

IPS PRINCIPLE PERSPECTIVE

A Quarterly Update for Donors & Friends of IPS

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NEGATIVE INTEREST RATES

Negative real interest rates in America are stealing our savings and slowly impoverishing our nation.

\$5,000 MATCHING CHALLENGE

As we look ahead to many exciting possibilities at our door in 2011, we need the help of our donors to take advantage of these opportunities to change hearts and minds. One project in particular, something we are calling the \$5,000 Matching Challenge, could have an immense impact on our ministry in 2011. Toward the end of 2010, a generous supporter of IPS who strongly believes in the importance of our outreach made a \$5,000 challenge to our other donors. This friend of IPS has pledged to match other gifts toward funding a particular IPS project, mentioned below. To take full advantage of this potential matching gift, we need \$5,000 in additional donations. Would you consider a sacrificial gift toward meeting this goal?

All money given to the \$5,000 Challenge will be used for our 2011 teacher training conference in California. Recognizing the truth that “whoever teaches the teachers, teaches the world,” we feel the urgent need to expand our teacher training ministry. For the last two years, IPS has hosted conferences for teachers who are leading debate programs in their schools. In 2011, we plan to greatly expand one of these conferences into a full week, with several days devoted to government and economic content. This conference will broaden our appeal to all high school teachers who teach government, economics, or history. We believe that this conference can draw teachers from several states in addition to California.

We need your help in order to take full advantage of this generous gift. If you would like to contribute to this important project, simply designate your donation as “\$5,000 Challenge.”


ARE WE BRINGING BACK THE “DIVINE RIGHT OF KINGS”?

By Michael R. Winther

One of the nearly-forgotten principles for good government is the principle of equality under the law. Without a firm dedication to this principle, government policy loses all consistency and begins to show favoritism to special interest groups. (For an explanation of the three kinds of equality, see our article entitled, “Equality and Liberty: Friends or Foes?” on the IPS web site, www.principlestudies.org).

One of the most significant issues from the 16th, 17th, and 18th centuries had to do with the concept of a “divine right of kings”. This debate centered around the relationship between leaders and the law. Is the king subject to the law, or is the king above the law? European monarchs often claimed that because God had placed them in power, their earthly authority was absolute and unquestionable. The same debate ensued in ecclesiastical government about the role of the Pope. By 1776, most thinkers in the Western

tradition had concluded that kings, popes, and all civil magistrates should be subject to the same laws that apply to citizens and that there is no divine right to rule except as specified in Scripture. The leaders should not, and cannot, be above the law. The result of this kind of thought was the ideology that says that all men are equal under the law. This was certainly the dominant view in America during our founding era.

Some of our modern American Christian leaders have been slowly reverting to these 16th-century views that create a “divine right of kings”. They don’t specifically label their views as “divine right of kings”, but in essence, this is what they are teaching. When a teacher, Christian or otherwise, tells an audience that government leaders should be obeyed at all times and at all cost, they are assuming that the leader is above the law—essentially, that he has a divine right of kingship. 

NEGATIVE INTEREST RATES AND THE IMPOVERISHING OF AMERICA

By Michael R. Winther

If you have seen bank advertisements for CD rates, or if you have called your local bank or broker lately, you know that interest rates are abysmal. As I write this, Ally Bank is touting their 2-year certificate of deposit at a rate of 1.78%—I guess that is supposed to be a good deal these days.

More important than interest rates on deposits, however, is something called the “real interest rate.” This is the interest rate after considering rising prices. Price increases are usually measured by the government with a statistic called the Consumer Price Index (CPI). The real interest rate subtracts the CPI (or other measure of rising prices) from the actual interest rate. So if a bank gives me 1.5% interest on a 1-year CD and prices go up by 3% during that time, I have a real interest rate of -1.5% (that is a negative 1.5%).

Many economists believe (and I concur) that the CPI significantly understates the real rate of price increases in America—in fact, it is designed to do so. But even with the government’s low CPI numbers, interest rates are still negative. Depending on whose numbers you believe, the real interest rate in America is somewhere between -1.25% and -7.00%.

“Not everyone who receives government transfer payments will automatically vote for big government or its continuance, but a substantial majority will.”

Don’t forget that savers pay income tax on interest earned regardless of whether real interest rates are positive or negative. The result is that many



Americans are paying income tax on a negative real interest rate! This discourages savings and investment, but even worse, it steals from our citizens.

Negative real interest rates hurt all savers, but these rates are especially damaging to the elderly and those on fixed incomes. It is no longer possible for senior citizens to live on the interest of their savings and investments. In fact, our negative interest rates result in a situation in which our seniors must rely on the depletion of their principle for all of their living expenses. These principle balances go very quickly in this situation.

Keep in mind that there can be no negative interest rates without inflation. Inflation is clearly the chief evil here. Rising prices, of course, are a hidden tax caused by the “printing” of money. This hidden tax steals our property because the value of our savings and investments (and even the value of the money

in our wallets) is being taken away. This is a clear violation of property rights and is theft by any reasonable definition of the term.

This is significant when one considers that consumer interest rates and consumer prices are both largely controlled by Federal Reserve policies. It takes little more than a rudimentary understanding of economics to know that this combination is driving millions of Americans (especially senior citizens) into poverty. Can this really be an accident?




The consequences of this impoverishing of America are several. First, it increases our nation's dependence on government largesse. For example, senior citizens who are forced into accepting (and needing) more government assistance because their savings and investments have been depleted will be much less likely to vote for a reduction of our welfare state. I will admit that this is not 100% universal, but it is nearly universal. Not everyone who receives government transfer payments will automatically vote for big government or its continuance, but a substantial majority will. Anecdotally, we know that need and privation will cause people to vote for their self-interest instead of the best interest of society at large. Statistically, we know that increasing dependence on government aid results in an electorate that accepts and promotes big government.

A second consequence is that a poorer population has fewer resources to contribute to causes that work to put America back on sound footing. A poorer population is also less able to contribute to churches, to missions programs, to private charity, or to organizations that promote responsible government. These factors also result in increasing desire and "need" for government programs.

Third, negative interest rates reduce the incentive to save or invest. Why save my money if the principle and interest combined buys less next year than it does today? I am much better off by converting my shrinking dollar into goods and services now instead of delaying the purchase to a future time when these dollars will buy measurably less. This loss of purchasing power and the resultant decline of savings and investment reduce capital accumulation and compromise future productivity growth. Additionally, a population without savings is more vulnerable to any economic downturn. There is some persuasive economic opinion that tells us that economic cycles are made worse when savings are low.

Fourth, economic difficulty will result in more dual-income households—more mothers will go to work to make ends meet. This results in a reduction of family stability and the need for more third-party childcare. There are well-supported claims that "latchkey" children are more likely to join gangs and commit crime than their parent-supervised counterparts.

If someone wanted to expand the size and scope of government, increase dependence on public aid programs, reduce giving to churches and charities, reduce the resources of limited government organizations, destabilize the family, and create crime, there is no better strategy than to impoverish the people. Christians and other advocates of family values need to wake up and realize that our public economic issues are in fact moral issues and, equally important, they are "family values" issues. 

IPS CIVICS CHALLENGE 2010

By Christopher Dow

To modify a quote from classic literature, it is the best of times, it is the worst of times. On the one hand, we see liberties usurped by our government on a near-daily basis, with the promise of more to come. On the other hand, the people of our nation are becoming increasingly ready for the message shouted from the rooftops by our founding fathers—that of small government and sound economic principles. Into this swirling vortex of statism and discontent wades the Institute for Principle Studies. Never has IPS's mission to educate the people been more necessary, and so it was heartening to attend an event like the 2010 IPS Civics Challenge in Modesto on Friday, November 12, 2010.

The Civics Challenge is a game show-style event where the teams are asked a series of thirty questions concerning government, economics, and the history of both. The evening began, as all excellent evenings do, with a bevy of fantastic desserts accompanied by attendees' choice of coffee, tea, or water served by kindhearted and attentive young people. (My wife assures me the tiramisu was extraordinary.) The exuberant Nathan Bunney gave a brief explanation of the coming festivities, and then began the bidding for the two experts who were available to lend their knowledge to the tables of the highest bidders. After the bidding war, IPS President Mike Winther was ushered onto stage with much thundering applause. Mr. Winther discussed the mission of the Institute for Principle Studies, and explained some of what the Institute does to accomplish its goals.

Within moments, the competition between the various teams began, and it was a hard-fought battle, indeed. The teams jockeyed for position as the questions came at them hot and heavy. Questions regarding key figures in economic theory, American jurisprudence, and American history were asked of the teams, who wrote their answers on cards delivered to their servers. At the intermission, it was still any team's game, lending more suspense to the evening. During the intermission, with intellects reeling from the inquisition, participants

placed orders for coffee, tea, and water while gaining sustenance by consuming delectable truffles served by the considerate servers. Nathan Bunney assumed the podium again to reopen the bidding for the two experts. Soon thereafter, Mr. Winther returned to the podium to explain a little more of the importance of the battle fought by IPS against the rising tides of apathy, allowing his guests to prepare for the intellectual onslaught he would soon be unleashing upon them. Mr. Winther also spent some time outlining some current needs and desires of IPS, creating within the hearts of the competitors a desire to join with him in the fight for liberty.

The questions in the second half of the event were somewhat more difficult, heralded by their increased point values. The competition resumed with vigor, and one could virtually hear the wheels of liberty turning in the minds of the participants as they strove to answer the remaining 15 questions. In what seemed an enjoyable whirlwind of only moments, the dust was settling from the cerebral melee that had occurred throughout the evening, with teams Liberty, Independence, and RC Knights taking first, second, and third prizes, respectively.




Photo Credit - Austin Hermle

“The Institute is working tirelessly to educate people and shift the bell curve that currently favors statist to one that is more favorable toward liberty and sound economic principles.”

Engaging rhetoric aside, it was a very enjoyable evening, and I venture to say all present learned something they could take home with them. I will close by recounting a particularly insightful lesson Mike Winther delivered from the podium with his excellent bell curve creation skills. He described the process of political parties and candidates shifting their political goals and promises to the center of the majority view, which right now happens to favor bloated government and poor economic policy. Yes, I said it: the majority of people are not yet on our side, and the poor choice we as voters see between two big-government candidates reflects that majority. If there is one thing I would like my readers to take away from this recap, however, it is the following: it does not have to be this way! The Institute is working tirelessly to educate people and shift the bell curve that currently favors statist to one that is more favorable toward liberty and sound economic principles. As Mike Winther said, “Wouldn’t it be great to one day be able to have a hard time choosing between two candidates who both stand for Constitutional government and good economic principles?” Yes, it would indeed, Mr. Winther.

That is why events like the Civics Challenge are important. Change does not happen at the ballot box. When we are given poor choices by our political parties, the choice between bad and worse will not make the difference we seek. The only thing that can improve the political and economic landscape in America is education. The Institute for Principle Studies is striving to educate people about the Constitution, sound economic principles, and the history behind our form of government. The Institute needs your help to continue the fight in an era where it is so sorely needed. When a man can get elected to the office of President of the United States on little more than platitudes that have no basis in the Constitution, it quickly becomes apparent that knowledge of the Constitution and the republic it creates is desperately important to the survival of liberty in this nation.

So where will you be next year when the battle lines are once again drawn, and when the call goes out for paladins of politics, champions of the Constitution, and expounders of economics? If you just said, “At the 2011 IPS Civics Challenge!”, then I shall see you there! 



2010 First Place Team

Photo Credit - Austin Hermle

Would you like to help bring a Civics Challenge event to the Bay Area?

We are hoping to host a Civics Challenge somewhere in the Bay Area during the spring of 2011, and we are looking for a team of volunteers to help coordinate, run, and promote the event. If you are interested in helping us bring this exciting and enjoyable fundraiser to the Bay Area, please contact the IPS office at (209) 575-200 5 or jennah@principlestudies.org.

THE IMPORTANCE OF PRINCIPLES

By Katie Philpott

During my first year at Las Positas Junior College I decided to take an economics course. The class was microeconomics, and my professor was a well-educated woman who earned her Ph.D. at Berkeley. Because I had debated in high school, I already knew that economists had differing views and that many theories were widely debated. Understanding this, I approached my professor. My question was simple: I wanted to know which school of thought she subscribed to and would be teaching from. Her answer surprised me. “This is an introductory class” she said, “and all economists agree on the basics.”

Without questioning her answer, I took my seat and proceeded to listen to the first lecture. She covered the “10 Principles of Economics”—these were the basic, fundamental principles that guided all economic thought and on which there was no disagreement. As she started to explain number 8, governments can help the economy, I smiled to myself. No disagreement on the basics? I disagree.

Our understanding of the world around us (whether it be with regard to economics, or anything else) is largely shaped by the core principles which we have accepted. Principles recognize what is true and help us apply truth to new or unknown situations. When my professor taught us the principles of economics, she hoped to give us a foundation for interpreting all the future information we would be receiving. The principles provided would help guide us in discerning which economic policies would be successful and which wouldn’t. If we ever faced a proposal or idea that contradicted one of these principles, that would be a flag to us that the proposal was flawed.

That is how principles should work—principles are sets of uncompromising truths that provide us with tools for evaluating thought and action. Principles, because they are based on truth, are universal and can be applied without exceptions. A good set of principles will enable us to make decisions very quickly, even if the situation we are facing is completely new.


It’s a lot like learning how to read. Some of us were taught how to read by memorizing words. Once we have memorized a good number of words, we can read away happily, until we come across an unknown word. We don’t know what to do with it. We’ve never seen it before, and have no tools for discovering its meaning. On the other hand, some are taught to read by phonetics. You learn the alphabet and the sounds each letter makes. By itself, this information seems useless—but when you sit down to read, you can slowly sound out each word. You may have never seen the word before, yet the foundation you were given enables you to move forward, with great accuracy.

“Principles recognize what is true and help us apply truth to new or unknown situations..”

Solid principles can help in all aspects of life. Principles can be found in the areas of family, friendships, relationships, and business. Principles also can be found in studies like economics, government, psychology, and communication. Not all principles, however, are correct. Unlike what my professor would have me believe, these basics are debated. In fact, these “basic” principles are the most debated. Principles provide the foundation for all other conclusions we reach. Thus, they are most important. We should not take this concept lightly. By accepting a flawed set of principles, we will reach flawed conclusions. And having no principles to guide us will leave us vulnerable to be swayed by popular opinion—unable to make consistent or wise decisions, especially in the face of new difficulties or questions.

Unfortunately, as important as they are, we often do not take much care in forming our guiding

principles. But it is essential that we build a set of principles that are solid and true, in every aspect of life. Only then will we be able to discern

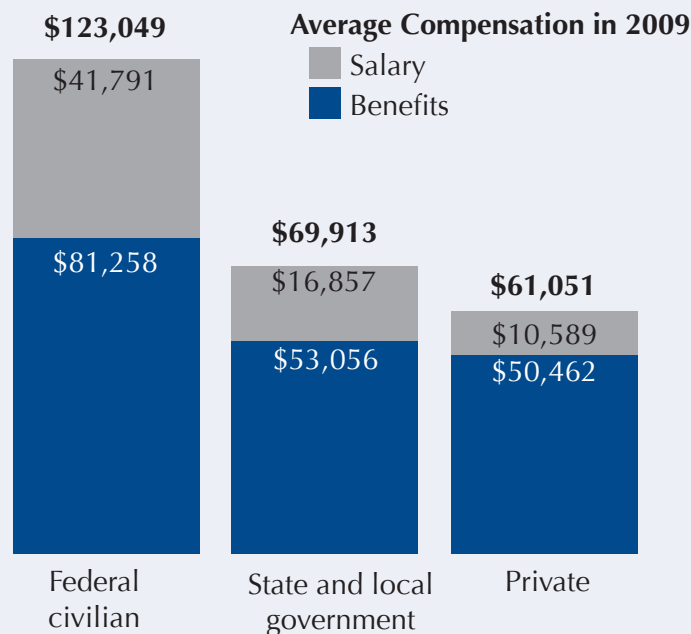
what to do in a struggling relationship, how to handle trials at work, and what government and economic policies should be passed next. 

If we abide by the principles taught in the Bible, our country will go on prospering and to prosper; but if we and our posterity neglect its proper instructions and authority, no man can tell how sudden a catastrophe may overwhelm us and bury all our glory in profound obscurity.

DANIEL WEBSTER

DISPARITY IN SALARIES

Public sector employees continue to make more, on average, than their private sector counterparts.



Source: Bureau of Economic Analysis

RENDER UNTO CAESAR: *An Exposition of Matthew 22:15-22*

By Michael R. Winther

As an advocate of limited government and an advocate of government by biblical standards, I am frequently asked about Jesus' words when He tells us to "render unto Caesar what is Caesar's." Many Christians have difficulty reconciling this admonition of Jesus with the concept of limited taxation, supposing that Jesus is instructing Christians to always render unconditional submission to the state in both action and finance. Let's look at Matthew's account of this teaching.

Matthew 22:15-22 (ESV)

Then the Pharisees went and plotted how to entangle him in his words. And they sent their disciples to him, along with the Herodians, saying, "Teacher, we know that you are true and teach the way of God truthfully, and you do not care about anyone's opinion, for you are not swayed by appearances. Tell us, then, what you think. Is it lawful to pay taxes to Caesar, or not?" But Jesus, aware of their malice, said, "Why put me to the test, you hypocrites? Show me the coin for the tax." And they brought him a denarius. And Jesus said to them, "Whose likeness and inscription is this?" They said, "Caesar's." Then he said to them, "Therefore render to Caesar the things that are Caesar's, and to God the things that are God's." When they heard it, they marveled. And they left him and went away.

Although the question in this passage does relate to our proper response to taxation, it is important to recognize that there are a number of complexities involved in this teaching. The first complexity is that we are not dealing with a straight-forward question. This text (and the parallel accounts in Mark and Luke) clearly tells us that the question was framed as a trap. This was a binary question, designed to allow for only two answers, either of which would condemn Jesus—either to the people or to the Roman authorities. The question was much like asking a politician if he still beats his wife. Any answer, whether affirmative or negative, indicts the politician either as a former or current



wife-beater. In the study of logic, we call this a "begging the question" scenario.

Given the complexity and insincerity of the question, it should come as no surprise that Jesus did not go into a lot of detail with his answer. His answer, nevertheless, avoided the trap while remaining accurate.

Jesus said to give to Caesar what is Caesar's. Notice the possessive form of the second "Caesar". If we assume that our English translations are accurate, we must take this passage exactly as it is. This means that we are to give to Caesar what is his. That is to say that we give him an amount based on his legitimate claim or legitimate authority.

Notice what the passage does not say. It does not say to give Caesar everything he asks.


If the passage intended for us to give our civil rulers everything they ask for, then we could be in a situation where Scripture would contradict Scripture—an impossibility. Allow me to explain the logic here. What if a civil ruler (whether an individual or a group, whether elected or unelected) asked for 100% (or 95%) of our income and assets? Should we then abandon the tithe? Should we allow our families to starve? This interpretation of Christ's admonition to render to Caesar would put Scripture in conflict with other Scripture—specifically, passages requiring the tithe and passages admonishing us to provide for our families.

“Notice what the passage does *not* say. It does not say to give Caesar everything he asks.”

Scripture is clear that only Divine authority is absolute. God, through Scripture, gives men and institutions certain authority, but this authority is always limited. Wives are to submit to their husbands (Ephesians chapter 5), children are to submit to their parents (Ephesians chapter 6), and believers are to submit to elders, but the authority of husbands, parents, and elders is limited—and so is government authority. Throughout Scripture, we find the establishment and limits of family authority, of church authority, and of civil authority. Yes, even Caesar's proper authority is defined and limited in Scripture. A complete discussion of the proper authority of Caesar (or any civil government) is beyond the scope of this article, but here it is sufficient to say that there are (and there must be) limits on all human authority.

It is not reasonable, therefore, to make this passage say, "Give unto Caesar everything that he asks." So if the passage does not grant unlimited taxing authority, then it must mean exactly what it says: "Give unto Caesar what is Caesar's."

Of course, nothing in the passage specifies exactly how much that tax can be (or should be), but Jesus' main point here is not to instruct on the proper role of government—we need to look elsewhere in Scripture for principles on this matter.

Our conclusions here are two: first, that Jesus seems to communicate that some level of taxation is right and acceptable; and second, that there are some limitations on the application and amount of this taxation. 

*No pecuniary consideration is more urgent than the regular redemption
and discharge of the public debt; on none can delay be more injurious, or an
economy of time more valuable.*

GEORGE WASHINGTON

THE PRIVATE SECTOR— A SHRINKING ELEMENT OF THE US ECONOMY

US workforce	138,792,939
Retirees & disabled receiving SS & SSI	54,035,548
Employees of State & Local Government	16,262,896
Employees of Federal Government	4,281,568
Food Stamp Recipients	43,042,641

Source: usdebtclock.org

LITTLE THINGS CAN MAKE A BIG DIFFERENCE

By Michael R. Winther

Almost every bill that comes into my mailbox contains content designed to promote a political agenda. My city water bill, my electricity bill, my natural gas bill, and even my home and auto insurance bills contain regular content designed to alter the political landscape. No, they are not asking me to support a particular political candidate or a political party—these messages are more subtle than that—but they are no less powerful.


These politically persuasive messages usually fall into one of two categories. Less frequently, they tell me of the necessity of some political solution that I should support. For example, my health insurance company has promoted the necessity of health care reform. Although it didn't specify the exact reforms that I should support, its timing seemed to lend support to the bill that was working through Congress at that time. My auto insurance company included an insert advocating for a ballot proposition that would increase government control of the insurance system.

More frequently, these messages are designed to convince me of the existence of a particular problem. More often than not, these “problems” are the political rationale for current political agendas. In fact, most of these problems are either

scientifically dubious or completely contrived issues that exist only to drive a set of public policy objectives. In the last decade, these “problems” have centered on pollution, global warming, and climate change.

When the entity doing the advocacy is a private company, I absolutely support their freedom to express their opinion. At the same time, their customers are equally free to express to that company their disagreement. It doesn't take very many customer disagreements to cause a business to re-think its positions—or at least the aggressiveness with which it promotes these positions.

When the entity is a public (government) agency, however, this kind of advocacy is inappropriate. After all, they are using my tax dollars to promote an agenda that I don't support. Again, these agencies should hear from constituents who disagree with their advocacy.

The next time you see a government agency or even a private company advocating a dangerous agenda (whether directly or indirectly), take the time to call or write them and complain. It will make a difference. 

If we work upon marble, it will perish; if we work upon brass, time will efface it; if we rear temples, they will crumble into dust; but if we work upon immortal minds and instill into them just principles, we are then engraving that upon tablets which no time will efface, but will brighten and brighten to all eternity.

DANIEL WEBSTER



PRESIDENT'S LETTER, CHRISTMAS 2010

Where is my IPS coffee mug and my commemorative, limited edition trinket?


By Michael R. Winther

As 2010 draws to a close, I want to thank all of you who financed the work of IPS during this past year. Some of you give monthly; some give quarterly; some give annually or as the Lord provides. Our donors make our work possible, and we appreciate you more than you know. Despite our great appreciation for your sacrificial giving, though, it is likely that IPS donors might be the least rewarded and least acknowledged givers on the planet. IPS donors receive few perks in exchange for their financial support. You didn't receive a letter from us every other week, your mailbox wasn't stuffed with an IPS logo-adorned coffee mug, and UPS didn't deliver a limited edition commemorative trinket as a token of our thanks.

Instead, IPS spent the year delivering world-changing ideas and principles to thousands of people who were amazed at what they didn't know about government, economics, the Bible, and the Constitution. You see, we took the commemorative coffee mug money and invested it into changing hearts and minds.

In about 30 days, our donors will receive our 2010 Annual Report. This report will summarize the growth and accomplishments of IPS during the calendar year. I don't have the space to convey all of this information here, but allow me to preview a few highlights. The number of people who took a class or sat in a seminar hosted by IPS in 2010 more than doubled compared to 2009. With increased media opportunities, the number of people exposed to some part of the IPS message actually tripled. Our commentaries and essays on important issues are being distributed by individuals and other organizations throughout the country, and are being viewed on the internet throughout the world.

IPS is growing, and people are stepping up to fund the expansion of our work into new areas (watch for some exciting expansion announcements early next year), but we also need help funding the continuation of our existing work (our Biblical Principles of Government classes, our private school outreach, and our publishing of commentaries and essays on crucial issues). These are the funds that are most important and most difficult to raise.

If you are a regular supporter of IPS, I thank you. If you are not a contributor, please consider the importance of becoming a regular IPS donor. In fact, become a new IPS donor today, and we promise not to send you an IPS coffee mug. 

Principle Perspective is published quarterly by the Institute for Principle Studies. The Institute is a 501(c)3, tax exempt, non-profit organization dedicated to researching and teaching government, economics, and history from a Christian perspective.

Principle Perspective is distributed to those who contribute \$40 or more per year to the work of IPS—or to students for a \$12 contribution. Temporary complementary issues are often provided free of charge to those who attend an IPS-sponsored class or seminar.

The right side of your mailing label displays the "expiration issue" of your Principle Perspective subscription. The two digits before the dash indicate the year, and the two digits after the dash indicate the month, of your expiration. An expiration code of 10-12 denotes an expiration of December of 2010.

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Editor... Jenna Holliday