

From Bad to Worse to Catastrophic? (I)

By Andrew McColl, 21/8/2012

There is also the question of timing. Kotlikoff does not say when. I think it will be sometime over the next decade, but I could be wrong. The point is, it is going to happen, and when it happens, it is going to create social turmoil on a scale not seen since the Great Depression. We're going to see a level of anger against the government on a scale that we have not seen since the Great Depression. We are going to see an overturning of the Keynesian system, including the political system, because the voters who are old will feel betrayed, and the voters who are young will demand the Great Default.¹

Anyone who loves delivering bad news needs help. But when vulnerable people living next to a rapidly rising river are awakened by a phone call at midnight, and told they have an hour to get out before their house is inundated, they'd be grateful for that call, even if it interrupted their sleep.

Laurence Kotlikoff is a US economist, who has teamed up with a financial journalist called Scott Burns, to do the sums on the US financial position. Kotlikoff follows carefully what the Congressional Budget Office's figures reveal, and it's not pretty. As anyone knows, there are ways and means to do accountancy, if you want to cover up the real story. Some people call it "creative accounting." There is the formally publicised budget account, which tells the official story that doesn't sound too bad. But what does Kotlikoff claim?

The formal US deficit today is \$15.9 trillion, rising by around \$120 million an hour. When the "unfunded liabilities" are added to the formal budget position, the US fiscal gap (the total amount of money that the United States government owes) has gone from 211 trillion in 2011, to 222 trillion in August 2012. The real US state of affairs is fourteen times as bad as the formal deficit, that politicians (sometimes) talk about.

All of these numbers are beyond belief, yet they must be believed by any rational person. The financial world ignores Kotlikoff's position. I am aware of no one who has seriously challenged his statistics. His position is well known. When he publishes the latest findings, he gets plenty of coverage. But nobody responds to his data. Nobody says he is grossly in error...²

The public knows nothing of this. I realize that sophisticated people do read reports from time to time that have been written by Kotlikoff or written about Kotlikoff, but the general public has never heard of him, nor has it heard of unfunded federal liabilities.³

Kotlikoff isn't the first person to express a warning. David M. Walker used to be the US Comptroller General, keeping an eye on the US budget, but he resigned in 2008. Why? Because the US financial position then was deteriorating so badly, and there was no political will to do anything about it.

Want to verify this? Look up Kotlikoff and Walker on Google.

There is a reason for all of this, that goes back as far as the garden of Eden. Satan beguiled Eve with a lie (Gen.3:4-5), inferring that God was holding something back from her and Adam, in prohibiting them from the tree of knowledge of good and evil.

Today's lie? *The Messiah is your government!* So, we are told that "the government can solve this problem." Think of Education, Health and Welfare.

¹ Gary North, "On Coming to Grips Emotionally with Kotlikoff's Figures," (www.garynorth.com), 10/8/2012.

² *ibid.*

³ *ibid.*

Why should these words be capitalised? “Because the government’s going to fix these problems- don’t you know?” This is the lie that the West began to slowly believe generations ago, and it has been quietly catching up to us for a long time.

As Chesterton once said, “*when people stop believing in God, they don’t believe in nothing. They believe in anything.*” Furthermore, *if the God of the Bible is excluded, by definition, by modern humanism, then the god of the planning state will have to suffice.*¹

We think that governments can solve problems. Show me one. They can’t even get law and order right. More than a million people are in gaol in the US. Other than some very basic issues like roads and bridges, governments for fifty years have been dreadful at solving problems; think of Australia’s NBN today.

So now we have massive governments deficits internationally, (because *the government can solve this problem*), and the debts cannot go away. In some places where they have gone beyond the point of being able to be paid back (such as the US, Greece and Spain), they are going to get worse and worse, and governments will “Spend till the End,” till the last chapter of the book is reached: Default.

The naive person will read this and say, “Surely not! Governments wouldn’t do that to us, would they?” Just think for a moment what governments in the twentieth century did to their own people, and to others,⁴ and we are not just referring to the totalitarians. If they will betray, deceive and murder their people as they did then, think of what they will do today?

If governments “Spend till the End,” the end will come. And what will that be like? Pretty awful. All the political promises (“We will look after you!”) will go up on smoke.

All this is bad, but there is a good aspect to it. What’s that?

This will be a fulfillment of what Jesus spoke about: “Everyone who hears these words of Mine and does not act on them, will be like a foolish man who built his house on the sand. The rain fell, and the floods came, and the winds blew and slammed against that house; and it fell-and great was its fall” (Mat.7:26-27).

Later, Jesus changed the analogy. He said “every plant which My heavenly Father did not plant shall be uprooted” (Mat.15:13).

What do His two analogies have in common? *The predicted destruction of every human system not based in God’s Word.*

God did this with the Egyptians in Moses’ day, with the Assyrians, the Roman Empire, the Spanish, the Nazis, the British Empire after 1945, the Soviet Union in 1990, and He will bring down modern nations like the United States, too.

People will find out that governments can’t do most things they promised to do, and people then begin to do more for themselves, because they have to. People become a lot more self-reliant, learn to fend for themselves, their families, become more community oriented, and a lot of other positive things.

Government promises to help and provide? No thanks.

¹ Gary North, “The Dominion Covenant, 1987, p.25.

⁴ See Rudolph Rummel, “Death by Government,” at his website.

From Bad to Worse to Catastrophic? (II)

By Andrew McColl, 28/8/2012

What is at stake today is the survival of trust in the federal government. Kotlikoff's figures make it clear that this trust cannot be maintained indefinitely. There will be a great default, and when this takes place, the hopes and dreams of tens of millions of Americans will be shattered. When this happens, the public will revoke the trust which it has shown in the past to the federal government.⁵

Last week, I noted that the US government owes about \$220 trillion. Officially, the government owes some \$15.9 trillion, but the “off-budget liabilities” dwarf this amount. It is impossible that this money will ever be paid back, and so some form of default is unavoidable.

How did this come about? Governments made foolish promises that they couldn't keep, and when the money wasn't in the coffers, they resorted to borrowing it instead. They paid for their commitments with borrowed money, because that's what ungodly governments do. They act as if they are some sort of economic or social Messiahs. They imply, “With us in charge, there'll be no pain.” The real Messiah made no such promise.

The welfare state's Ponzi scheme economics will catch up with the politicians. It will catch up with everyone who is dependent on the welfare state. All over the Western world, this is statistically inevitable.

We wonder why people begin Ponzi schemes. The schemes always blow up. They cannot survive. The numbers tell us that. Why don't the initiators see what must inevitably hit them?

The financial world was amazed at Bernie Madoff. How did he fool smart rich people for so long, and for so much money?

Simple. He copied Congress.⁶

When you do this for fifty years or more, you have a problem—a really big one. That doesn't mean that governments change their habits. It just means that they hope the problem can be deferred for a bit longer. Some people call it “kicking the can,” or “pass the parcel.” That way, they can pass the problem onto another administration, and say, “Have a nice day. Now, it's your problem!”

But birds do come home to roost. Everyone who sows, reaps sometime, or else their successors do. Ultimately, people's expectations of government will have to come down, and while that will be painful for many, it will be very important in the long term.

Governments know this, so if they and their predecessors have been misbehaving, they don't want to reap. They say, “let's do an end run around this.” They spend up. The technical term used of late?

⁵ Gary North, “When Governments Betray the Voters' Trust,” (www.garynorth.com), 15/8/2012.

⁶ North, “Means-Testing your Social-Security Payments,” 17/8/2012.

“Qualitative Easing.” The US had two of those in the last few years; will there be QE III? Australia had something similar: a “stimulus package,” largely directed at education.

But Qualitative Easing is not a problem solver, but a problem postponed. It pushes the problem away for another day, inflation commonly eventuates, and the procrastination makes it worse, because now the hapless taxpayer has more money to pay back.

There is no end run. Cold turkey, yes, but not an end run. You cannot cure a heroin addict with more heroin. It’s either endure the suffering to get off the habit, or the habit and the personal degeneration continues.

What will be the ultimate outcome? That depends how irresponsible governments around the world are. At the minimum, international economic pain, due to contracting economies resulting in sharply higher unemployment.

*My point is this: **there is no monetary solution to the political problem facing Congress...** We [in the US] can get mass inflation, hyperinflation, a new currency, and a default. We can also get mass inflation, high interest rates, a refusal of the Federal Reserve to inflate, Great Depression 2, monetary deflation, the contraction of the division of labour, and the collapse of the housing market.⁷*

The worst outcome? The first, because hyperinflation is the worst, which results when governments aided by their central bank try the desperate measure of money printing, and their currency become essentially worthless.

*Who is in charge of the clattering train?
The axles creak and the couplings strain,
And the pace is hot, and the points are near,
and sleep has deadened the driver’s ear;
And the signals flash through the night in vain,
For Death is in charge of the clattering train.⁸*

How long do we have? I don’t know. It could be up to ten years or so. It depends how foolish governments are, and which ones are foolish. Because the United States has such an influential economy around the world, if its central bank (the US Federal Reserve) continues to make bad choices, it will have serious consequences world-wide for all of us. I wouldn’t want to be the US President that takes over in 2016. By then, another Great Depression may not be far away.

There simply is not sufficient productivity in the society to enable the government to pursue the various wealth-redistribution schemes that it has promised that it will, under all circumstances, deliver to selected beneficiaries. There will be an enormous political crisis when it becomes obvious to tens of millions of Americans that the politicians promised far more than the economy is capable of

⁷ Gary North, “Long Term Trust Fund Bonds and Hyperinflation,” (www.garynorth.com) 16/8/2012.

⁸ Quoted in Winston Churchill, “The Second World War,” Vol.I, p.110.

*delivering. This will take place all over the West. The welfare states will go bust.*⁹

What can we do?

- 1) Don't trust in government promises, especially when they are predicated on debt. Governments can actually solve very few problems. They just haven't wanted us to believe that!
- 2) Be prepared at some point for painful eventualities, such as a rising unemployment rate and economic dislocation and contraction.
- 3) Be prepared for social dislocation: a lot of angry people, and hungry people without jobs.
- 4) Be prepared to help others.

Conclusion:

*When the full faith and credit of the United States is shown to be misplaced trust, voters will figure out that they have been betrayed. Of course, they have demanded that they be betrayed. They have systematically removed from office anybody who dared to tell anything like the truth about Social Security and Medicare.*¹⁰

When people do really foolish things, it hurts them. When governments and central banks do foolish things, everybody gets hurt. We have to prepare for ugly eventualities, keep out of the firing line, and be prepared to assist others, beginning with our family. They'll need it.

⁹ Gary North, "The Case for Deferring the Financial Day of Reckoning," 29/8/2012.

¹⁰ North, *ibid.*

From Bad to Worse to Catastrophic?(III)

By Andrew McColl, 4/9/2012

If we understand Kotlikoff's figures, there is no possible way that the United States can avoid the bankruptcy of the federal government. We don't know when it is going to happen, but we do know that it is going to happen. This is a matter of political leadership. There is none. The politicians have promised more than the economy can possibly deliver. Then the goal of the politicians is to survive in office long enough to collect their pensions, maintain their power, seduce their secretaries, or do whatever it is they want to do because they possess power, or at least the trappings of power.¹¹

In my view there is probably an 80% chance of the world entering a Depression, in the next ten years. Anyway out of that? Yes, but because the way out involves almost instant pain and significant hardship for hundreds of millions of people, the chances of the way out being adopted politically throughout the world community would be under 5%.

That means it's a good idea to look carefully at what's probably going to happen, and make plans accordingly. If your yacht is heading into a storm, and there is a strong likelihood there will be big seas washing over your decks, you don't leave people or important items sitting on the decks, or hatch-doors open. You secure all valuable items, ensure people are below and away from threat, and batten down the hatches. This could get very ugly and dangerous.

It is the essence of the crisis today that international leadership is virtually nonexistent here. There is not a single political leader anywhere in the world today who has the confidence of his own people, let alone the confidence of people across the border. There is no Ronald Reagan, no Margaret Thatcher, and no Deng Xiaoping.¹²

That doesn't mean we become pessimistic. Yet we must be ruthlessly realistic about international economics in future, and individuals making proper preparations will make a big difference.

Some of those preparations are intellectual ones. For instance:

- a) Are you debt free? If you aren't, what steps will you now take to get out of debt?
- b) In order to economise, how could you reduce your present costs?
- c) How would you cope if you had a brief period (say, 6 weeks) out of work?
- d) What if this was extended to say, 12 months?
- e) Could you supplement your present work with other work?
- f) Have you considered your present job security, in the context of 15-20% national unemployment?
- g) If you lost your present job, would you be prepared to move to another location?
- h) How would other members of your household/family deal with points a-g)?
- i) If you are receiving regular Social Security payments, how would you cope if these were reduced, or even cut off?

¹¹ Gary North, "Political Leadership and Gold," 24/8/2012.

¹² North, *ibid.*

There are other issues to consider. For instance, if I were in the market to buy a house today, I would probably wait for a number of years to do so.

Why? Because housing values in 5-10 year's time in Australia, will probably be less than what they are today. We all like getting bargains wherever possible, and I suspect this will be the case in most of the world. In times of high unemployment, there are lots of distressed sellers, which means perhaps twenty times as many sellers than buyers- a buyer's market. Today, there are many, many houses in the US for sale at \$30,000. There will be more.

Economic stress reveals community needs. In times of personal hardship, people realise they need to deal more with their neighbours. This may be new for many people, and thus a bit of a challenge, but it is a good thing. If it's difficult to get to the shops because there simply isn't money for petrol in the car, people then turn to their neighbours so they can work things out between themselves and travel together, or get groceries for one another.

If there are concerns about security, people can quickly learn to work together.

Australia presently has around 5% unemployment, and this can be seductive. People can say, "there aren't real economic problems. What's he worrying about?" But low unemployment is dependent on having profitable employers, who in turn are dependent on buyers for their products.

Every society has a built-in interdependence, and if one link in the chain goes down (for instance, wide-spread employer profitability), it affects everyone. Employment becomes much more difficult to find.

We cannot expect to be warned about this by government. The Australian Federal government has enough problems of its own trying to be re-elected, to be concerned about and warning people of serious international difficulties ahead.

They want to be projecting optimism, not fear. So, we have to become properly informed ourselves, and act accordingly.

From Bad to Worse to Catastrophic? (IV)

By Andrew McColl, 18/9/2012

...all popular resolution of the European monetary crisis is nonsensical. It is nonsensical because Keynesianism is nonsensical. It is nonsensical because republican government, when not grounded in the morality of the Bible, which prohibits theft, is nonsensical. When people use politics to steal from each other, and they do it on a massive scale, baptized by Keynesianism, baptized by the political morality of the day, they are going to destroy their own economic futures. The politics of plunder undermines economic growth.¹³

Over the last three weeks I have been explaining how the policies of government debt, (particularly in the US but also in other countries) have become tragically irresponsible over many years. As a result there will be some very unpalatable outcomes.

Because the Bible warns us that “the prudent sees the evil and hides himself” (Prov.22:3), it is only being sensible to plan ahead and make some contingencies on the strong possibility that financial irresponsibility of governments of the past may very well continue. The track form of governments if followed in future, will lead to disaster. No sensible jockey continues at full gallop, if he’s warned of a deep and wide ditch 100 metres ahead.

The Christian and Precious Metals Today:

One of the things that is happening today, is that governments all around the world are doing foolish things with money. There’s nothing new about that, but this means that currencies everywhere are being steadily debased. Paper money is printed, but none of it has any gold backing. That means that governments can print a million dollars and put it into circulation, and never have it in the bank. The U.S. government in this (in cahoots with its Reserve Bank) is being more irresponsible than the Australian government. This is one reason why the U.S. dollar has been steadily devaluing against the Australian dollar.

You may hold a hundred dollar bill in your hand today, but will it have the purchasing power in three year’s time, that it has today? You probably know that it won’t. \$100 today, will probably have the buying power of about \$90.00 in three year’s time. And in historical terms, that’s mild inflation.

In fact, the lesson of history is that all paper currencies end up being worth ... *nothing*. Over the last hundred years, a U.S. dollar has lost about 95% of its value, and every part of that has been a direct result of government policy. An item worth a dollar today, was worth about 5c a hundred years ago. So, a prudent person begins to consider (as I hope you have), “*how can I protect my fixed assets? What can I do to stop the value of my money being consistently eroded through inflation?*”

¹³ Gary North, “Political Leadership and Gold,” 24/8/2012.

Anyone reading this article today has resources. You probably have a computer, possibly a house and a car, and a bank account. Almost everything we buy today, depreciates when we take it out of the shop.

But the precious metals (silver and gold) are different. The price will certainly fluctuate due to variations in supply and demand, but the precious metals have enduring value.

Right from the beginning, God placed value on gold and gems, having created them as reflections of His own glory and beauty. The original value of precious metals and stones was therefore aesthetic rather than economic; their economic significance grew out of the fact that they were valued for their beauty. Aesthetics is prior to economics.¹⁴

At present, there are two factors driving the price of precious metals consistently higher over time.

The first is international uncertainty and suspicion among investors about the wisdom of the government borrowing and spending programs, which are endemic in the western world. Many countries are thus teetering on bankruptcy, especially in Europe. U.S. government spending is essentially out of control, and there is no real likelihood that this will change before there is some form of financial calamity.

"Investors are frustrated with US monetary policy. They're saying the heck with the dollar, the heck with currencies and they're buying metals," said Ira Epstein, of the Linn Group.¹⁵ Like an alcoholic who ransacks his wife's purse to steal her new credit card for another drinking binge, the U.S. government keeps finding new ways to borrow, slap the extra loan on top of the other unpaid loans, and say *"Who cares?"* This cavalier attitude, resulting in rapidly growing debt has been continuing for thirty years, with no concern of the future. It will lead to a crisis.

Debts must be paid. The alternative is default. The U.S. government's debts cannot be paid. Yet voters cannot bring themselves to face the reality of default. There has always been a way to delay the day of reckoning. There has always been another central bank rabbit to pull out of the fractional reserve hat. There has always been a way to move the decimal points to the right on the asset side one more time, and move the liabilities off budget. There has always been a way to persuade lenders to lend the drunken government enough money for another night on the town.¹⁶

The Chinese government appears to be seeing some of the writing on the wall in relation to the folly of the West, and is reportedly buying hundreds of tons of gold annually in response.

¹⁴ David Chilton, "Paradise Restored," 1999, p.35.

¹⁵ Quoted in 'Gold, Silver rise to Record Highs,' "The Weekend Australian," 17/4/2011.

¹⁶ North, G., "The Billion Dollar Loser," 15/4/2011.

The second factor is that the Chinese and Indians populations are moving into forms of middle-class capitalism, and their demand for precious metals both for jewellery and saving (especially gold), has been rapidly accelerating now for years. Australia is the second biggest gold-mining nation, producing 261 tonnes of gold in 2010, but we could only supply the start of the annual gold demand for these two nations. For jewellery alone, they needed over 1,100 tons of gold in 2010.¹⁷

Furthermore, these nations' communities have historically been investors in precious metals: Indian fathers traditionally give their daughters gold as a dowry at their wedding.

What is a person to do?

- a) Make wise choices, based on what you know about God and His dealings with people, human nature, and history. Accountability before God is a fact of life for all of us.
- b) Don't trust in government promises. There is no "quick-fix" to our international economic and financial problems. They have been building for two generations.
- c) Prepare for further severe international economic upsets: they will come, and many will be caught short. The Bible teaches us that "the prudent sees the evil and hides himself, but the naive go on, and are punished for it" (Prov.22:3).
- d) Gold and silver have been considered precious, ever since the Book of Genesis. They have been genuine stores of wealth throughout history.
- e) Consider how to fit precious metals into your investment portfolio. Individuals should consider having some of their cash assets in silver and gold.¹⁸ Demand for precious metals is partially seasonal, so they are generally cheaper mid-year, and more expensive in December.
- f) Seek to preserve and grow your assets for your old age, and the sake of others, so you are not dependent on government promised taxpayer-funded pensions. The government pensions of today may not be with us forever. "A good man leaves his inheritance for his children's children, and the wealth of the sinner is stored up for the righteous" (Prov.13:22).

The future is uncertain. The Bible warns us about this. Man cannot know everything perfectly. He cannot know the future perfectly. Yet he has to deal with the future in terms of his knowledge and his resources today. Men must count the cost of reaching goals in the future. And what we know is that we all, constantly make mistakes when we try to estimate future costs and future rewards.¹⁹

¹⁷ Reuters, *Factbox*, "Gold and Silver Trends in 2010," 15/4/2011.

¹⁸ Precious metals in Australia are available at www.ausbullion.com.au

¹⁹ Gary North, "Unconditional Surrender," p.263.

Conclusion:

Most people only learn some things the hard way, and few today remember the pains of the Great Depression. But Christians are remarkably privileged people: we have the Bible to guide us, so we know that human nature is fallen, we understand the shocking results of large-scale abuse of power which are apparent everywhere today, and we understand how God brings everybody, everywhere, to judgment.

*This is why I think people should buy gold and silver coins. This is why they should buy currencies other than their own domestic currencies. This is why they should live in a town where there is some sense of civil order, and that order comes from the moral character of the people in the community, which is not imposed by the police department.*²⁰

We also know that when God's people have a properly balanced attitude to money and possessions, and we are acting obediently and faithfully towards Him, He is willing to bless abundantly. He said that "you shall remember the Lord your God, for it is He who is giving you power to make wealth, that He may confirm His covenant which he swore to your fathers, as it is this day" (Deut.8:18). Gold and silver have historically been evidence of His blessing.

²⁰ Gary North, "Political Leadership and Gold," 24/8/2012.

From Bad to Worse to Catastrophic? (V)

By Andrew McColl, 25/9/2012

*We are therefore talking about the end of a paradigm. It is the end of the paradigm of the welfare state. Finally, the voters are going to understand that the welfare state has literally bankrupted their national governments. There is no escape from this, other than massive and widespread default. When default on this scale occurs, national governments will lose legitimacy. They will never be widely trusted again.*²¹

No one has a monopoly on virtue. I make mistakes, get irritable, forget things I was supposed to do, misunderstand what my wife said, put the wrong card in the machine or put it in back to front, and I generally do all the things that remind us that perfection is certainly something to aim for, but which is highly elusive amongst the human race. Three times I haven't seen the sign, and accidentally walked into a female public toilet. (The last time was this week).

Because we know that people are fallible, it has been customary of conservatives for centuries now, to limit the power of government. That is a very good thing to do, at all times. We know what people can do, even with the best of intentions, let alone when they get mean. That is why we have constitutions and procedures, so that governments cannot run off the rails.

Even these only stop the worst misbehaviour. People continue to lie, cheat and steal, because nothing can really change human nature, other than the grace of God. You're expecting big things from government? I'm sorry, you'll be disappointed.

People that do expect big things from government have an unbiblical view of man. They implicitly deny the Fall, and that every man since Adam is a sinner. "Oh no, I don't believe that. We can do better. We MUST do better." And so it goes on. So, we elect the government that makes the biggest and bravest promises about the future, only to find later that the promises never eventuate, and we are disappointed and disillusioned.

When illusions about government are smashed, that is painful, but good. Why is it good? Because then we realize we've been believing lies, and have to go searching for the truth. What **should** government be doing?

Thank God, He has some answers to that question? Thank God, we are not compelled to bumble around in darkness, trying to get government to do what He never wanted it to do, ever. Thank God, if His people will awaken to the fact that His Word gives us clear direction in this, they can be a light to the world. The knowledge of what God expects government to do, is contained in His law. This is why the Ten Commandments are so important, and always have been.

The mark of a community's commitment to liberty is its commitment to Biblical law. God's law must be enforced. The countenances of the citizenry must be set against the countenances of criminals. The citizenry represents God. Their

²¹ Gary North, "The Great Default and Broken Trust," 6/9/2012.

*ordained civil agents represent them before the face of God and represent God before the faces of criminals. Civil authority flows from God to citizens to the civil magistrate. They are judges insofar as they bring sanctions, positive or negative, against their ordained representatives. They are told not to fear the face of man.*²²

What happens in a nation (even a democratic one) where God's law is ignored? Have a think for a moment at what the Federal Reserve of the United States has done. Because it has Congressional authority to manipulate interest rates, after 9/11 the Chairman of the Federal Reserve (afraid there would be an economic slowdown), drastically lowered US interest rates to stimulate the economy.

People who really shouldn't have, responded to this by their millions, and bought houses with mostly borrowed money. "Low interest rates? Let's party!" House prices shot up, but people kept borrowing. But what went up, then came down. 25 million US home owners own houses worth less than what they paid. On top of these, there are also a similar number of home-owners in major financial stress.

Was it their fault? Yes it was. They were foolish and naïve. They wanted easy finance, and trusted their government's response (never a good thing), so that the housing market decline in the US over the last five years, is still many years from being over. So many more sellers than buyers (a ratio of at least 10:1, and it could be 50:1), and the unemployment rate is still over 8%. As Mises warned,

Credit expansion can bring about a temporary boom. But such a fictitious prosperity must end in a general depression of trade, a slump.

You really want to be free? Forget the half-baked measures. We will have to "go the whole hog." It's Biblical law, or tyranny, because only Biblical law in a society that wants it, provides society with the guidelines that essentially eliminate the possibility of tyranny.

But the West (and the Church) is still refusing to believe this, so the West has a lot more economic pain to come.

²² Gary North, "Inheritance and Dominion," 1999, ch.4.

From Bad to Worse to Catastrophic? (VI)

By Andrew McColl, 2/10/2012

Today in the United States, the Federal government (when the “on-budget” and “off-budget” amounts are put together) owes 222 trillion dollars. This grows at around 1 trillion each month.

What happens when the creditors stop lending?

In the United States, the baby-boom generation (born from 1945-1964) is beginning to retire. Let's say that this group (which numbers 76 million) discover that the payments for their retirement which were supposedly “safe,” have been ransacked by a government running short of cash.

Almost 50 million Americans are on food-stamps. What happens when that many people (who generally don't keep a lot of groceries in the house) who were planning to use their fortnightly Social Security payments for their grocery shopping, find that their payment hasn't arrived?

What happens in a nation of 315 million people, when ALL of the government Social Security and medical payments stop going out, overnight? For an unprepared nation, the result will be catastrophic. Declaring that there might be a lot of angry people, would be an understatement.

None of this is out of the ball-park in the next decade, for the United States. You thought that Americans lived in “the land of the free and the home of the brave?” Well, you gained your definition of freedom from somewhere other than the Bible, and you have a tragic misunderstanding of how things are in the US. When around half of the nation is dependent on Social Security payments, it is no longer the land of the free, but the land of the dependent.

All this is ugly, and all this will probably have to happen. If there isn't sufficient political will in a nation to address the real issues, you can only postpone a crisis temporarily. It will arrive.

The solutions?

Independence, godliness, responsibility, hard-work, personal saving, frugality, flexibility. These are the things that have characterized successful nations over the centuries. They will have to come back, front and centre.

What has to go?

Foolish expectations of what government can do, or that there are political solutions for personal problems. The government is not your saviour. It never has been. It never will be. It cannot be a saviour, and when it tries to be one, all these awful things come along to give us the nasty reminder.

Governments have been trying this Saviour State routine since the Caesars, and it always finishes up the same. God sends His judgment, the whole thing falls in a heap, and we have to start again with the fundamentals of a godly society.

Christians everywhere, had best get themselves ready.

From Bad to Worse to Catastrophic? (VII)

By Andrew McColl, 23/10/2012

A world-transforming gospel is not one that offers a religious way of life whose visible positive effects are strictly confined to family and church-hearth and home-because people demand more from a world-and-life view than the promise of a safe place of temporary retreat when the work day or work week is done. What people insist upon is a system for their life's work that really does work. What they demand, in short, is a system for dominion.²³

We Christians have got some time. Time for what? To get our act together, to prepare for what is coming.

The answer for what's coming financially doesn't lie in heading for the hills. What's really needed, is responsible people who will be around and be prepared to take up the load, when things go really pear-shaped. But taking up the load requires preparation, and initially this is preparation of heart and mind.

It is a fact that "power flows to those that take responsibility." People want to help others. That's good. But what we must do, is understand what God requires of us, what kind of help people really need, and how to conserve our limited resources so that they are used wisely.

When people are in crisis, the first people they should be calling on is their family. Yes, the church has a measure of responsibility, but the family has always been the basic institution for welfare in society, and it is very personal.

The Bible says, "...while we have opportunity, let us do good to all people, and especially to those who are of the household of faith" (Gal.6:10). So, we have a Bible-taught priority: God's people come first, and then others.

Even among God's people, there are requirements. "For even when we were with you, we used to give you this order: if anyone is not willing to work, then he is not to eat, either" (II Thess.3:10). When there is something available for nothing, it often won't be there for long, because a long line of people will come for it. It is widows, orphans, the fatherless and aliens who we are firstly responsible to care for, and even widows themselves are to be subject to some restrictions (see I Tim.5.3-16).

When there are resources available in a crisis, lots of unprepared people want to receive handouts. We have to be prepared to say "No" to some. Why? Because if we don't, those who should be really entitled to receive, will miss out.

Saying "No" for some people is something they find hard. They feel guilty, thinking, "I could never do that." This is why mental preparation is essential for a crisis, so that people are able to

²³ Gary Demar and Peter Leithart, "The Reduction of Christianity," 1988, p.360.

face up to these kinds of personal crises, having faced them already, beforehand. And if they can't deal with that, they are in the wrong place and will be subject to abuse.

When needy people in the community figure out in a crisis, that resources are available for church people, they will sometimes do what people have done since the Gibeonites (Joshua 9:3-5). They say in effect, "We're in need. We're one of your lot. You have to help us." This should remind us that it is important to have Church Rolls, so that all sorts of people do not turn up making the grandest claims of church membership, we believe them, and open up the storehouse.

The storehouse will soon be empty, if we aren't smart.

There is much more. A local Food-Bank (set up like a massive warehouse) is about 30 km away from where I live in Brisbane, and it is accessed by a number of community organizations, which make arrangements and come with their trucks to take away loads of food (room temperature, refrigerated and frozen), daily. Some of the food is simply excess, such as day-old bread, along with fruit and vegetables. Other food is nearing its Use-By date, and needs to be distributed fairly quickly or be disposed of.

Some food is given away, while other food has a price attached (perhaps half or less, than retail).

Community groups need a truck, possibly a fork-lift, shelving for storage of room temperature food, along with refrigerators and freezers, and the space for some kind of shop. Some churches could run a truck between themselves: each benefitting, each contributing.

Trucks need a driver, fuel and maintenance. Refrigerators and freezers draw power. All of this takes planning, forethought and lots of money, both for initial purchase and for ongoing costs. It also requires the establishment of procedures.

What do we charge?

Who do we charge?

On what basis?

Do we employ people? How much do they get paid? Why?

Do we want to make a profit? (Is it even possible to make a profit?)

Do we accept donations?

What is the goal of all this work we are going to do?

Is it just good PR for the church, or is there more?

How do we publicise this?

If people have no money, do we let them have anything?

What do we do with those that say they have no money, and may be good at playing the sympathy card? (“My children haven’t eaten for 2 days.”)

What if people have no money, but are willing to help and work?

Should staff members be left in the shop alone? Why not?

I’m sure there are more issues to deal with, along with this one:

When an institution is beginning something new and potentially exciting, a lot of enthusiasm is generated. People think, “This is great! We’re ministering into the community. God is using us. This has great potential.”

But three years later, some of the enthusiasm has waned. The costs keep coming. There’ve been some disappointments, perhaps some sad things happen. Then there are some people saying, “Is this really worth it? It’s costing so much! Where are the benefits?”

It is good to consider this, well before the starting date. Jesus spoke of the importance of “counting the costs” of a plan before starting (Luke 14:28-30). Without this, any plan will be liable to fail.

Conclusion:

In the likely event of great international financial hardship in the future, the church will have some significant opportunities to minister to people. These should be preceded by a careful study of what we should be doing, and how we do it, according to the scriptures.

This will require careful thought and planning, along with consideration of what we want to achieve. These will not be without cost, along with possible benefits.