



F.A.C.S. REPORT

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The recent stock market activity in countries such as Thailand, Hong Kong, Indonesia and Malaysia is evidence of an unstable economic climate. Whereas many economists were predicting in the 1980s continued inflation through the '90s, in reality the reverse has happened. We are seeing a deflation occur around the world with just as many bad effects as continued inflation. Deflation, like inflation, creates winners and losers, though it is usually not the same group of people in each case. Both inflation and deflation create disruption to the economy.

South Korea is in real trouble. It has approached the International Monetary Fund to bail it out of its economic mess. Mexico was bailed out in 1995 to the tune of \$50 billion (not million!), and it is estimated that South Korea will need a bigger float than this to get it out of its mess. So much for the Asian "tigers" who were going to be the leading markets in the 21st century. Something appears to be wrong.

A major contributor to the woes in the Asian nations, including Japan, has been the amount of debt, especially that owned by the banks. Japan remains in a recession. Recently, its tenth largest bank collapsed. Its fourth largest share broking firm went bust. Rather than send the share price of the remaining banks down, investors in Japan lifted the price of bank shares in the belief that the Japanese government would now rescue the remaining banks. The extent of the bank problem remains unknown, but what is certain is that the Japanese are learning that at the end of the day, debt is not the road to wealth. Property prices in Japan were fueled with massive debt, with

mortgages reaching 100 years. All that has changed with property prices dropping a massive 80%. Lower property valuations has only added to the banks' dilemma.

prosperity, is ignored, bypassed and forgotten. Even by many Christians.

What is curious in the attempted restoration of economic stability in these nations is the part played by Western nations, especially America. Australia, too, is playing its part in providing funds to the IMF to bail out ailing national economies. It has already provided aid to Thailand and Indonesia. In spite of their remarkable growth, in spite of

many unethical practices such as pirating software, the Asian nations have turned to America and other countries to bail them out.

The attempt by Western nations to prop up ailing economies around the globe is itself a questionable practice. World trade is fueled by nation-state funding activities, both internally and externally. Governments prop up some businesses while others fail. It provides funds to foreign nation-states so they can purchase goods from the aid-providing countries. This is a little like giving customers the money to buy the goods you produce. How this contributes to wealth is unknown, and in reality it does not contribute to overall increases in prosperity. What it does is transfer funds from some people to others. Since government can only give what it first takes from its citizens, its international funding activities are only a mechanism that ultimately helps exporting businesses at the expense of those who depend solely on local markets.

Can countries such as Australia finance the financial resurrection of the Asian "tigers"? The Prime Minister of Malaysia is blaming the free market for the woes in his country. Not the management practices of the Malaysian government, but the re-

The Next Generation

by Ian Hodge, Ph.D.

There is a further problem for these countries. Government management of the economy over the past decades has been centered around monetary and fiscal policy. The centerpiece of these policies has been the creation of fiat money, inflation, through various mechanisms. When people are willing to play the game and borrow, a temporary surge in the economy appears to be purchased by government activity. But when people refuse to borrow, as is happening in Japan today, governments are unable to turn things around. The fractional reserve banking system, on which everything hinges, cannot deal with deflation because at the end of the day deflation means a shrinking money supply. Neither government nor their instruments such as the Reserve Banks, are therefore able to do anything in a deflationary cycle if people refuse to borrow. Even in Australia, with the lowest interest rates for a long, long time, the housing market is still in a slump. Why? Because people are not borrowing (for whatever reason).

Behind all this activity is the mistaken belief that economic welfare is obtained by debt, fractional reserve banking, and more government interference in the affairs of life. Ethics, the biblical basis for economic

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sponse individuals are making to their decisions is his suggested cause for Malaysia's economic malaise. While Australia's Prime Minister, John Howard, has defended the free market economy, it is evident that increasing regulations are being placed upon the response people are making to government policy, which is the complaint of the Malaysian Prime Minister. So, in Australia new taxes are being imposed (called closing loopholes) to tax, for example, superannuation savings. In short, people have responded to earlier tax laws by arranging their affairs in a particular way so as to minimize tax. The government response is to make new laws to ensure it receives a higher contribution from its citizens. This is the response from an Australian Prime Minister who, as an earlier finance minister, was responsible for the first retrospective tax laws in Australia, punishing citizens for obeying the law by making their actions illegal after they had completed their transactions. This is the new standard of justice in the land.

Meanwhile, there has been an immediate fallout in industries such as mining because of the collapse of the Asian markets. Coal producers, for example, stand to lose millions of dollars worth of sales if the Asian nations are in economic decline. Already, mines are canceling, or at least postponing, expenditure programs which in turn mean less work for Australians and a loss of orders to Australian businesses who might

have been called upon to be suppliers for the proposed programs.

India, as another example of economic uncertainty, has not only institutionalized poverty due to its maintenance of a class system, but corruption has become a major way of life. People who want a better education, or who even want a fair judgment from the courts, cannot get these without the payment of bribes. Corruption of this kind is so rife in India that a recent news report claimed it is now impossible to stamp it out. No doubt this is true, since this kind of evil cannot be controlled by governments. It comes from the heart of man and India will need a religious revival before it can expect to see the elimination of corruption.

While corruption has certainly been identified in some important areas in Australia, it is still possible to get a better education, to get access to judges and the courts without the payment of bribes. This is the legacy our forefathers left to us.

But what of the future? Australians, we are reminded often, are not interested in ideas. They want things that work. This being the case, it is not surprising that experiential religion of the charismatic and Pentecostal kind is so popular. It produces results. And results, for pragmatists, are the things that count. This Australian antipathy to intellectual pursuits, however, will leave the pragmatists at the mercy of those who do have the ideas. After all, pragmatists need some standards, some ideals that allow them to make judgments. And the results that are found need to have a judgment to be made about them, otherwise the pragmatists will not know which results are worth pursuing and which ones need to be discarded.

In the midst of this, unemployment continues at extraordinarily high levels in Australia. Speaking to a friend in Dallas, Texas, recently, it was said that unemployment in the city and regions is only two percent. Given that there are always some people who are changing jobs and therefore temporarily unemployed, a two percent unemployment indicates full employment. Meanwhile, back in Australia the government says it's doing its best to get it down from the 8.5% level. In a deflationary environment, the only way they will get unemployment down is to let the

minimum wage rates fall as well. This has not been done, so the unemployed rate will remain high.

In the past, when people have panicked over the safety of their money held in banks, there have been "runs" on the banks where people have obtained their money in order to preserve it. We have seen a similar effect on world stock markets. Many people have fled the markets in order to keep their assets. While it is true that other people have purchased the shares, and in this sense it is not identical with a bank run, many investors have panicked and sold out, thus helping buyers who remain in the market get the prices down, thus buying at better value.

Between a Rock and a Hard Place

In a previous *F.A.C.S. Report* I pointed out that governments are increasingly going to find it difficult to collect taxes as more and more transactions are undertaken on the Internet. Recent news reports have confirmed this, and government heads have been meeting to try to resolve this dilemma. While a Goods and Services Tax might flush some money out for the government, it will not help government revenues when individuals purchase in foreign countries. For example, right at this moment it is cheaper to buy books of various kinds over the Internet direct from America than it is to buy in many Australian stores. While the 8-10 weeks shipping time is an inconvenience, the savings of up to 50% are a great compensation for the waiting period. Computer software is another example of sales being possible over the net, and with the ability to download much software easily, a boost in Internet sales is certain.

Two items critical to the formation of the modern nation-state are control of the courts and the power to tax. Both of these have been in place for centuries, but the World Wide Web is about to destroy one of these items. Now it is possible for a person to set up his business in a tax haven such as Bermuda or the Canary Islands, live anywhere else in the world, generate his income off the Internet into the banks in the tax haven, and enjoy unprecedented levels of high income due to the lower taxes.

And what can the Australian government do about it? It can tax citizens who buy abroad, but to do this it will have to monitor all Internet orders that are placed on foreign suppliers. It can tax foreigners who buy locally, thereby increasing the cost of goods and making Australian businesses less competitive in the world-wide economy. It can continue to sell Telstra to the public and maybe start on Australia Post. But it will eventually run out of saleable assets. Then what? It can either cut expenditure or return to higher levels of currency generation (inflation). This is not a good choice for those who hold public office. The Labor Party continues to offer to tax the rich. But at the end of the day, there are not enough rich people to keep a third of the Australian work force on the government payroll.

The modern state is a predatory institution.¹ It feeds off the people it governs, not by giving constituents a real choice, but by coercion. By having people believe a number of simple ideas, all wildly inaccurate, about its ability to produce a better life for all. The modern state, as Davidson and Rees-Mogg point out, is only good for one thing: violence. This should come as no surprise. Its foundation was violence: the enforced taxation of the citizens, compulsory school attendance and, in this country, compulsory voting and an almost total ban on the private ownership of firearms. We could add to this the abandonment of the laws that protected innocent citizens, with the onus of proof on the accuser. It was once considered right that a person is innocent until proven guilty, but these laws had to be changed in order for random breath-testing to be introduced.

The modern nation-state is under threat. It will not simply lay down and die, but should be expected to fight for all its worth to maintain its existence. Unless it bans business on the Internet or seeks some way to control it to provide it with its lifeblood, taxes, then its future is certain. It will wither, and the more we can do to help its demise the better off we'll be. But we need alternatives.

Developing Christian Leaders

What the world needs now is love, sweet love. Not the kind that Dionne Warwick was singing about in the 1970s but the kind that is talked about in the Bible. This love is grounded in a sense of biblical justice and moral judgment.

One thing is very evident in Australia at the moment: it is the lack of Christian leadership that can give real hope to the idea of not just restoring lost Christian principles in this country, but of establishing new ones in addition. Conservative, evangelical Christianity is more interested in the local church than it is in changing the nation's legal system, its constitution, or its economic structures. Since most denominations are dependent upon government funding in some form for their activities, or even simple licensing of their accreditation program, there is little likelihood of an immediate change in emphasis from the traditional churches. On top of this, the bible colleges and theological colleges omit from their study programs courses in Christian political theory, Christian legal theory, or Christian economics. Thus we have clergy who remain uneducated and illiterate in these important areas. It is still surprising to see how many ministers continue to send their children to public schools. The Christian school and homeschool movements are some of the major changes for the better in recent years, but when there are not many more than 50,000 students in Christian schools across the whole nation, there is still a long way to go in this area.

Without right knowledge in these important areas, Christians cannot hope to change the world around them. Despite all the rhetoric about being interested in evangelism, it is a truncated and distorted view of Christianity that is offered to the unbelieving world. There is no reason to expect God to mightily bless our shortcomings, though thankfully He does. What might we achieve, though, if we could be faithful in these additional areas as well?

An important key to the successful development of Christian leaders will be the home-school movement. While Christian schools will no doubt object to this statement, with some

justification, the fact is that the Christian home-school is restoring family values in a way that the Christian school cannot do, even though it may try. Absence from the home is not the way to develop the family. Family development requires all members be present for a greater amount of time that is often possible in the home school. This is not only important for relationships between parents and children, but is critical for the development of strong relationships between the children themselves.

The Christian school, even the Christian home-school, however, has its weaknesses. We need more than just home-schools. We must seriously look at the content of the home school and Christian school curriculum. Too often, it is designed to meet bureaucratic requirements, and therefore neglects important aspects. For example, The Christian school, catering as it does in most cases for children from different denominational backgrounds, devotes only a small component of its study courses to serious Christian theology. While it argues that it leaves theology for the parents or local church to teach, it is a matter of record that most families and most churches do not teach their children theology. A reason many parents send their children to a school is because they believe someone else should teach their child.

The poor theological teaching given to school students, however, is a greater reflection on the church than it is on the home. Too many churches want a simplistic Christian message that is easy to convey to the unbelievers. In order to do this, they leave out the intellectual challenges that theology provides and settle for a theological level of the lowest common denominator. Recently, a pastor pointed out to me that so much of theology is hairsplitting, but he was using this as an excuse to avoid theological discussion. I agreed with him, but added that hairsplitting was crucial to Christianity. This is what made Jesus argue with the priests and the Pharisees, and what makes the difference between a Christian and a Jehovah's Witness. We do split hairs over whether God is one Person or Three, and the sooner we return to healthy hairsplitting theology, the

1. James Dale Davidson and William Rees-Mogg, *The Sovereign Individual* (London: Macmillan, 1997), p. 117.

sooner we will develop a generation of men and women with keen minds who understand why they believe what they believe.

At the end of it all, however, unless our children witness and experience leadership in the home, they are unlikely to imitate in their adult lives the kind of leadership necessary to bring change to the culture around them. The most critical ingredient in leadership must be the use and maintenance of family worship. Even if our schools and homeschools were the greatest in the world, unless family worship is carried out in the home, the example of leadership given to them is something that says God is not the most important item in this family.

This means fathers must pick up the mantle of leadership and insist on daily family worship. In this context the head of the home establishes the priority of godly worship, the daily instruction in the Scriptures, and the leading of all in prayer to God, our Father in heaven.

Even if we get our home schools working, our churches and homes teaching theology and our homes instituting daily worship, we then have the practical side of change to deal with. In this matter, F.A.C.S. has taken a unique step.

Practical Steps

In order to facilitate a generation of Christian leaders, F.A.C.S. has taken the initiative to put together a

training plan for young Christian men. The first part of this training program requires them to spend an internship under the watchful eye of Christian leaders in America. At this moment, the first trial of this plan is underway. Matthew Hodge, eldest son of this writer, will spend 10 weeks with Howard Phillips in the United States. Howard Phillips, is President of Conservative Caucus, a Christian political lobbying organization, and is United States Presidential candidate for the United States Taxpayers Party. The USTP's key items are a return to the enforcement of laws prohibiting abortion, and to return the Federal government to Constitutional spending. If this initial trial is successful, Mr Phillips will take two young men each year from Australia for a similar internship.

Our challenge? Finding the two young men each year who have sufficient understanding of the issues that when they take the opportunity for internship in America, they have a sufficient basis to interpret and understand what they see and learn. In addition, we need to identify those young people who display leadership potential so that the right people might be trained and equipped for future service in God's kingdom.

If the economic systems of this world, and the nation-state political entities that support them, are about to undergo major and dramatic change, then we need skilled leaders who can correctly identify and interpret events and offer the right (i.e. biblical) solutions to the issues. No one is underestimating the changes

we are going through, even now. But it is clearly evident that the Old Order is about to expire. The New World Order proclaimed by former US President George Bush is in trouble.

Over time we can have a number of young men influenced by their contact with Christian leaders in America. Maybe, in God's Providence, he will raise these young men to positions of leadership and influence in this country so that we might have the long awaited Reformation that so many pray for.

Conclusion

The world will not automatically become Christian. The older Christian values that are being eroded before us are not being taken away automatically. Things are happening because Christians are doing, or not doing, the things they ought to do.

Thus we need, first of all, a change in the way Christians act. We need ideas. We need leaders, men and women who know the issues, know the biblical answers, and can convince others of the rightness of their beliefs. This is the human side of God's total control of His creation.

The task is great. The workers are few. Let us therefore work with the resources God has placed at our disposal to see His glory magnified throughout this country and beyond.