

Which source might these Christian Economics texts use?

Student assigned-readings questionnaire on

Murray Rothbard's

WHAT HAS GOVERNMENT DONE TO OUR MONEY?

which echoes Biblical principles of money

Q

A

A commodity is "a quantity of goods" used in "trade and commerce." on the basis of a
How should money exchange similarly with other commodities? constant known weight

How does increasing the money supply differ in effect from increasing the supply of other commodities? Increasing the money supply adds no net social benefit, but merely devalues already-existing money.
Why is this so? Unlike other commodities, money is exchanged, not consumed.

How would banks function in a 100% specie-backed money system? Banks would store ("warehouse") gold or silver (specie). Bank notes ("warehouse receipts") would issue only against specie deposits, all redeemable anytime. Bank profits would come from specie-storage charges and interest on specie loans.

If the money supply is not limited to the supply of precious metals, money ceases being a form of private property and becomes a tool to redistribute wealth.

What is "inflation"? an increase in the money supply, usually in excess of the supply of precious metals
How does inflation redistribute wealth? by shifting net claims to wealth to those nearest the source of the new money (i.e., government and banks), and away from those farther from the source
What are "fractional-reserve banks"? banks which overextend credit by making more loans in paper money – all of which they pledge to redeem in specie on demand – than they can redeem
Why are government and fractional-reserve banks "inherently inflationary"? Government expands the money supply to buy more goods and services without directly raising taxes. Fractional-reserve banks expand the money supply to make more loans, earn more interest, raise their profits.

How does a legitimate credit economy (without fractional-reserve banking) differ from a paper money economy (with fractional-reserve banking)? In a legitimate credit economy there is no monetary inflation, more postponed consumption, and a promise to repay bank debt in the future. In a paper money economy there is monetary inflation, less postponed consumption, and a promise to repay bank debt (i.e., to redeem paper money) immediately.

In a system where money is private property and paper money is redeemable in specie on demand:

Why are fractional-reserve banks always bankrupt? They cannot redeem in specie all the paper claims to it which they have issued.
What is a "bank run"? Depositors lose confidence in a bank's ability to redeem its paper money in specie and try to reclaim their property by presenting bank notes for redemption.
What restrains bank emissions of paper money in excess of specie backing? the number of independent banks (each of which can demand the others redeem their paper in specie); the number of bank notes in circulation; depositors' fear of non-redeemability of bank notes into specie on demand

How do central banks remove these restraints on monetary expansion and debasement? Nationalization of the banking system leaves fewer independent banks to demand specie redemption of paper money. Government, backed by the printing press, guarantees safety of depositors' money.