



# Money: Toward a Faithful Understanding of What It Is and the Role It Plays in the Twenty-First Century

REBECCA P. JUDGE AND ANTHONY D. BECKER

Despite being an entity of such ubiquity that children as young as three years old are capable of recognizing it in its various forms,<sup>1</sup> money—what it is, what it does, where it comes from, and what functions it is capable of performing—has been and remains a source of confusion and debate among both secular and ecclesiastic authorities. Some of this confusion is simply the result of imprecise word choice. Both saints and sinners have confused money with, among other things, income, wealth, and purchasing power, and have in this confused state written essays and argued points focusing on the wrong subject. However, even if we limit our discussion of money to what it actually *is*—a medium of exchange, a store of value, and a standard unit of account—money proves to be a topic worthy of

<sup>1</sup> Anna E. Berti and Anna S. Bombi, “The Development of the Concept of Money and Its Value: A Longitudinal Study,” *Child Development* 52, no. 4 (1981): 1179–82.

*Money plays an important role in contemporary human existence, but its definitions are often imprecise, leading to confusion. Money, wealth, and income are often equated in the popular imagination and in modern translations of the Bible, but this causes our conversations to go astray. In seeking a faithful approach to living in a modern economy, we should take care to make appropriate distinctions between these three entities.*

serious reflection as concerns church teachings, and as a significant component of social infrastructure supporting and constraining individuals, households, institutions, nation-states, and the global economy.

## WHAT IS MONEY?

To understand more about what money is, let's start by considering what money is *not*. Ask yourself, "Have I ever had too much money?" Chances are, unless you're an economist, you will respond negatively to this question—you could always use a few more dollars. But if you're an economist, you will respond that indeed, you have had too much money. You will mark the last time you made a purchase as a time when you had too much money, at least relative to your supply of whatever commodity you used the money to purchase.

Money is a *medium of exchange*. When we go to the store to buy a loaf of bread, we freely give the salesclerk our money in exchange for that loaf of bread. Assuming the bread purchase is not coerced, we bread purchasers have too much money, relative to our supplies of bread. In making this exchange, we willingly reduce how much money we hold in order to augment the amount of bread in our possession.

For all of us able to participate in the market economy without charitable support, we have enough money. We willingly trade money for the goods and services that we ourselves cannot or choose not to provide for ourselves. So long as we freely exchange what money we have for other goods and services, we have enough money, at least relative to other goods and services. Rather than insufficient supplies of *money*, we may believe ourselves to suffer from insufficient income, or insufficient wealth, or insufficient purchasing power to meet our needs and satisfy our desires. Relatively few of us suffer from a lack of money.

The confusion between money and income, wealth, and purchasing power is, no doubt, in part the result of the fact that money is a *standard unit of account*. Each of these three entities (income, wealth, and purchasing power) is itself measured in terms of money, which for most readers of this article, would be US dollars. But even as a cup of soup is not a cup but, rather, soup, so a household income of \$68,000 is not money—it's income, measured in dollars, our unit of account. We could choose to measure income in terms of number of 2021 Ford pickups that a given income could purchase, or number of hours it takes a worker in a particular profession to earn such an income, but we don't. We measure income in dollars, which are, for the US economy, the standard unit of account, even as the euro is the standard unit of account in France and the yuan is the standard unit of account in China.

Income that is not spent, taxed, or given away becomes *wealth*, which is itself measured in units of money. Money, in the form of cold, hard cash or electronic entries on some web-based account ledger, can, like real estate, stocks, bonds, gold, silver, and diamonds, serve as a form of wealth. That is because money—in addition to being a medium of exchange and a standard unit of account—is also a *store*

*of value*. The value of a US dollar is one dollar; the owner of a US dollar is entitled to use it to purchase one dollar's worth of goods or services here in the United States. Dollars saved in banks or under mattresses function as a form of wealth. They are a store of value.

Anything that meets the three criteria of functioning as a medium of exchange *and* a standard unit of account *and* a store of value is, by definition, money. While we are accustomed to thinking of money as existing in coin, on paper, or as electronic entries in our checking accounts, commodities such as salt, tea, animal pelts, shells, beads, and even cigarettes have functioned as money within particular economies existing in time and space. Today, Bitcoin and other electronically "manufactured" currencies are vying for recognition as money. Bitcoin was recently recognized as a medium of exchange in El Salvador.<sup>2</sup> In El Salvador (and at some places on the web), Bitcoin satisfies at least one of the three criteria for some entity to serve as money: Bitcoin is a recognized medium of exchange in El Salvador and on some web-based accounts. However, it still fails to be a standard unit of account anywhere, and insofar as its value (in terms of purchasing power) fluctuates wildly over time, it is hardly a safe store-of-value. While it might be used as a medium of exchange in El Salvador, Bitcoin has not yet reached the standard of being money.

## MONEY'S UNDESERVED BAD RAP

Confusions about what money actually is, as opposed to what money is tasked with measuring, have affected church teachings for centuries. Within the Christian tradition, five verses from the New Testament stand out for both directing church teaching and confusing money with other entities. These texts are productively divided into what we refer to as the *mammon texts*, found in Matthew 6:24 and Luke 16:9, 11, and 13, and the *silver text*, found in 1 Timothy 6:10.

### *Mammon, Money, and μ*

"Mammon," as used in Matthew and Luke, has vexed translators since at least the sixth century, as early versions of both gospels have inconsistent spellings of the word in the received Greek text. Specifically, in some early manuscripts, Matthew 6:24 uses a double- $\mu$  spelling,  $\mu\alpha\mu\mu\omega\nu\tilde{\alpha}$ , thought by some to be the proper name of a Syrian god, while Luke uses, in most ancient texts, a single- $\mu$  spelling,

<sup>2</sup> On June 10, 2021, the government of El Salvador approved "La Ley Bitcoin," which decreed: "Todo agente económico deberá aceptar bitcoin como forma de pago cuando así le sea ofrecido por quien adquiere un bien o servicio" (Every economic agent must accept Bitcoin as a form of payment when it is offered by the person who acquires a good or service). See "El Salvador, primer país del mundo en reconocer al Bitcoin como moneda de curso legal," *Asamblea Legislativa*, June 9, 2021, <https://www.asamblea.gob.sv/index.php/node/11282>.

μαμωνᾶ. This is thought, by some, to be a transliteration of the Aramaic word for wealth, ܡܡܘܢܐ.<sup>3</sup>

Lacking a clear consensus on the meaning or even the source of the term, modern translators and editors have followed their own, individual protocols, rendering the term as either “money” or “mammon” or “wealth.” English versions of the Matthew text favor the term “money,” while “mammon” is by far the favorite term in Luke 16:9. In contrast, Luke 16:11 emphasizes the word “wealth.” “Money” and “mammon” appear with almost equal frequency in translations of Luke 16:13. The data are summarized in the table below.

Translated term	Matthew 6:24		Luke 16:9		Luke 16:11		Luke 16:13	
	Count	%	Count	%	Count	%	Count	%
Money	27	44	5	8	4	6	23	37
Mammon	19	37	30	48	17	27	19	31
Wealth	11	17	18	29	33	53	13	21
Totals (out of 62 English versions) <sup>4</sup>	57	92	53	85	54	87	55	89

One point this comparison makes is that many modern English versions of these verses err by treating “money” as a synonym for “wealth.” Some of the same translations that refer to μαμωνᾶ as “money” in one verse will translate it as “wealth” in another verse. As we wish to emphasize, while money can *measure* wealth (which can exist as real estate, stocks and bonds, gold and silver holdings,

<sup>3</sup> For detailed treatments of this problem, see J. A. Fitzmeyer, *A Wandering Aramean: Collected Aramaic Essays* (Missoula, MT: Scholars, 1979); and B. A. Mastin, “Latin Mam(m)ona and the Semitic Languages: A False Trail and a Suggestion,” *Biblica* 65, no. 1 (1984): 87–90.

<sup>4</sup> The sixty-two translations consulted are: 21<sup>st</sup> Century King James Version; American Standard Version; Amplified Bible; Amplified Bible Classic Edition; BRG Bible; Christian Standard Bible; Common English Bible; Complete Jewish Bible; Contemporary English Version; Darby Translation; Disciples’ Literal New Testament; Douay-Rheims 1899 American Edition; Easy-to-Read Version; Evangelical Heritage Version; English Standard Version; English Standard Version Anglicized; Expanded Bible; 1599 Geneva Bible; GOD’S WORD Translation; Good News Translation; Holman Christian Standard Bible; International Children’s Bible; International Standard Version; J. B. Phillips New Testament; Jubilee Bible 2000; King James Version; Authorized (King James) Version; Lexham English Bible; Living Bible; The Message; Modern English Version; Mounce Reverse Interlinear New Testament; Names of God Bible; New American Bible (Revised Edition); New American Standard Bible; New American Standard Bible 1995; New Catholic Bible; New Century Version; New English Translation; New International Reader’s Version; New International Version; New International Version–UK; New King James Version; New Life Version; New Living Translation; New Matthew Bible; New Revised Standard Version; New Revised Standard Version, Anglicised; New Revised Standard Version, Anglicised Catholic Edition; New Revised Standard Version Catholic Edition; New Testament for Everyone; Orthodox Jewish Bible; The Passion Translation; Revised Geneva Translation; Revised Standard Version; Revised Standard Version Catholic Edition; Tree of Life Version; The Voice; World English Bible; Worldwide English (New Testament); Wycliffe Bible; Young’s Literal Translation.

and a myriad of other forms), money is not a synonym for wealth, even as real estate and wealth are not synonymous.<sup>5</sup> Money and real estate are possible constituents of wealth, but they are not synonyms. Furthermore, while the precise meaning of mammon (or “mamon”) will remain shrouded by history, it cannot function as a synonym for two words that are not themselves synonyms.

Unlike “mammon,” or even wealth and income, money is not likely to be a false god tempting us into idolatry. But wealth or even income might give rise to this temptation, as they provide not only access to worldly comforts and temporal security but, as in the case of wealth, a belief in one’s own self-sufficiency.<sup>6</sup> No less an economist than John Maynard Keynes recognized the important distinction between a devotion to money *in contrast to* a devotion to the comforts of life:

The love of money as a possession—as distinguished from the love of money as a means to the enjoyments and realities of life—will be recognized for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease.<sup>7</sup>

While the love of *money* might well be a clinical disorder, the love of the *comforts of life* threatens to become a temptation to sin. As Christians, we are called upon to temper our attraction and devotion to the comforts of this life, and to trust God, and not our own wealth, for our daily bread.

### *Silver and Money*

In 1 Timothy 6:10, Paul is famously credited for writing that the love of money is the root of all evil, or, more precisely, “ρίζα γὰρ παντῶν τῶν κακῶν ἐστὶν ἡ φιλαργυρία” (literally, “A root of all kinds of evils is the *love of silver*”).

Unless he was still smarting from his encounter with the silversmiths of Ephesus (Acts 19:24–41), Paul does not intend these passages to be taken literally—loving silver (as opposed to any other metal) is not the issue here. But we remain unconvinced that these passages invite us to despise “money,” even as that is the most common translation of φιλαργυρία. Rather, we invite the reader to consider that, following the teachings of both Aristotle and Jesus, Paul is arguing that focusing our activities on creating and storing surpluses for ourselves, as ends in themselves, is a pernicious activity that corrodes society and souls.

<sup>5</sup> This point is recognized by no less an authority than St. Augustine, who writes in his sermon 359A, “Mammon is the Hebrew word for riches (*divitiae*), just as in Punic the word for profit (*lucrum*) is mamon.” *The Works of Saint Augustine: A Translation for the 21<sup>st</sup> Century, Sermons III/10 (341–400) on Various Subjects*, trans. Edmund Hill, ed. John E. Rotelle (Hyde Park, NY: New City, 1995), 216.

<sup>6</sup> This temptation is independent of whether income and wealth are acquired honestly or dishonestly. As such, we do not agree with those sources that translate μαμωνᾶς as “dishonest wealth.”

<sup>7</sup> John Maynard Keynes, “Economic Possibilities for Our Grandchildren,” in *Essays in Persuasion* (New York: W.W. Norton, 1963), 369.

Writing over three hundred years before Paul's letter to Timothy, Aristotle offers in *Politics I* a nuanced view of wealth, exchange, and money that distinguishes between what he considers "natural" wealth-getting and riches, and "commercial" wealth-getting and riches. Natural wealth-getting and riches are accomplished in order to obtain the material goods—food, shelter, clothing—that we need to meet our natural requirements for life, and as such, there is nothing inherently wrong in this pursuit. While these needs were originally met by simply holding goods in common or through barter, as societies became more complex, people began "to supply themselves more from abroad by importing things in which they were deficient and exporting those of which they had a surplus."<sup>8</sup> In order to facilitate these trades, according to Aristotle, "the employment of money necessarily came to be devised." However, while Aristotle holds that currency was invented simply "as an outcome of the necessary interchange of goods," and is therefore morally neutral, money's very existence brought about another "form of wealth-getting" in the form of trades accomplished not to meet a need but to earn profits from the sale of a good. This new form of wealth-getting recognizes no limit. It also transforms the material good being traded from something produced to address a human need, to something produced to earn a profit for the trader.<sup>9</sup> This in turn gives rise to two ethical problems. First, Aristotle condemns the art of trade as "not in accordance with nature" as it "involves men taking things from one another," as trades will only be undertaken if traders can make a profit from offering the traded commodities for prices greater than those paid by the traders; trading necessarily involves taking more from the purchaser than the value of the product itself.<sup>10</sup> Second, the coexistence of money and the trading economy that it allowed was seen by Aristotle as changing the very nature of the goods offered for trade, as the use-value of the commodity manufactured for exchange is diminished in order to increase its exchange value.<sup>11</sup>

The dangers of the limitless pursuit of wealth are explored by Jesus in the parable of the rich fool (Luke 12:16–21). According to the parable, having enjoyed an unexpectedly bountiful harvest, a farmer decides to build new barns to store his surplus grains rather than share his unanticipated wealth. An angered God informs him that he will die that night and asks him about the future disposition of this property: "And the things you have prepared, whose will they be?" Jesus ends this parable admonishing that such will be the fate of those "who store up treasures for themselves but are not rich toward God." While this parable focuses on stored grain, it clearly echoes the Aristotelian warning against unconstrained

<sup>8</sup> Aristotle, *Aristotle in 23 Volumes*, vol. 21, trans. H. Rackham (Cambridge, MA: Harvard University Press, 1944), 1257a, <http://www.perseus.tufts.edu/hopper/text%3Fdoc%3Durn:cts:greekLit:tlg0086.tlg035.perseus-eng1:1.1257a>.

<sup>9</sup> Aristotle, 1257a.

<sup>10</sup> Aristotle, 1258b; Luther follows the Aristotelian logic that profits are a form of robbery, writing in *On Commerce and Usury* that the idea that one can sell one's goods for as much profit as the market will bear reduces trade to "nothing other than robbing and stealing other people's property." See Martin Luther, *On Commerce and Usury*, ed. Philipp Rössner (London: Anthem, 2015), 174

<sup>11</sup> Scott Meikle, "Aristotle on Money," *Phronesis* 39, no. 1 (1994): 26–44.

wealth-seeking behavior. Directing production to the creation of (limitless) wealth implies that we can never be satisfied with just our “daily bread.” In pursuing wealth, which has no natural bounds, rather than pursuing the simple satisfaction of our daily needs, which have bounds, we are led down a rabbit hole that directs today’s resources away from satisfying today’s needs, not only as experienced by ourselves but as expressed by our neighbor. Stated another way, the pursuit of wealth redirects our activities away from that of living in community with our neighbors, and thus deprives us of an opportunity to be “rich toward God.”

---

*In pursuing wealth, which has no natural bounds, rather than pursuing the simple satisfaction of our daily needs, which have bounds, we are led down a rabbit hole that directs today’s resources away from satisfying today’s needs, not only as experienced by ourselves but as expressed by our neighbor.*

---

As a medium of exchange, a standard unit of account, and a store of value, money itself is hardly loved to excess (see Keynes, above), and is hardly the root of all evil. While it makes for a better headline to say, “Money is the root of all evil,” or “You can’t serve God and money,” these translations economize on wording at the expense of precision. If we need one word to substitute for *μαμμωνᾶ*, *μαμωνᾶ*, and *φιλαργυρία*, we argue that “wealth” is a much better choice, and “limitless wealth” might be even better.

## MONEY AS AN INSTRUMENT OF ECONOMIC POLICY: MONEY IN THE MACROECONOMY

Up to this point, we have focused our consideration of money on its possible influence on individual human behavior. That is to say, we have considered money’s possible *microeconomic* influence as described in Scripture and by Aristotle. We have concluded that money, per se, is not a problem, but as a *store of value*, which is to say, as a form of wealth, money (as well as real estate holdings, stock portfolios, and Bitcoin acquisitions) might tempt an individual to engage in idolatry and greed.

But in addition to its roles as a medium of exchange, a standard unit of account, and a store of value, money exists as an integral part of a *macroeconomic* infrastructure that supports human activity every bit as much as do roads and bridges, schools and hospitals, airports, and aqueducts. Money is a material commodity (which may exist either physically, as currency and coinage, or electronically as balances in checking and savings accounts, CDs, and money market accounts) that exists within bounds of time and space, for which there is a measurable supply and a measurable demand. The exchange of money between those who

supply it and those who demand it has exerted a profound effect on human history. One need only think of Germany's hyperinflation in 1921–23 and its deadly fall-out, Argentina's 2001 default on its international loans and the subsequent political turmoil, and the global financial crisis of 2008 and the chaos it engendered to understand that monetary policy—those actions that affect money supply, its demand, and its price—affects human history in profound ways.

### *Money and the Reformation*

Philipp Rössner offers a fascinating argument to support his conclusion that “the Reformation of 1517 had monetary origins.”<sup>12</sup> Specifically, Rössner argues a plausible thesis to support his contention that the collapse of the central European silver-mining industry in the early 1500s and the subsequent monetary contraction focused Luther's thoughts on the deleterious effect that pre-Reformation church practices—specifically almsgiving directed toward enhancing church wealth—had on the secular economy. Rössner's argument serves as a useful and—importantly within today's environment—apolitical introduction to and application of macroeconomic monetary policy. We present Rössner's thesis uncritically, as our intent is to use it as a means of exploring how economists model the role of money in an economy.

Rössner's argument is based entirely on an application of the *quantity theory of money*, which simply states that changes in the relative scarcity of the money supply will affect an economy's price level and/or its economic output. The quantity theory of money is one of the oldest and most durable theories within economics. With some debate, the theory is commonly traced back to the writings of French social philosopher Jean Bodin, whose 1568 volume, *Response to Malestroit*, is among the first published works linking inflation (rising prices) to the new abundance of money circulating through the economies of Europe as a result of both *debasement*—adding some filler to a coin minted of some precious metal to increase the supply of coinage in an economy—and to the notable increase in the supplies of silver and gold imports to Europe from the Spanish mines in South America.

Since the early twentieth century, the quantity theory of money has been expressed as an equation linking the money supply,  $M$ , to the value of all goods and services produced in an economy.

The equation, known as the Fisher equation of exchange (in honor of Irving Fisher, who first argued it in his 1911 text, *The Purchasing Power of Money*), is simply written as:

$$M*V = P*Q$$

<sup>12</sup> Philipp Rössner, “Burying Money? Monetary Origins and Afterlives of Luther's Reformation,” *History of Political Economy* 48, no. 2 (2016): 252.

On the left-hand side of this equation we have  $M$  and  $V$ , where  $M$  reflects the stock of money in an economy, while  $V$  represents the velocity of circulation, which is to say the number of times the average unit of money changes hands in a given year.<sup>13</sup> The right-hand side of the equation gives the nominal value of the economy's output of goods and services, where  $P$  is the aggregate price level and  $Q$  is the number of units of goods and services produced in an economy in a given year.<sup>14</sup> Since everything exchanged in an economy in a given year is purchased—either by consumers or by the producers themselves as increases in inventories—the equation invites us to consider that the value of all the units produced in an economy has to be equal to the amount of money,  $M$ , available to make these purchases, multiplied by the number of times this money is likely to change hands in a given year,  $V$ .

From this simple equation, it is clear that changes in both the money supply and velocity have the potential to affect price levels and output. Contractions in the money supply and/or reductions in the velocity of money will result in decreases in prices and/or output, while an expanding money supply,  $M$ , or an accelerated velocity,  $V$ , will increase prices and/or output. Furthermore, increases in real national output,  $Q$ , must be accompanied by increases in  $M$  or  $V$  if prices,  $P$ , are to remain stable. A growing economy requires increases in  $M$  or  $V$  in order to sustain it.

In Luther's time, the money supply,  $M$ , was a silver-based *commodity money*. Commodity monies (which used gold, silver, copper, and other metals as the monetary base) were the norm across the globe from the beginnings of recorded monetary history through most of the twentieth century. Commodity monies derive their purchasing power in large part from the value of the commodity itself; the purchasing power of  $M$  changes directly with the price of the commodity, which itself is determined in large part by the forces of supply and demand. The practice lost support following the collapse of the Bretton Woods agreement in 1973.<sup>15</sup> Commodity monies were replaced by *fiat* monies—units of exchange, standard units of account, and stores of value—which play these roles simply by fiat. The US dollar is our money because we say so, and other nation-states agree. A US dollar has no value except as it contributes to the purchasing power of its holder.

The roots of the demise of the commodity-based monetary system are found in the Fisher equation itself. If  $M$  is dependent on exogenous supplies of gold or

<sup>13</sup> The Board of Governors of the US Federal Reserve defines the money supply as “the total amount of money—cash, coins, and balances in bank accounts—in circulation” ([https://www.federalreserve.gov/faqs/money\\_12845.htm](https://www.federalreserve.gov/faqs/money_12845.htm)). The Federal Reserve Board releases information on the money supply on the fourth Tuesday of every month. As of Tuesday, December 28, 2021, the estimated money supply in the United States on November 30, 2021, was \$21,436.7 billion (<https://www.federalreserve.gov/releases/h6/current/>). The Federal Reserve Bank of St. Louis estimates that, in the second quarter of 2021, the velocity of money in the US was 1.115 (<https://fred.stlouisfed.org/series/m2v>, accessed January 6, 2022).

<sup>14</sup> We invite our students to think of  $Q$  by imagining that everything produced in an economy—education, health care, furniture, food, clothes, brokerage services—is put into a sausage grinder and extruded as units of output from an economy. We invite our readers to do the same. Price level,  $P$ , is best thought of as some weighted average of prices of these sausage constituents.

<sup>15</sup> Angela Redish, “Anchors Aweigh: The Transition from Commodity Money to Fiat Money in Western Economies,” *Canadian Journal of Economics* 26, no. 4 (1993): 777–95.

silver, then the ability of a nation-state's commodity-based money supply to expand to meet increases in its economic output is limited by the nation-state's access to gold or silver, or to its willingness, and that of its trading partners, to engage in and accept debasement. So long as economies were tethered to a commodity-based money systems, nation-states needed to rely on debasement to allow  $M$  to expand to meet the economic demands of increases in  $Q$ . The relatively recent end of commodity-based money, following centuries of incremental debasement, has allowed nation-states to pursue and define their own money supply and economic goals, which is useful so long as its users have faith in the strength of the nation-state's economy. At present, the purchasing power of almost any nation's currency depends entirely on its users' *faith* in the value of that currency. When we acquire a dollar, we acquire the ability to purchase one dollar's worth of goods here in the US, but also a dollar's worth of goods in Italy, or China, or Chile. The value of our dollar in foreign countries depends not on the value of any commodity like silver but rather on the relative magnitudes of US demand for the goods from other countries and other countries' demand for our goods. As other countries' demand for our goods, services, and physical and financial capital increases relative to our demand for foreign goods, our dollar increases in value, and as our demand for other countries' goods, services, and physical and financial capital increases relative to foreign demand for our goods, services, and capital, our dollar decreases in value.

---

*Commodity monies were replaced by fiat monies—units of exchange, standard units of account, and stores of value—which play these roles simply by fiat. The US dollar is our money because we say so, and other nation-states agree. A US dollar has no value except as it contributes to the purchasing power of its holder.*

---

In Luther's Germany, international and domestic market exchanges were accomplished using a silver-based set of coins. The collapse of German silver output wreaked havoc in this economy during the early years of the sixteenth century. Between 1500 and 1505, when Luther aged from seventeen to twenty-two, German silver production fell by 9 percent.<sup>16</sup> Output continued to fall through 1525, by which time silver output from the German mines was 35 percent less than the 1500 level.<sup>17</sup> In the meantime, increases in the price of silver, brought about by its increased scarcity, encouraged people to hoard what silver coinage they had, as silver values were appreciating at rates greater than the purchasing power of German coins. The number of coin hoards deposited in Germany spiked by 50 percent

<sup>16</sup> Rössner, "Burying Money?," 236.

<sup>17</sup> Rössner, 236.

between 1500 and 1509.<sup>18</sup> In the meantime, and during this same period, industrial activity and population declined in cities throughout Germany, as did public expenditures and real wages.<sup>19</sup> As Rössner models this phenomenon, the contractionary effects of the decrease in  $M$ , brought about by the decreased output of German mines, was exacerbated by a decrease in  $V$  as coin hoarding rose dramatically during this same period. These two phenomena resulted in decreased price levels, as measured by real wages, and decreased output, as measured by public expenditures and population decline. The German recession of the early sixteenth century can be modeled, according to Rössner, as a monetary phenomenon.

Rössner's thesis is that Luther—the son of a mining entrepreneur, who came of age during the German recession of the early 1500s and who himself had pursued a career in business law and administration prior to his decision to become a monk—was well aware of the possible effects of decreases in both the supply and the velocity of money on the German economy. He had, after all, experienced the 1500 recession firsthand. Within this context, Rössner argues that Luther's later theological objections to Rome's practices were themselves informed and invigorated by his concerns over the economic impact of Rome's teaching and demands. Specifically, Rössner argues that Luther understood that that “church ritual such as pilgrimages . . . and the overburdening materiality of contemporary church services . . . reduced, in many ways, the effective monetary mass ( $M*V$ ) available for circulation.”<sup>20</sup> According to Rössner, Luther understood that pilgrimages effectively “reallocated [money] from the ‘real’ economy into the religious economy.”<sup>21</sup> Absent any corresponding increase in velocity, this would lead to a contraction in economic activity and output. Similarly, Rössner finds, in Luther's objections to the sparkling opulence of Rome's churches and their furnishings, a concern that by turning silver into chalices and crosses, the church was essentially creating its own money hoards, therefore reducing velocity,  $V$ .<sup>22</sup> Following Rössner's thesis, when Luther argues against pilgrimages in his address *To the Christian Nobility of the German Nation*, he reflects a concern that pilgrimages drained money ( $M$ ) from Germany, and when he declares in *On Commerce and Usury* that almsgiving for “churches, monasteries, chapels, altars, church towers, church bells, organs, paintings, statues, silver and gold ornaments and vestments, and for masses, vigils, singing, reading, testamentary endowments, sodalities, and the like” is only “pretty and showy, and does most injury,” he reflects a concern that the church's preference for opulence was decreasing the velocity ( $V$ ) of German money.<sup>23</sup> As such, we should interpret Luther's statements against church practices not only as a critique of the church's teachings as they shaped the actions of the faithful, but also as a critique of the church as an economic agent whose actions were deleterious to

<sup>18</sup> Rössner, 243.

<sup>19</sup> Rössner, 236–37.

<sup>20</sup> Rössner, 244.

<sup>21</sup> Rössner, 245.

<sup>22</sup> For an explanation of the effect of money hoarding on  $V$ , see Rössner, 241.

<sup>23</sup> Martin Luther, *On Commerce and Usury*, ed. Phillip Rössner (London: Anthem Press, 2015), 195.

the German economy. Luther's objections to church practices reflect, per Rössner, both theological and economic concerns.

Furthermore, Rössner credits the popularity of Luther's tracts to their economic arguments as well as their theological ones. According to Rössner:

To the ears of the literate individual situated within the urban economy, dependent upon a highly monetized economy but starved for cash, Luther's idea of "freeing" economic resources from the soteriological cash nexus—paying for salvation, purchasing indulgences, and "burying" money in luxury ceremonial items, as well as creating a negative balance of payments in the German lands with respect to the Papal See for the huge monetary remittances to the curia, and so on—would have sounded attractive, given the times.<sup>24</sup>

If Rössner is correct, the commodity-based money system furnished at least some of the fuel that fed the Reformation. Had the money supply been free of the constraints imposed by a finite supply of silver, Rome's abuses and excesses might not have had the same impact on the average citizen, nor on an economically literate, theologically engaged monk.

### *Money in Today's Economy*

The fiat money supply in use today allows nation-states much more control over *M* than the commodity-based currencies of Luther's time did. In response to recessionary threats such as those posed by the Covid-19 pandemic, institutions tasked with controlling the money supply can take steps to increase it during times when *Q* is threatened, thus providing a stimulus to a potentially sagging economy.<sup>25</sup> In response to the fears of a Covid-19 recession, the US Federal Reserve System (Fed) has taken dramatic steps to increase the money supply in order to lower interest rates in an attempt to stimulate consumer and business spending, and thus support *Q*.<sup>26</sup>

As Christians, how do we—living in a democracy where the money supply is not determined by natural endowments of precious metals but based on policies pursued by individuals appointed by our country's president, subject to Senate

<sup>24</sup> Rössner, 253.

<sup>25</sup> Interested readers are invited to contact the authors if curious about how the Federal Reserve System can change the fiat-based money supply.

<sup>26</sup> Growth in the money supply between August 2020 and August 2021 was 13 percent. Real output increased only 6.6 percent during this same period. As predicted by the quantity theory of money, price levels have risen significantly during this period. The Consumer Price Index rose 5.4 percent over the year ending in August 2021. Meanwhile, the effective federal funds rate has fallen 94 percent from its pre-pandemic (December 2019) level of 1.55 percent to its present level of 0.09 percent. During this same period, the prime interest rate has fallen by 32 percent, from 4.25 to 3.75 percent. With inflation running at something over 5 percent, real interest rates are presently effectively negative. Data source: Federal Reserve Bank of St. Louis, Economic Research, <https://fred.stlouisfed.org/>.

approval—respond to our country’s attempts to manipulate the money supply? We suggest that we judge these attempts by their fruits.

To the extent that the Covid-induced extraordinary increase in the money supply has resulted in a decrease in interest rates that in turn have stimulated consumer and business spending, the increase has kept people across our nation and our globe employed during a period when most jobs were threatened. Despite all the uncertainty introduced into the global economic system by this pandemic, between April 2020 and April 2021 US consumer spending increased by 7.6 percent and expenditures by US businesses increased by 20 percent. During this same time period, the US unemployment rate fell dramatically from 14.6 to 5.2 percent. Clearly—and if inflation can be contained—this seems like a prudent use of monetary policy.

---

*As Christians, how do we—living in a democracy where the money supply is not determined by natural endowments of precious metals but based on policies pursued by individuals appointed by our country’s president, subject to Senate approval—respond to our country’s attempts to manipulate the money supply? We suggest that we judge these attempts by their fruits.*

---

Similarly, the decrease in interest rates brought about by the Covid-induced increase in the money supply has spurred an increase in homeownership rates by all Americans, but particularly by BIPOC (Black, Indigenous, and People of Color) citizens.<sup>27</sup>

If we have one concern about the effects of the Fed’s monetary response to the Covid-19 pandemic, it is the effect of these super-low interest rates on wealth. Not only has the increase in housing prices increased the wealth of those fortunate enough to be homeowners, but as interest rates on savings have decreased, those individuals with enough wealth or with a sufficiently secure income to be able to invest in assets that return higher yields than CDs and passbook savings accounts have done so, resulting in increases in the prices of speculative investments such as stock purchases, real estate investments, government bonds, Bitcoin and other cryptocurrencies, non-fungible token art, and art itself. This has had two potentially problematic effects.

<sup>27</sup> Among Black families the proportion of households living in owner-occupied homes increased 1.4 percent (from 44.0 to 44.6) between October 2019 and April 2021, and non-white, non-Black homeownership rates increased by 0.9 percent over the same period (from 55.7 to 56.2 percent). With a 0.68 percent increase in the proportion of white families living in owner-occupied homes, white homeownership rates show the most modest increase in response to lower interest rates, in large part because their homeownership rates were already so high (73.7 percent of white families lived in owner-occupied homes prior to the pandemic). Indeed, as concerns homeownership, the record of the pandemic-induced increase in the money supply is encouraging (but could be even better). Data source: Federal Reserve Bank of St. Louis, Economic Research, <https://fred.stlouisfed.org/>.

First, low interest rates have a potential to affect the distribution of wealth. Those able to invest in riskier assets than savings accounts can effectively bid up the prices of these assets, which in turn gives these individuals—at least on paper—an increase in wealth. To date, this effect has been negligible. There has been some slight redistribution of wealth from those in the 90–99 percent range of wealth holdings to those in the top 1 percent of wealth holdings, but this redistribution appears unremarkable.<sup>28</sup> The good news is that the percent of wealth controlled by the bottom 50 percent of wealth holders has increased by 12 percent, or by \$600 billion. We could surely do a lot better in terms of wealth distribution, but we could also do a lot worse.

More problematic to us is the clear increase in speculative activity, brought about by today's low interest rates. Following Aristotle's model, money is being diverted from its "natural" use (as a medium of exchange to facilitate the acquisition of goods that satisfy our "natural" needs) to speculative transactions, whose sole purpose is to increase wealth. Following Luther, investing in cryptocurrencies, non-fungible token art, foreign currencies, mortgage-backed securities, and other speculative financial products might give a lucky individual an increase in wealth, but like indulgences and silver chalices, these "investments" hardly represent a productive use of one's money. While one's own wealth might increase as a result of these activities, there is no clear link between them and the well-being of one's neighbor.

We find ourselves returning to focus on both the parable of the rich fool (Luke 12:16–21) and Luther's admonishments in *On Commerce and Usury* as concerns the use of wealth. Storing up wealth in the form of remunerative but unproductive investments seems at odds with Jesus's teachings as recorded in the parable of the rich fool. The rich fool's grain would have served the world better if it had been given to those whose harvests were not as great as those of the rich farmer. And, following Luther, investing what is left over in our household budgets in nonproductive speculative activities seems similar to the money-hoarding and indulgence purchases that Luther condemned. In our case, our objection is not based on monetary theory—our national supply of fiat money does not contract when we purchase a Bitcoin, nor does the velocity of money fall when we purchase an "original" piece of non-fungible token art—but we do have to consider whether these investments represent the best use of the resources entrusted to our care.

And that brings us back to the question of translation. Money is not the root of all evil, nor does money itself tempt us to idolatry. It is simply an invention that facilitates trade and supports economic activity within an economy. But wealth, even wealth honestly or inadvertently acquired (as was the case with the rich fool in Luke 12), can confuse us as it invites us to take steps to preserve it (following the

<sup>28</sup> The top 1 percent of wealth holders increased their share of national wealth from 31 percent of all household wealth in the fourth quarter of 2019 to 32 percent of all household wealth in the first quarter of 2021. At the same time, those holding between 90 and 99 percent of all household wealth saw their shares fall from 39 percent to 38 percent. Data source: Federal Reserve Bank of St. Louis, Economic Research, <https://fred.stlouisfed.org/>.

example of the rich fool) beyond what is prudent or faithful. This phenomenon, known as the *endowment effect*, has been a focus of much research in behavioral economics.<sup>29</sup> The endowment effect is itself related to loss aversion—an observed phenomenon characterized by the human tendency to value goods in our possession more than we would value the same goods possessed by another individual.<sup>30</sup> The rich fool was willing to invest in new barns simply to hold on to a bumper crop of grain. As noted by Jesus, Aristotle, and Nobel laureate economists, wealth can change and distort our choices. Wealth invites us to believe that we can take care of providing our own daily bread, making us proud and stiff-necked before God.

By translating *μαμμωνᾶ*, *μαμωνᾶ*, and *φιλαργυρια* as “money,” the received English texts distract us from what is truly a temptation to sin, the pursuit of wealth for its own sake, and invite us to despise and fear something, money, that is a necessary and integral part of our lives. While the words “money” and “wealth” may have been closer to being synonyms under commodity-based monetary systems, like those of Luther’s time, or under economic systems, like those of Jesus and Paul’s time, in which the market played a much more limited role than it does today, at present, “money” and “wealth” represent entirely different entities and should not be translated, nor taught, as synonyms.

We live in times, not unlike Luther’s, when wealth is used to claim status. Almsgivers supporting the public and private good are recognized and celebrated. People and corporations with enough wealth to share are honored with their names on the buildings of college campuses, symphony halls, and sports stadiums. While, to date, the church has avoided this practice (we hope we don’t live to see Eat-At-Mike’s Lutheran!), the church nonetheless does not preach against the accumulation of (and trust in) wealth. Rather, many Lutheran congregations have their own foundations and endowments, whose sole purpose is to grow to such a size as to provide a stable source of revenue to the congregation—its own “daily bread.”

Translating the words *μαμμωνᾶ*, *μαμωνᾶ*, and *φιλαργυρια* as “money” allows the English-speaking church to avoid the challenges posed by its own, and its members’, speculative pursuit of wealth. This presents a missed opportunity to challenge and inform the lives of both the church and its congregants. We hope this essay encourages readers to engage in this challenge. ⊕

REBECCA P. JUDGE is professor of economics and the Husby-Johnson Chair of Business and Economics at St. Olaf College, Northfield, Minnesota. ANTHONY D. BECKER is professor of economics at St. Olaf College, Northfield, Minnesota.

<sup>29</sup> Daniel Kahneman, Jack Knetsch, and Richard H. Thaler, “Experimental Tests of the Endowment Effect and the Coase Theorem,” *Journal of Political Economy* 98, no. 6 (1990): 1325–48.

<sup>30</sup> Amos Tversky and Daniel Kahneman, “Loss Aversion in Riskless Choice: A Reference-Dependent Model,” *Quarterly Journal of Economics* 106, no. 4 (1991): 1039–61.