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## A Christian View of the Economic Crisis

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The headlines tell the story as recent days have seen the American economy and its financial system buffeted by seismic failures and the virtual disappearance of major investment banks. The debate raging in Washington these days concerns the form and extent of government intervention that will be required in order to restore stability to the financial markets.

Comparisons to the Great Depression are inevitable, but today's crisis bears little resemblance to the total economic collapse of the late 1920s. Capitalism is not in crisis and the fundamentals of the American economy remain strong. When President Franklin D. Roosevelt took office in 1933, the nation faced a genuine crisis and economic collapse. For the most part, the banks were closed and the nation was out of business.

Nothing like that is happening now, but the financial system is clearly in need of reform and realism. The fundamentals of the economy remain intact. These include American innovation, a dedicated labor force, strong consumer demand, vast natural resources, and unlimited intellectual capital.

More than anything else, this crisis has to do with what happens when the markets come to term with excessive valuations. Put bluntly, wildly inflated valuations led to risky financial adventures and worse. The sub-prime mortgage collapse came as more realistic real estate valuations forced market corrections. The vast global financial system has accepted the inflated valuations as real and traded in the risky mortgages as if the game would go on forever. This was a fool's errand.

There were other causes of the current distress in the markets and other forces at work within the economy at large. The slide of the dollar and the rising price of oil both played a part, as did more fundamental shifts having to do with a globalized economy and the continuing shift toward a knowledge-based economy in a technological age.

Is this all about greed? Yes and no. In the movie "Wall Street," the character Gordon Gekko famously declares that "greed is good." But is the economy really driven by greed?

This question requires a return to what we might call "Economics 101." No one has explained basic economics as well as Adam Smith did in his 1776 classic, *The Wealth of Nations*. As the great Scottish thinker explained, an economy is based upon the transfer of goods and services from one individual to another. Each partner in the transaction must believe that this transfer is in his or her own best interest or the transfer is not voluntary. Both parties seek to gain something from the transfer. Since no one person can meet all of his or her own needs alone, a vast economic system quickly takes shape. Individuals trade goods and services through the exchange of currency or another agreed-upon form of value.

At every stage, the transfer is made because those involved desire and intend to achieve a gain. The legal entity of a corporation allows individuals to band together in a common economic cause with certain legal protections. A stock market allows individual investors to buy an interest in a company, thus allowing the corporation to use their capital in



hopes of future gain. The market works because all concerned hope to gain through the process.

The development of vast global economic systems simply builds upon the simple principle that all participants are willing to trade one good for another they want even more and to invest in the hope of future gain.

Is this greed? In and of itself, this is not greed at all. The desire for a profit, for income, and for material gain is not in itself greed. The Bible clearly teaches that the worker is worthy of his hire and that rewards should follow labor, thrift, and investment.

Greed raises its ugly head when individuals and groups (such as corporations or retirement funds) seek an unrealistic gain at the expense of others and then use illegitimate means to gain what they want. Given the nature of this fallen world and the reality of human sinfulness, we should expect that greed will be a constant temptation. Greed will entice the rich to oppress the poor, partners in transactions to lie to one another, and investors to take irrational risks. All of these are evident in this current crisis.

Christians should think seriously about this economic crisis and ponder what it would mean to come to a Christian understanding of what it means to be participants in this economy. As Adam Smith recognized, the economy is a *moral* reality. Human beings actualize their moral selves in making economic choices and through participation in the economic system — and we are all participants.

Indeed, one of the defining differences between the current crisis and the crisis of the 1920s and 1930s is that the vast majority of Americans are now, in effect, investors. Our retirement accounts are, by and large, mingled with the investments of the titans of industry. Through their pension funds, school teachers are investors right alongside Warren Buffet. This was not the case in the run-up to the Great Depression. We all want and need the stock market to do well, and the outcome of any market crisis affects both Bill Gates and the worker in the local medical clinic.

Christians should look at the economy as a test of our values. The Bible values honest labor and dedicated workers, and so should we. The Bible warns against dishonest business practices, and we must be watchful. False valuations are, in effect, lies. Dishonest accounting practices are just sophisticated forms of lying. Insider information is a form of theft.

The Bible honors investment and thrift, and Christians must be wary of the impulse for short-term gains and pressure for instant profit. Over the long-haul, the entire economy must prosper if the vast majority are to do well and realize a responsible gain.

Thus, the current crisis sheds light on what happens when things get out of control, when various pressures distort the proper operation of the markets, and when irrational valuations entice investors to make poor investments. Dishonesty enters the picture at many levels, and the individual investor is too often left in the dark.

When these things happen the economy is threatened by a lack of trust, and trust is the most essential commodity of all when it comes to economic transactions. Without trust, the entire system collapses.

The big debate in Washington is over the extent of government intervention. Prudence would indicate that the less government intervention, the better. Adam Smith was confident that a “hidden hand” within the economy would rectify excesses and punish bad actors. I think he is basically right, but the government is, like it or not, one of the actors in this economic system.

The problem with letting the markets solve this problem and letting the “hidden hand” punish the bad actors and unwise decisions is that, in this situation, the small investor is crushed along with the tycoon. Furthermore, the entire economy could face a crisis of confidence.

So watch the debates in Washington with interest and consider how a Christian should understand the economy and our economic lives. The free market is not perfect, but capitalism has brought more wealth to more people than any other system. It rewards investment, labor, and thrift and rises on innovation. Better ideas and better products push out inferior ideas and inferior products. Given the reality of human sin, we should not centralize economic control in the hands of the few, but distribute economic power to the many. A free market economy distributes power to multitudes of workers, inventors, investors, and consumers.

No economy is perfect, but the American economy remains a marvel. The present crisis is an opportunity to rethink some basic questions and restore trust. There are no easy ways out of a crisis like this, and no painless solutions. Yet, would you trade this system for any other?

This current crisis should also remind Christians that we are not called to be mere economic actors, but stewards. Everything we are, everything we do, and everything we own truly belongs to God and is to be at the disposal of Kingdom purposes. This world is not our home and our treasure is not found here. We are to do all, invest all, own all, purchase all to the glory of God.

Finally, this current economic crisis just might help Christians to focus on another issue — retirement. Where in the Bible are we told to aspire to years and decades of leisure without labor? There is nothing wrong with saving for what the world calls retirement. Indeed, that is just good stewardship. Furthermore, there is nothing wrong with workers enjoying the fruit of their labor. But Christians should think of retirement as an opportunity to be redeployed for Kingdom service.

Today's crisis in the financial system should not be a threat to the long-term health and vitality of our economic system. There is cause for concern, but no justification for panic. Rather than hit the panic button, spend that energy thinking about how Christians should glorify God in our economic lives. We should watch the developments and debates in Washington and New York with interest, but we should investigate our own hearts with even greater urgency.

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