.

527. *Ibid.*, 522.

528. Adger, “Memorials,” 188.

529. James H. Thornwell, *The Arguments of Romanists... Discussed and Refuted* (New York: Leavitt, Trow & Co., 1845).

Thornwell now stood before the Throne. In the family enclosure in Elmwood Cemetery, Columbia, the dust was committed to the earth by the side of the daughter who was laid there but three years before. Upon a marker of pure white marble was inscribed in bold relief, "James Henley Thornwell." Dr. Thornwell's sun had gone down at noon. The vineyards of his planting and cultivation produced wine whose savor provided a memorial for generations. From this vineyard, nurture continues to be drawn.

5.
BOOK
REVIEWS

BOOK REVIEWS

The Golden Constant: The English and American Experience, 1560–1976, by Roy W. Jastram.

New York: John Wiley & Sons, 1977. 231 pp., \$18.95.

Reviewed by Gary North

This book created a minor sensation when it first appeared. Business and financial writers immediately began to cite some of his conclusions, namely, the misleading and absolutely erroneous ones. The long-time (one might even say “professional”) detractors of gold and the gold standard latched on to some of Jastram’s seemingly incontrovertible findings. Let me assure you from the outset, his most quoted findings are eminently controvertible.

Jastram’s Data

If we are not to be misled by the summaries of the financial columnists, we need to understand just what it is that Jastram has uncovered. It would be disastrous to make decisions about buying or selling gold in terms of an inaccurate assessment of his book—and his book is increasingly influential. What Jastram’s data can do, beyond a shadow of doubt, is to throw considerable doubt on certain Keynesian myths about gold. The financial columnists don’t talk about this aspect of his book. What they have done is to cite certain of his conclusions that seem to refute the idea that gold is an effective inflation hedge. With only one exception in the book, however, Jastram *cannot prove his case* against gold’s success as an inflation hedge (or if he can, he didn’t in the book). What he shows, on the contrary, is that where a full gold coin standard has been in effect, there has been *only one instance* of serious price inflation. This was in the United States during the First World War. *This* is his “proof.”

To understand its popularity as a seeming refutation of the goldbugs’ most cherished slogans, you should consider two of his conclusions.

The evidence drawn from the English experience for 400 years is clear. Gold is no hedge against inflation of a prolonged character. Even

worse, it *lost* operational [“real”—G.N.] wealth consistently and seriously in each inflationary episode. In the first inflation of modern time, and the only one to have gone its complete course (1897–1920), a person would have lost two-thirds of his operational wealth just by holding gold in bars from beginning to end. And this was in the golden age of the gold standard. (125)

The evidence drawn from the American experience is convincing even though not completely consistent. In five out of the six major inflationary periods of American history since the eighteenth century, gold has lost its purchasing power. And quite severely so in four of those five. (171)

Well, what’s your reaction? Is he correct? Would you be willing to accept his findings if you accepted his statistical data? If you accepted his findings, then would you be apt to sell your gold, or recommend to people that they find another port in the obviously inflationary storm? Most important, do his data support his conclusions?

We can always find fault with price indexes (all right, it’s “indices,” but who {207} cares?). He uses wholesale prices, because all of us are lazy, and economic historians have far more complete time series of wholesale prices than retail, so we use what’s available. But we can still understand the broad sweep of price movements over centuries by means of wholesale prices. They don’t deviate too much from retail. Then, too, he doesn’t assess each component by its importance—shoes vs. wheat vs. rents—but weighting is always somewhat arbitrary. Anyway, if we want to say anything about prices and gold, we might as well use wholesale prices, unweighted. It’s better than nothing. After all, if we say that gold *is* an inflation hedge, we must mean something. And it’s unlikely that we can manipulate other data to prove him wrong in the most blatant price inflations in history. Jastram’s problem: to *find* these inflations.

He is not really being fair when he calls 1897–1920 the golden age of the gold standard. England in 1914 went to war. It became impossible for people to redeem their pounds sterling for gold coins. All gold went into hoards, or was exported, or was turned over to the Treasury as an act of patriotism. But it no longer circulated in Britain at face value. The gold standard was abolished in Britain in August 1914.

Here is a major flaw in his book. When gold goes into hoards, it also gets traded at market prices—illegal market prices. Amazingly enough,

these prices are not recorded by the participants and sent immediately to government statisticians, so that economic historians will have a complete record of what went on. Jastram's graph of the falling purchasing power of gold in the WWI British inflation *assumes* that gold's market price remained constant throughout the war, simply because *that was the price recorded in all the public indexes*. Any economist would know this is the wrong procedure the moment he read in any standard textbook that the gold coins went into hoards (e.g., Herbert Heaton, *Economic History of Europe* [1948], 676; E. Victor Morgan, *A History of Money* [1965], 168). Here is one basic problem with the book; Jastram is a statistician, not an economist. He ignores the obvious at key points.

Jastram never admits this, but his conclusions concerning gold's failure as a hedge against price inflation rests on this preposterous presupposition: *any* loss in the purchasing power of gold in comparison to *his* crude wholesale price index constitutes gold's failure. In one case (summarized in the next paragraph), gold lost about one-tenth of 1 percent per year, compounded, over a 130-year period. Hence, gold failed to perform. (Would anyone who knows anything about the nature of 400-year-old price data assume that we can make accurate judgments based on tolerances of one-tenth of 1 percent? Of course not. But Jastram does, and the Keynesian columnists follow his lead and cite his "case" against gold as an inflation hedge.) Again, Jastram says that gold did not keep pace with prices in England during the Napoleonic wars. He does show that gold vastly outperformed paper money. England suspended redeemability in 1797, and prices took off for twenty years. So did gold. The real losers held paper money.

Another period in which "gold was certainly not a hedge against inflation..." was 1570 to 1700 (75). Gold's price appreciated by 46 percent, but commodities increased by 72 percent. Now get this, folks: "The exchange rate between an ounce of gold and commodities fell appreciably and by approximately 15 percent between 1570 and 1700" (75). My, oh my! *A whopping 15 percent loss over a period of 130 years*. That's assuming we have price history data accurate within these tolerances, which is very, very doubtful. And the financial columnists think this proves that gold isn't an inflation hedge.

He dates the advent of a full gold coin standard in England at 1717. Prices then {208} remained relatively stable until 1760. A 43-year period of price stability! So when did prices get out of hand? During the Napoleonic wars and in 1914. In both instances, England went off the gold standard. In one case, gold appreciated in relation to paper money; in the second case, it went into hoards, black markets, and so forth, providing people economic protection against economic collapse—a major function of gold, says Jastram, throughout human history (176–77).

So where is the evidence of gold's failure as an inflation hedge in British history? Jastram's table on page 123 provides an impressive testimony to the *effectiveness* of a traditional gold standard, however flawed it was. The four inflations prior to the Napoleonic wars experienced annual inflations of 1.5 percent or less; 1623–58: 1.5 percent; 1675–95: 1.4 percent; 1702–23: 1.2 percent 1752–76: 1 percent. Remember, he dates the coming of a full gold coin standard at 1717, so the two “worst” inflations were before this. Conclusion: in the two recorded inflations in Britain in which full redeemability was maintained, the rate of inflation each year averaged between 1.1 percent and 1.2 percent. Against inflations, then, gold lost.

So what? When you can buy bonds, or put your money in a bank, or buy real estate, in confidence that gold redeemability, however flawed by fractional reserve banking and other forms of debasement, at worst will create a 1 percent price inflation per annum, you don't need to buy gold. In fact, few people did. These were the years of the beginning of British industrialization, leading to full-scale industrialization after 1780. If price inflation never exceeds 1 percent per year, you invest elsewhere. A 1 percent per year rate of price increase isn't a crucial factor in human action. If the increases are not sufficient to encourage men to search for an inflation hedge, then the fact that gold is not an inflation hedge really doesn't mean much—*unless* you're a partially informed economic journalist who reads other people's biased and misleading book reviews of an important work like Jastram's.

Furthermore, Jastram points to the fantastic resilience of wholesale prices. They keep returning to gold, generation after generation. They go up (gold loses slightly). They go down (gold appreciates). But they have always returned to the old gold-commodity price parity. That's

why he called his book *The Golden Constant*. No better source of documentation on the long-term stability of gold's purchasing power has ever been published in English, as far as I'm aware. *That's why this book is important.*

Gold is a *deflation* hedge, he demonstrates. However, he fails to point out why. When the government redeems paper money for gold, then gold is money. If prices are falling, then of course gold appreciates. Why? Because under full redeemability, gold is money. The price of the metal does not fall precisely because the government guarantees to pay a fixed amount of paper money for each ounce of gold delivered to its treasury or commercial banks. Gold then has a legal price floor, namely, a fixed quantity of paper money. It is a *protected commodity* in a deflation. But to argue that gold is a deflation hedge—a deflation in which it, as a commodity, is immune—is to assume that a traditional gold standard is in force. (A major defect here is that this guaranteed price floor tends to encourage the production of more gold—like any other artificial price floor. More gold is produced, and it is turned over to the government. The government issues paper money for the gold. This tends to increase prices, for it is unquestionably a form of monetary inflation. This is why deflations in traditional gold standard nations have become mild inflations later on; it would be true even without fractional reserve banking, but the inflations would be even milder and slower, given the costs of mining gold. Ours is an imperfect world; gold is no exception. But what is the alternative?) {209}

In summary, Jastram's book proves from British economic history that in periods in which a gold coin standard was in operation, Britain enjoyed price stability, and that during wartime, when gold redeemability was abolished, gold outperformed paper money as an inflation hedge. So far, goldbugs have a book to help them state their case.

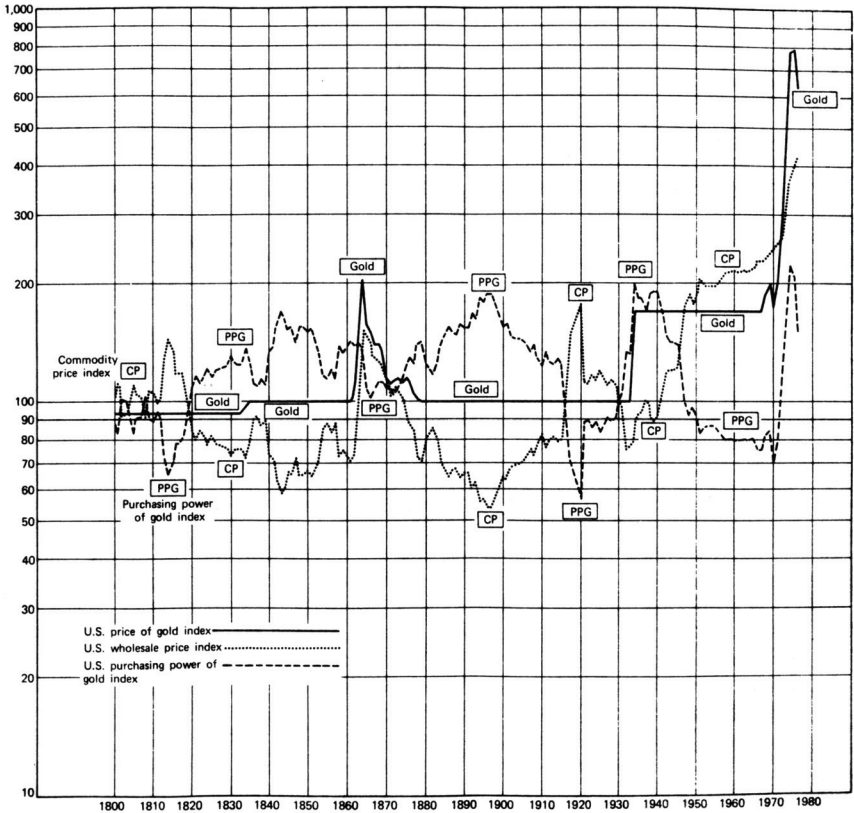
There was no true redeemability in the early years of the republic. Most people used money only occasionally; it was an agricultural society based on home production and barter. In local areas, fractional reserve banks frequently raised the price of local goods, and gold traded at a premium. How, then, can Jastram write: "The purchasing power of gold declined by almost 40 percent" (155)? Only by assuming that the official price of gold was constant, even in the War of 1812, despite documentary evidence to the contrary. This is not economic

history at its best. This is the sole basis of his case against the purchasing power of gold until the Civil War, and he presents only an assumption—one which flies in the face of what we know happens to the market price of gold in every war, especially those in which banks no longer redeem their paper money for gold. Conclusion: case not proven.

Then comes the Civil War. In December of 1861, banks suspended gold redeemability. Gold then went up or down with the free market. See chart, next page. The price of gold soared. A true commodity exchange, however limited, was established for gold. Jastram concludes that from 1861 to 1864, gold lost 6 percent of its purchasing power (table, 172). Amazing; 6 percent over three years in the most devastating war this country ever fought, since it fought against itself. Does he really expect us to believe that our knowledge of an unweighted index of wholesale prices, in the middle of a war, throughout the whole bleeding countryside, is sufficient to make comparisons of under 2 percent per annum, compounded? If he believes this, then he isn't an economic historian; he's a statistician. And he knows what gold meant to a family that might be invaded by an army, burned out, and sent out into poverty. He knows what bank failures meant. Yet he measures gold's value with an unweighted price index—records compiled haphazardly, in the middle of a war, before there were legions of bureaucrats and graduate students compiling them—while discounting the tremendous chaos hedge feature of gold, and concludes that gold was not a hedge against inflation during the American Civil War. I'd call that naïve to a fault. (I'd also call it "Yankee biased"; *he forgot to include the South!* Do you know what gold meant in the South in 1864?)

Conclusion: his case is not simply unproven; it's preposterous.

Chart IV The American Experience: Indexes of the Price of Gold, Commodities, and Purchasing Power, 1800–1976: 1930 = 100.00



In the 1897–1920 period, Jastram’s analysis holds: gold’s purchasing power fell. In 1897, the Yukon’s mines opened up, and a stream of gold output was then able to compensate for South Africa’s brief interlude of zero production during the Boer War in 1898. The MacArthur-Forrest technique of gold extraction with cyanide in 1887 had vastly increased the output of gold mining in the mid–1890s, so a lot of gold came into the market. Predictably, after 1898, the purchasing power of gold dropped slowly. But other commodity prices were not rising that rapidly, until the European war began.

The war in the U.S. hit in 1917, and Wilson suspended gold exports by means of executive order (he invented this evil practice), so a true free market in gold did not exist. As always, in wartime, other com-

modities are often more desirable than yellow metal, and the fixed price of gold did apparently reduce its purchasing power. With England and France sending tons of gold to the U.S. in payment for weapons from 1915 on, and with domestic production being aimed at exports, it is reasonable that the fixed price of gold resulted in lower purchasing power; its {210} supply increased, and Americans couldn't export it to buy foreign goods, first because Europe had few goods to sell, and later because gold exports were made illegal. Conclusion: Jastram seems to be correct about this period of increasing gold production, increasing gold imports, and rising prices, especially during the war. Speculators could hardly bid up the price of gold when the government stood ready and willing to sell gold into the market, and foreign buyers of goods were sending it in by the ton. Federal Reserve District banks increased their gold reserves by \$225 million, from December 31, 1914, to December 29, 1916, an increase of 98 percent. If gold comes to you because you're selling what buyers want, but you can't send any back to buy the goods you want from them, then the purchasing power of gold will fall, until such time as you can start sending it back to buy their cheaper goods. By becoming the world's monopoly seller, we wound up with a lot of gold. (Just like the Arabs, who wind up with paper money while we get the oil. Pretty soon, the value of their money drops. Gold was money in 1915–18; it dropped in value, too.)

His next case against gold, in both England and the U.S., begins in the Great Depression. But what he fails to note is that the nation was taken off the gold standard, but the government stood ready to dump gold at a fixed price into the international markets. Americans and British citizens, with the world's reserve currencies, were prohibited from buying gold coins at the fixed price. Gold then became a loser to price inflation because of the huge stockpile of gold that the U.S. government could sell. That supply was so huge that it has taken almost half a century to get it down to today's levels. However, if you had bought gold in January of 1933, just before FDR stole it in the name of the people, and you had held it until January 21 of this year, selling it at \$800 an ounce, your compounded annual rate of return would have been 8 percent, since gold sold at \$20.67 per ounce in early 1933. When one investment decision, held for forty-seven years, can get you a pre-tax compounded return of 8 percent, it's a very remarkable investment.

What all the journalists fail to remind us—or did until about a year ago—is that Jastram’s book ends with the price of gold in 1976, when gold was under \$150 an ounce. Also, it should be remembered that practically nobody in the investment world advocated buying gold coins until the early 1960s—and then only a few men—and the call to gold by goldbugs didn’t get rolling until 1971, when Nixon closed the gold window to foreign central banks. I can’t think of a single investment advisor who advised holding gold long term throughout the period. (Of course, he would have had to start advising pretty young to have done so.) When a seller will supply all of a commodity the world wants, and when he got his huge supply by stealing it, and when the people he stole it from are prohibited from entering the market anywhere in the world to compete, thereby driving up the price, yes, you can conclude that gold will not be a good inflation hedge. That’s what most people did conclude, until they saw that the thief was running out of the stolen property.

What Jastram has shown is this: when a traditional gold standard is in force, restraining governments, price inflation is limited; the people’s investments are safe, and they can invest in profitable activities, which they do. When men don’t have much price inflation, they don’t need an inflation hedge. The only example Jastram can point to in the entire book in which gold was not an inflation hedge during a period in which a gold standard was operating is America from 1915 to 1919. Second, when gold redeemability was suspended, the market price of gold either kept pace with price inflation, or came very close—and never forget, in a war, you don’t make gold your major investment anyway; you make consumer {212} goods, weapons, and other necessities your major investment. In summary, the book that “proves” that gold isn’t an inflation hedge makes its case on the basis of four years in American history out of a total of 600 years in the history of the two nations that have clung most strongly to the gold standard. (I’m not quite fair, here; I’m using gold price data up to 1980, while Jastram didn’t have this data. It is interesting that Jastram keeps writing articles to the *Wall Street Journal* in which he admits that since 1976, gold has become an inflation hedge, and his old rule was broken.)

To summarize my conclusions, I want you to *beware of the nonsense propagated by half-baked journalists with an anti-gold bias* who base

their comments against the inflation-hedging aspects of gold on a *too rapid reading of this book*—and it is the *only* book that has endeavored to prove the case against gold as an inflation hedge by means of statistical history. Jastram praises gold continually in the book for being an incomparable long-term constant—an asset that can be passed from generation to generation, in confidence that it will preserve its purchasing power. His data prove that *gold is a very good inflation hedge when the gold standard is abandoned* by governments, and that *it makes inflation hedging unnecessary when a full gold coin standard is enforced* by governments. What better case can be made for gold? Where Jastram is critical of gold, he offers insufficient or erroneous evidence; otherwise, he's great!

***CAPITALISM: Sources of Hostility,*
edited by Ernest van den Haag.**

New Rochelle, NY: Arlington House Publishers, 1979.
206 pp., cloth, \$9.95.

Reviewed by Tommy W. Rogers

Essayists in this volume, which focuses on the nonrational sources of antimarket hostility, are the editor, Roger Starr, Peter Bauer, Nathan Glazer, Lewis S. Feuer, Dale Vree, and Sidney Rothman. These essays were commissioned by the Liberty Fund Inc., and were read at a conference held in 1975. They are intensely analytical, but solidly informative, lively, insightful, still highly timely, for they deal with the principles and dynamics within the sociology of belief or the sociology of knowledge as applied to the issue under consideration.

Van den Haag, arguing that the very success of capitalism has generated discontent among the “poor” even as it has diminished the distance between the “poor” and the well-to-do, also contends that the welfare state ethic has created a class of permanently poor by increasing the utility of being “poor” among persons who become resentful of their comparative “poverty” but who nevertheless see no need to work because of the very marginal gains (if not absolute decrements) work would represent.

Van den Haag further notes that anticapitalism appeals are peculiarly attractive to intellectuals, with some of this appeal accruing because of the comparative power they feel they will have in a politicalized (planned) society. He also observes that while the moral-political case for the market system has flaws, on a rational basis its case is stronger than that for alternative systems. Dale Vree, in a discussion of this paper, adds that a significant component of antimarket hostility is prompted by a desire to escape from the freedom of making life-choices. Vree is not optimistic about the prospects for a future based on acceptance of the responsibility of choice {213} until after we pass through the suffering and terror exemplified “by the emergence of those startling, almost religious figures who have come from the darkness of the Soviet world to express human responsibility on a scale we have not seen in many centuries.” He takes the avowedly pessimistic position that responsibilities of recapturing our common humanity will occur only after having our fill of the narrowed horizons of the planned and government-owned economy and its effects, not only on the production of goods, but on the products of the mind and imagination.

Feuer’s analysis of market hostility is couched largely in terms of Oedipal psychoanalytic dynamics, arguing that much of the underlying irrationality in opposition to free markets arises more from a desire to aggress, dominate, and control than from a desire to reform. Vree, in commentary to Feuer, enters autobiographical caveat which implies that continuity as well as conflict factors into antimarket predisposition.

Bauer examines the anticapitalism mentality as reflected in developing and non-Western societies. Among the factors enumerated are indoctrination from the teachings of Western economists and international agencies which emphasize the desirability of the controlling state, the alienation of intellectuals and administrators from ordinary people, and foreign aid which tends to strengthen the hands of planners and which also permits the planners to cover up the failures of planning. The West has both evangelized for and purchased socialism abroad.

Glazer raises a question as to why non-Western intellectuals are so avowedly antimarket when the main thrust of economic analysis in the

West, according to Glazer, has been allegedly pro-market. However, as Rothman points out, while the real radicals may have been few in number, the anti-mores, anti-individual, pro-statist ethic of the social sciences (and, one might add, though Rothman doesn't, education in general) is promotive of a statist, welfare, liberationist ethic.

... [T]he failure of academics and other professionals to effectively resist the counterculture of the 1960s and their cautious sympathy with much of it indicates that it resonated something in them... the elite of the counterculture were their children ... often acting out the fantasies of their parents.... it is these same intellectuals who join international agencies or otherwise convey to Third World intellectuals the idea that Western capitalism is exploitative and should be transcended, even as they convey the same arguments to a new generation of students.

Rothman adds that there is every reason to believe that most of the Third World will grow increasingly hostile to the West, and will choose sociopolitical orders which involve large elements of statist control. Domestically, the generation educated in the 1960s and early 1970s, when capitalism was under such sharp attack in the better universities, has now entered the mass media and the universities, increasing the *de rigueur* of formerly radical thought.

These essays are highly credible and insightful thoughts about the somewhat paradoxical fact that free-market economics, which has the demonstrated capability to provide a comparatively higher standard of living for the masses and simultaneously preserve individual freedom, has been in steady retreat, both in terms of implementive policy domestically and abroad, and in terms of the battle for allegiance in ideas and belief. But, as Doctor Van den Hagg points out in the introduction, "Symptoms arising from emotional needs or disturbances cannot be remedied by exhorting to rationality or by correcting erroneous reasoning." This volume turns attention toward the emotional factor (nonrational) in hostility to the free-market {214} system. Suffice it to say that an effective antidote to political and moral nosema requires some understanding of the etiology of the system opposed. In this regard, this volume is valuable.

***The Invisible Government*, by Dan Smoot.**

Belmont, MA: Western Islands, 1977.

240 pp., paper, \$3.00.

Reviewed by Tommy W. Rogers

This is an attractive reissue of Dan Smoot's minor classic on the Council on Foreign Relations. It is not a book of wild accusation. It is a book of serious import and consequence. It throws light on issues which have not become certified issues for public discussion. It does, directly and by serendipity, indicate why certain issues have become standardized and why the tenor of their interpretation and why the solution to those conceptualized as problem issues is so often of the same idiom, and why the solidity of public opinion (or perhaps public apathy) often seems so solidly behind them.

Trade with communist nations may be taken as an indicative issue. The issue is one of morality and practicality. However, opposition to it is largely ineffective. Certainly it is not a political issue, nor is it an item of public concern. Private jokes on recent occasion brought about greater public reaction. The military aspect of the American involvement in the industrial development of Vietnam—in the decade of active but limited opposition to Communism in South Vietnam before total, complete, and thorough capitulation there resulted in a big buildup in that country of harbors, air facilities, etc.—was against an enemy which was nurtured, refurbished, supplied, and equipped indirectly and directly by the West.

A major reason that Communism is a viable threat to freedom today is because the West has given that system major infusions of capitalist technology. The trucks and tanks of the Ho Chi Minh trail were supplied courtesy of Western industrial firms. Precision grinding equipment, advanced computer systems, technology for the guidance systems of missiles, the largest multi-axle truck building facility in the world: all were being supplied to Russia even during the height of the conflict. The American planes which made forays into the North on limited pounding missions were attacked by the assistance of Western

logistical support of totalitarianism even as they flew on missions to destroy manufactures of war supplied by the West.

If ever there was an occasion for expression of concerted moral indignation, here was a cause. Support for Communism as it has been extended by industrialists of the West is godlessly immoral even if it were not used in war against the benefactor. Those who would support Communism and its humanistic (and thereby Satanically based) system have been sufficiently alert strategically and have been sufficiently powerful that the aims of Communism have been aided even under the guise of alleged opposition.

Grave questions may be raised about the moral stature of a nation, of an individual, or of an administration, which bids goodspeed or provides aid to the forces of Satanic dominion. Such reasoning may be largely supported by the ideas recuse of and reflect the zeitgeist fostered by (and, at best, not effectively challenged by) major religious bodies as desirable steps toward peace and brotherhood. Such a world and life view can and is today a product of denominations that are not affiliated with the National Council of Churches, of which most individual members {215} are probably ideologically conservative in orientation. This perspective remains somewhat fundamental theologically in pew and pulpit, continues in most of its churches to maintain a salvation message (though dependent on the “decision” of man rather than the selection of God; with the role of the latter being limited to a proffer of goods and limited largely to cajoles and ineffective appeals), and influences some of the world’s most renowned evangelists.

Some scholars have contended that American Christianity is a form of “civil religion” which affirms faith in the nation-state. Individuals, and nations, can perish for lack of knowledge when alleged emanations from biblical direction are in fact a religious veneer attached to principles, objectives, and goals whose epistemology is based on humanism. At a recent “state leadership prayer breakfast,” a speaker cited poverty statistics, and quoted Eleanor Roosevelt as authority for desirable aims which the audience should dedicate themselves to pursuing. He, and apparently much of the audience, thought (seemingly) that this was congruent with godly directive and intent. Where this form of septicemia has managed to pollute the wellsprings, it does affect vision, and people and nations can perish for lack of singularity in vision. In such

cases, it is not difficult to understand how there is no moral, mental, or spiritual check on foreign policies which promise aid and support to the avowed enemies of freedom in the mutual objective of building a humanistic system of world order, developed through detente, aid, easing of tensions, cooperation, interdependence, and elimination of centers of reaction and resistance.

Antony Sutton, formerly of the Hoover Institution, has revealed the guiding motif and the logistical extent of American succor of Communism, in an impressive series of books (such as *National Suicide: American Military Aid to the Soviet Union*) in the early 1970s. Such questions never became public issues. Yet, the approach sanctioned by public respectability was neither a reflection of the wisdom of nor implementation of the instruction of God. The United States, with scarcely a blush as to its inappropriateness nor scarcely a ripple of concerted public indignation, can seek lines of accommodation with Cuba, explore new channels of support to totalitarian governments, can tolerate extensive internal and external activity of foreign agents while voicing the most charitable intent to their government, while simultaneously engaging in harassment and malevolent policies toward a South Africa where, if anywhere on earth, American character and moral resolve should be reflected at least in passive and unofficial support.

President Carter evidently had no compulsion about campaigning as an alleged “outsider.” His campaign manager stated that “if, after the inauguration, you find Cy Vance as Secretary of State and Zbigniew Brzezinski as head of National Security, then I would say we failed. And I’d quit. But that’s not going to happen” (xiii). The writer of the foreword of this edition of *The Invisible Government* does not single out Mr. Carter for criticism, for Mr. Nixon, too, campaigned on the promise of a housecleaning, “but when elected to office failed to keep his promises. Not only did he fail to rid the government of the anti-Americans, but he advanced the cause of the Insiders and Communists far beyond its position in 1968” (xiv).

For three years prior to the election in 1976, Mr. Carter was a member of David Rockefeller’s Trilateral Commission, an inner ring which is said to exert tremendous influence on the directions taken by affairs in the United States. “For him to claim... that he was an ‘outsider’ who would bring new ideas and people into the federal government was

simply preposterous.” The conclusion which may be drawn is that {216}

... the political parties which control the White House may change, but the people in control remain. The occupants of the Oval Office may come and go, but the people in control remain. The religious beliefs of the Presidents may change, but the people in control remain. Despite all the changes that have occurred in this country since *The Invisible Government* was first published... the American Establishment has not changed. (xiv)

Dan Smoot is convinced that the objective of the invisible government (in his term) “is to convert America to a socialist state and then make it a unit in a one-world socialist system” (3). The focus in this book is on the Council on Foreign Relations. It is made clear that the “invisible government does not consist simply of the CFR; the CFR is *not* the conspiracy, and the conspiracy is *not* the CFR” (xv). The Council in fact includes such men as William F. Buckley Jr. and Chester Ward, while some men who are not members of the CFR occupy such powerful positions in American society that their knowledge of and/or participation in the invisible government is said to be virtually assured.

Smoot attempts to indicate the broad outline of what he styles as the invisible government. The CFR, as the editors point out in the foreword, is not the eye of the octopus. They, and the author, are convinced that “the invisible government exists, and that its goal is the collectivization and subjugation of the human race.” However, they are well aware that to jump from this into a dogmatic analysis of the nature, extent, and power centers of the conspiracy is not justified since the information which has to date become known on the camarilla that manipulates American society is not definitive in scope. The Council on Foreign Relations, Smoot opines, is part of the web of businessmen, diplomats, and high government officials which, together with “a great number of other associated tax-exempt organizations, constitutes the invisible government which sets the major policies of the federal government; exercises controlling influence on government officials who implement the policies; and, through massive and skillful propaganda, influences Congress and the public to support the policies” (3).

The Invisible Government is primarily a book of fact and documentation. The Council on Foreign Relations was incorporated in 1921 after

constitutionalists in the United States made it plain that the Senate would not authorize United States membership in the charter for World Government proposed in the aftermath of World War I. The objective of the Council was to condition the American people to accept its creation of a “positive” foreign policy to replace the traditional “negative” foreign policy (the foreign policy dictum of President Washington that the American *government* keep out of the wars, revolutions, and political affairs of other nations) “which had kept America out of the endless turmoil of old-world politics and had permitted the American people to develop their great nation in freedom and independence from the rest of the world” (7).

The Council increased in significance in the late twenties when the various Rockefeller, Carnegie, and Ford Foundations and Funds began to pour money into it. By the early 1940s the Council had become dominant within the State Department. Its crowning achievement came in San Francisco in 1945 when over forty members of the American delegation (including Alger Hiss, Nelson Rockefeller, and Ralph J. Bunche) to the organization meeting of the U.N. were Council representatives. Smoot feels that by 1945 the Council on Foreign Relations, and various foundations and organizations interlocked with it, had virtually taken over the State Department.

The author feels that the CFR was heavily involved in the maneuvering which {217} dragged America into World War II, and played a key role in creating the basic policies which the United States has followed since then (see Smoot’s documentation, 22–30). Why would any American opt for or agree to the postwar Berlin Agreement? Why did the American army decline to take and occupy Berlin? Why were the Russians established as the conquerors of Czechoslovakia? That Western Armies under Eisenhower’s command rounded up an estimated five-million antiCommunist refugees and delivered them for torture and murder by the Soviets is one of the sordid chapters of American history (this story has been told in Epstein’s *Operation Keelhaul*).

Smoot feels that irrespective of what responsibility General Eisenhower may have had for *formulating* the decisions which Eisenhower implemented in holding our armies back from Eastern Europe, the ghastly wartime and postwar decisions which put the Soviet Union astride the globe like a menacing colossus and placed the then incom-

parably stronger United States in the position of appeasing and retreating can be traced to persons who were CFR influentials. Smoot nowhere claims that the presence of such persons as Owen Lattimore in the CFR makes it a communist organization. Nor does he claim that men like George F. Kennan and Philip E. Mosely (the Americans who set up the Berlin agreement) were traitors who wanted to serve the Soviet Union. He feels that “they wanted to set Berlin up as a perpetual excuse for any kind of program which the Council on Foreign Relations might want the American government to adopt” (30). This objective happened to dovetail closely with reducing Europe to virtual impotence and leaving the Soviet Union as the only major power on the continent after the war.

In July 1961, when congressional debates over the foreign aid bill were in a critical stage, President Kennedy addressed the nation on radio and television with the solemn warning that the Berlin situation was serious. This occurred about two weeks after a White House luncheon which launched the CFR’s foreign aid committee. Within a week of that meeting the President and his high-level aides were speaking about the grave crisis in Berlin and about foreign aid as *the* essential means of “meeting” that crisis. Foundations, businesses, civic agencies, and the public were urged to pressure Congress in favor of the 1961 foreign aid bill. Liberal and leftwing forces united in a passionate plea “urging the American people to support the president ‘in this grave hour’”(108).

Smoot is of the opinion that “the foreign aid bill was a special project of our invisible government... as always, the great tax-supported propaganda machine used a fear psychology to bludgeon the people into silence and the Congress into obedience” (109). Smoot feels that it is improbable that Congress ever passed a bill more destructive of American constitutional principles; more harmful to our nation politically, economically, morally, and militarily; and more helpful to Communism-socialism all over the earth than the Foreign Assistance Act of 1961. From beginning to end, he says, it was a product of the Council on Foreign Relations.

Smoot is thoroughly correct in his observation that the claimed justification for foreign aid in that by helping the “underdeveloped” countries develop it will prevent them from coming under a communist

rule is historically, politically, economically, and morally fallacious and chicanerous for several conclusive reasons.

1. Communism has never subjugated a nation by winning the loyalties of the downtrodden. They first acquire support of the intelligentsia, using them to pervert established mores and political and social arrangements.
2. American foreign aid does not finance freedom in foreign lands. On the {218} contrary, with few exceptions, it finances socialism through Western economic aid, helping these countries socialize their economies and ease their integration into the world socialist system.
3. Foreign aid does grievous harm to the American people. It burdens Americans with excessive taxation, makes it more difficult to expand our own economy, and gives government a pretext for intervening with more taxation and controls for domestic subsidies.
4. The money taken from Americans is used to subsidize American political enemies and economic competitors abroad.

Foreign aid often harms our land and theirs as well when “it inflates their economy and foists upon them an artificially produced industrialism which they are not prepared to sustain or even understand” (111). It is, however, consistent with the CFR objective of socializing the economies of all nations so that all can be merged into a one-world system.

The CFR “educates” the public and pressurizes Congress to support CFR policies through many interlocking organizations. Smoot specifically discusses the Foreign Policy Association-World Affairs Center (31–42), Committee for Economic Development (43–65), and the Business Advisory Council (66–79). The goal of the first of these organizations is said to be that of fostering the foreign policy desired by the CFR; the second organization is said to be primarily interested in formulating economic and social policies which involve greater governmental controls, and the interest of the third is said to be “of infiltrating government, of selecting men whom the CFR wants in particular jobs, and of formulating inside the agencies government policies which the CFR wants” (66).

The Advertising Council plays a particularly important role in determining what is or is not in the public interest and in saturating the

media with skillful propaganda on that subject (79–84). Numerous other “interlocking untouchables” (132–40) promote and advocate for internationalism and the total state (66–78). They seem to have profound appeal to and remarkable endorsement of large scale business enterprises.

Smoot provides a brief discussion of the unsuccessful efforts of Congress to uncover the extensiveness of the influence of the tax-exempt foundations; no committees (neither the Cox Committee nor the Reece Committee) have been sufficiently powerful. The Reece did throw some revealing light on the historical blackout of World War II events. “Men who run the Council do not want the policies of Franklin D. Roosevelt to undergo the critical analysis and objective study which exposed the policies of Woodrow Wilson after World War I” (135) and protect the public from the truth by perpetuating the socialist-internationalist version of historical events prior to and during World War II.

Smoot, as did the Reece Committee, and as Congressman Wright Patman, who incurred the constant wrath of bankers and foundations he continually attempted to reveal, states that “these tax-exempt organizations are set up, not for the purpose of doing some good in our society, but for the purpose of avoiding the income tax.” The tax-exempt organizations are said to “have a vested interest in the oppressive, inequitable, and wasteful federal income-tax system... by which a wealthy man can actually save money by giving to tax-exempt organizations” (136).

Removing billions from taxation, the tax-exempt organizations seek policies that extract more and more from taxpayers to their demands on government. “Every significant movement to destroy the American way of life has been directed and financed, in whole or in part, by tax-exempt organizations which are entrenched in public opinion as benefactors of our society” (137). {219}

American advocates of *supranational* government claim their principal motive is world peace. Yet these are generally the same Americans, Smoot states, whose eager interventionism helped America into the two world wars of this century. The propaganda for entry into these wars was primarily the same as that currently used to push for world government.

Many of the persons advocating one-worldism have had ugly things to say about Communism. Some want to do good rather than evil (Whittaker Chambers's *Witness* has a good discussion of the appeal of Communism to the desire of the humanistic mentality to build a civilization that defies man), and feel that one-world socialism is desirable and inevitable. Some of these latter probably do desire that the United States become part of a worldwide socialist dictatorship under control of the Kremlin, but these are not necessarily those who themselves can account for the great successes of the CFR in accomplishing a one-world thrust. "Well-intentioned but ignorant community leaders have done more than all *Communists* have ever managed to do in brain-washing the American people *for* governmental intervention in the economic affairs of the people, and *for* endless permanent entanglement in the affairs of foreign nations—thus preparing this nation for submergence in a one-world socialist system..." (143).

The United Nations in particular has been the benefactor of a constant and well-concerted barrage of propaganda for this superstructure of world government, mass man, and far-reaching control of thought and behavior (85–105). Perhaps one explanation for the affinity between large scale business and support of socialism is to be found in the fact that monopoly socialism does not seek nor desire free enterprise. Monopoly capitalism seeks to utilize the power of the state in order to make the state the servant of the interests of monopoly. Socialism, popular belief and propaganda to the contrary and notwithstanding, is not a system which has an objective of lessening exploitation of the poor. It is a system whereby the elite can use the total spectrum of the state in its own interests and can better control and exploit the masses. The interests of anti-free-enterprise government structure and monopoly both lie in greater, not less, centralization and Statism.

Smoot points out that the constitutional concept which has allowed the United States to become the most free, most fruitful, most powerful nation in history is violated by any kind of world government. This discussion is worth careful consideration, for it is vital, and it is accurate (85–92). His discussion of the consequences of world government are salient. Men, as he points out, derive their rights from God Himself, not from the government. "Government, a man-made creature, has nothing except what it takes from God-created men... if man is to

remain free, he must have a government which will play a very limited and negative role in his private affairs” (89).

THE MINISTRY OF CHALCEDON

[Pr. 29:18]

Chalcedon [kalSEEdon] is a Christian educational organization devoted exclusively to research, publishing, and cogent communication of a distinctly Christian scholarship to the world at large. It makes available a variety of services and programs, all geared to the needs of interested laymen who understand the propositions that Jesus Christ speaks to the mind as well as the heart, and that His claims extend beyond the narrow confines of the various institutional churches. We exist in order to support the efforts of all orthodox denominations and churches.

Chalcedon derives its name from the great ecclesiastical Council of Chalcedon (AD

451), which produced the crucial Christological definition: “Therefore, following the holy Fathers, we all with one accord teach men to acknowledge one and the same Son, our Lord Jesus Christ, at once complete in Godhead and complete in manhood, truly God and truly man...” This formula challenges directly every false claim of divinity by any human institution: state, church, cult, school, or human assembly. Christ alone is both God and man, the unique link between heaven and earth. All human power is therefore derivative; Christ alone can announce that “All power is given unto me in heaven and in earth” (Matthew 28:18). Historically, the Chalcedonian creed is therefore the foundation of Western liberty, for it sets limits on all authoritarian human institutions by acknowledging the validity of the claims of the one who is the source of true human freedom (Galatians 5:1).

Christians have generally given up two crucial features of theology that in the past led to the creation of what we know as Western civilization. They no longer have any real optimism concerning the possibility of an earthly victory of Christian principles and Christian institutions, and they have also abandoned the means of such a victory in external human affairs: a distinctly biblical concept of law. The testimony of the Bible and Western history should be clear: when God’s people have been confident about the ultimate earthly success of their religion and committed socially to God’s revealed system of external law, they have been victorious. When either aspect of their faith has declined, they have lost ground.

Without optimism, they lose their zeal to exercise dominion over God's creation (Genesis 1:28); without revealed law, they are left without guidance and drift along with the standards of their day.

Once Christians invented the university; now they retreat into little Bible colleges or sports factories. Once they built hospitals throughout Europe and America; now the civil governments have taken them over. Once Christians were inspired by "Onward, Christian Soldiers"; now they see themselves as "poor wayfaring strangers" with "joy, joy, joy, joy down in their hearts" only on Sundays and perhaps Wednesday evenings. They are, in a word, pathetic. Unquestionably, they have become culturally impotent.

Chalcedon is committed to the idea of Christian reconstruction. It is premised on the belief that ideas have consequences. It takes seriously the words of Professor F. A. Hayek: "It may well be true that we as scholars tend to overestimate the influence which we can exercise on contemporary affairs. But I doubt whether it is possible to overestimate the influence which ideas have in the long run." If Christians are to reconquer lost ground in preparation for ultimate victory (Isaiah 2, 65, 66), they must rediscover their intellectual heritage. They must come to grips with the Bible's warning and its promise: "Where there is no vision, the people perish: but he that keepeth the law, happy is he" (Proverbs 29:18). Chalcedon's resources are being used to remind Christians of this basic truth: what men believe makes a difference. Therefore, men should not believe lies, for it is the truth that sets them free (John 8:32).

Finis