

The Financial Seminary

IN COOPERATION WITH WILLOW CREEK'S GOOD \$ENSE MINISTRY

SPIRITUAL ECONOMICS FOR AMERICA'S CHURCHES, MINISTRIES, COLLEGES & SEMINARIES

CLASS ONE
FORWARDING IS ENCOURAGED



*"Whenever I tried to become wise and learn what goes on in the world,
I realized that you could stay awake night and day and never be able to
understand what God is doing. However hard you may try, you'll never find out.
Wise men may claim to know but they don't."*

Solomon, Ec 8:16

I'm going to risk my credibility--and possibly your anger--in my first, and lengthy, article by suggesting few of us, myself included, really understand our nation's finances, particularly our debts.

Why? I live a debt-free lifestyle, so I'm not encouraging more consumer debt. I'm a life-long Republican who's served on a board of advisors to Jack Kemp and Bill Bennett, so I'm not trying to provide political cover for the Democrats. And I've been a critic of Wall Street ethics longer than most of my conservative friends have been critical of Washington's ethics.

The simplest reason is that more of us simply must begin to pursue, rather than claim, truth about mundane matters, primarily as judgment begins in the house of the Lord. I deeply believe the theological, political and economic truth that a nation divided against itself cannot stand. And today, the church may be as divided politically, economically, racially and sexually as our nation.

That usually results in a huge deficit in grace, as demonstrated by the shouting in Congress, the rage on our roads and the anger on our radio stations and our athletic courts. Grace is destroyed whenever prideful humans claim the Godly characteristic of knowing it all. Historic Christianity deplored that; humanism has applauded it...to our spiritual detriment.

Tap on a desk and ask your elementary school science class if it is a solid and they should answer "yes." But ask students pursuing a Ph.D. in nuclear physics and they should

respond: "No. It's mostly space within rapidly vibrating atoms that are deteriorating according to the laws of thermodynamics." Both groups are "correct" despite giving seemingly diametrically opposed answers. And despite many Christian's skepticism of higher science, the second answer is actually closer to the biblical truth that our material world is passing away.

Similarly, some verses of the Bible seem to advocate the enjoyment of alcoholic beverages (Dt 14:26) while others seem to advocate abstinence (Pr 20:1). So while we can quote the verse we prefer and claim those who quote the other is wrong, in reality the Bible must say alcohol should be avoided by those for whom it is a problem but it can also enrich life for those with the maturity to enjoy it in moderation.

It's much the same with debt. Most financial ministries deal with the very real pain it can cause day in and day out. So they quote Bible verses that seem to discourage it. I've even heard credit cards deemed "evil." That's one reason I've long preferred Willow Creek's Good Sense Ministry's approach. It cautions about debt without demonizing it. For credit can enrich life.

That's why, in the Sermon on the Mount, Jesus said we should lend to anyone in need at any time, especially sub-prime borrowers (Lk 6:35, also Dt 15:7). That means lots of borrowing, as Jesus demonstrated when he borrowed a donkey, upper room and tomb during Holy Week alone. What was actually forbidden in the Bible was charging interest, which no one

now questions (Ex 22:25).) And some ministries suggest that if we do borrow, we have an absolute obligation as Christians to repay. Yet the true absolute of the Bible was seventh-year debt forgiveness (Dt 15:1, also Ne 5:10). There is no way a poor borrower can be worse off if he borrows interest-free and repays when possible.

It's simply difficult for us to see those biblical concepts through the cultural screens of capitalism. Yet our understanding of credit can still have dramatic consequences in the real world, particularly for the least of these, as demonstrated by the growing number of ministries doing micro-lending.

Pragmatically, as an investment advisor, I often witness Christians doing considerable good with their excess by lending money to growing cities that need water and sewer projects by buying municipal bonds. Yet I'd also argue our banks would be more careful in their lending practices if they understood more of us might default on loans that have become *truly burdensome* through no fault of our own. And one-half of bankruptcies are actually caused by medical emergencies. We need not add guilt to those pains.

Politically, it is rarely acknowledged in our age of cynicism toward government but some of us can remember that it was actually considered quite patriotic to lend to our federal government by buying war bonds during World War Two. And there is a case to be made that President Reagan wisely defeated the Soviet Union without firing a bullet

by running up the federal debt for defense spending that bankrupted the Soviet Union when it tried to keep up. If you invested in a U.S. savings bond, Treasury bond or money market fund containing treasury bills during the eighties, you owned part of the federal debt. It enriched our nation's future. And you considered it an *asset* that would enrich your future rather than a debt that would impoverish it.

Bruce Howard, who has chaired the economics department at Wheaton College, has written: "If there is one element in the market economy that has caused more confusion in the minds of Christians than anything else, it is the issue of credit... While it can be grossly misused, credit at its best is entirely compatible with traditional Christianity."

While we have been focused almost exclusively on the morality of federal and consumer debt, our recent credit crisis and resulting recession were actually ignited by our Wall Street firms incurring excessive *corporate* debt in order to underwrite excessive mortgage debt for Americans. That is why Jesus taught the truth that we should remain on guard against *all* forms of greed, rather than simply politically correct forms. So despite credit cards causing some of us considerable pain and our federal debt threatening to increase sharply in coming years, let me explain why some knowledgeable experts haven't lost all hope for the American economy.

A new and scholarly book entitled *Passing the Plate* explores the sub-biblical giving in our churches. Crucially, it suggests economic *perceptions* can reduce giving as surely as economic realities. (As a man thinketh...) And it reiterated what the Financial Seminary has tried to say about credit card debt for years. "One commonly cited statistic in the media is that the average American owes \$8,000 in credit card debt." It concluded: "In short, while many Americans are no doubt 'overspent,' the possibility of most people drowning in credit card debt as the explanation for lack of generous religious and charitable giving lacks empirical support (page 64)."

Between those two statements, the authors explain the \$8,000 figure is for those who have credit card debts they roll over each month. Yet 52% of us have no card or pay our balances each month. They also explain the affluent skewer the numbers higher so "the *median* balance was only \$2,200." That's the reality for most of our members and the one we should be focused on as our nation obviously has far larger moral and financial problems.

As most politicians are as disinterested in good news as the media, our federal debt has probably been even more misunderstood. Most everyone knows the federal debt is now twelve trillion dollars. As a percentage of our national income (GDP), that is about half what it was at the end of World War Two. And it is projected to rise to that level, and possibly more, again during my expected lifetime, assuming our wars and spending on retired boomers continue as is. It may even rise to the 240% level it was in Great Britain at the end of WWII.

Yet when we as individuals consider whether our mortgage is burdensome or not, we usually relate that debt to the value of our home, not simply our income. And I've never found one American Christian during twenty years of asking who knows the value of our American home. Yet that number is estimated each year by the same folks who estimate our debt. It simply isn't the bad news favored by our media and politicians.

You can count your economic blessings as an American by going to www.whitehouse.gov/omb/budget/fy2010/assets/spec.pdf and finding a balance sheet for our nation on page 199. It shows the latest estimate of our nation's total assets as being \$125.5 trillion. It also shows we owe other nations \$7.2 trillion more than they owe us. So America's net worth, after paying off all debts, at the end of 2008 was \$118.3 trillion, or \$388,100 per person.

Importantly, the last line of the balance sheet tracks our federal debt as a percentage of our assets as that's

the most important statistic for our policy makers in Washington to consider. Notice that the trend was *in decline the past fifty years*, from 10.3% in 1960 to 6.5% at present.

That is comparable to the condition of affluent retirees in Florida. Some have relatively small mortgages. Yet as a percentage of their smaller retirement incomes, those mortgages are larger than they may have been a few years ago. Yet as a percentage of the retiree's considerable assets, the mortgages are quite manageable.

Yes, as with a reverse mortgage for individuals, our nation will mortgage some of those assets to care for retiring boomers. Just remember that a lot of the spending will go to the medical professionals in our American family as, unlike cars, we don't buy much medical care overseas. The balance will go to our fellow Americans as inheritances, our American charities as bequests and so on.

So what can you do with this knowledge? Simple: Proclaim the good economic news, perhaps simply by copying this article for your members. One affluent businessman I gave the nation's balance sheet to keeps it on his desk to encourage visitors. Then the church might again be an oasis of gratitude and hope for our financially affluent but spiritually bankrupt culture grown cynical of politics, the media and Wall Street.

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You can read more of his insights at www.financialseminary.org.