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Gleanings

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Signs of the Times

How do you feel about your net worth? If you are an investor in the stock market, you may not be feeling well. Over the past few weeks, the market for publicly traded securities has declined dramatically. Using the Dow Industrial Average as a measure of the market, this Average has lost all the gains that it made during the past eleven months. This event has been widely covered in the media, which arguably has added to the selling frenzy.

Clearly for some time there has been concern about the future of the US economy. Some would posit that the genesis of this concern was the crisis in the mortgage industry, which came to light in the summer of last year (2007). The impact of this debacle on the US economy played out through the fall and perhaps was most fully revealed in the fourth quarter retail sales.

It is well known that the retail industry's strongest sales period each year is the Christmas season. This year the American public was not feeling as jolly as usual, which resulted in significantly lower fourth quarter retail sales.

A recent *Wall Street Journal* article reported: "The retail industry appears to be skidding toward its first big wreck in 17 years. Chains are slamming the brakes on store openings, cutting back on inventory and girding for leaner times as consumer spending chills. The speed with which sales slowed during the holidays caught even cautious retailers off guard, prompting a flurry of profit warnings." ("Retailers Sink Into the Doldrums," by Gary McWilliams and Amy Merrick, *Wall Street Journal Online*, January 18, 2008; page B1)

The New Year dawned with considerable skepticism about the health of the US economy. This concern was not confined to US investors. Investors worldwide have been concerned for some time, as evidenced by the decline in the dollar relative to other currencies. Since all major central banks have adopted a fiat money system, which means paper currency cannot be converted into coinage or specie of equivalent value, the value of different currencies relative to each other is largely based on confidence. This confidence is heavily influenced by supply and demand. Therefore with increasing doubt about the strength of the US economy, foreign investors are reticent to own dollar denominated investments.

Furthermore, since the US is the most powerful and prosperous nation in the world, when investors lose confidence in the US economy, they also tend to lose confidence in the other economies of the world. To use a medical metaphor, when the US economy catches a cold, the world economy catches the flu. Given these factors, it is not surprising that the US stock market is experiencing a minor meltdown.

The meltdown is saying that the average publicly traded company is not as valuable today as it was a month or so ago. Unlike privately held companies that are generally valued based on historical performance, publicly traded companies tend to be valued based on expectations of future performance. Hence, when the future begins to look bleak, investors lose confidence and discount the value of the companies.

This begs the question about what to do.

If you are a Buffet fan, you know he believes that the stock market always overreacts. This implies that the market is probably oversold. If so, this would be a buying opportunity.

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On the other hand, maybe Buffet is wrong. Perhaps the market is reflecting reality. Could the US economy—largely built on public and private debt, consumer spending, and a fiat money system—be revealing its fragile nature? Could a thirty-year history of annual negative trade balance finally be exacting its pound of flesh from the US economy?

Since the inception of Keynesian economics in the 1930s, it has been widely assumed that deficit spending, deficit trade balances, and fiat money systems are acceptable economic practices.

These assumptions are 'signs of the times'. I am reminded of Jesus's comment to the Pharisees, who were the leaders of their day. Jesus pointed out that their ability to read the 'signs of the times' was limited. They could see some of the simple signs in the tangible world, but couldn't see the most significant signs, which were largely in the intangible world. Note Matthew 16:1–3:

The Pharisees and Sadducees came to Jesus and tested him by asking him to show them a sign from heaven. He replied, "When evening comes, you say, 'It will be fair weather, for the sky is red,' and in the morning, 'Today it will be stormy, for the sky is red and overcast.' You know how to interpret the appearance of the sky, but you cannot interpret the signs of the times." (NIV)

Jesus told the Pharisees that the only sign from heaven would be the sign of Jonah, which was a reference to His death and resurrection. This event is the most significant event in human history. Jesus's dialogue with the Pharisees was intended to communicate that they would not understand the significance of this sign.

Regarding today's market meltdown, the pundits are busy providing their opinions about the significance of the sign. Most likely they will miss the real meaning because they are focused only on the tangible world, as were the religious leaders of Jesus's day. The common assumption today is that business exists in a closed system. This means everything that happens can be explained by natural causes, which means that God is not involved in His creation—at least when it comes to business.

Is this true? The Israelites discovered that God was very involved in their business activities; hence, they did not view business as a closed system (see Deut. 28). If God is unchangeable (see Mal. 3:6), then what was true of Israel is true today. Business does not occur in a closed system; therefore, we must make allowance for divine intervention in our understanding of business.

It is recorded in Israel's history that the men of Issachar understood the 'signs of the times' and knew what Israel should do (see 1 Chron. 12:32). These were people who saw the hand of God in the events of their day and perceived a wise course of action. Where are these people today? Where are the modern-day men of Issachar who can see where the commonly accepted economic policies of today are leading us?

Because we Christians generally think like the world—that is with a non-biblical worldview—we wrongly assume that business happens in a closed system, we are not looking for the signs of God's direction and intervention. If we are not looking for God's hand, we probably won't see it. Therefore, most Christians are not able to see beyond the tangible world and therefore live based on pseudo wisdom.

If God created the universe and is actively involved in His universe, then the only wisdom that matters is His wisdom—there is no other true wisdom. One of our greatest sources of His wisdom is the Bible. The Bible reveals that obedience to God brings economic blessings and disobedience to God brings calamity (see Deut. 28).

Given that we are currently experiencing calamity, what should our response be? If the men of Issachar were here today, what would they see? Perhaps they would recognize that business is built on the assumption of a closed system, which is a false philosophy. So I suspect that the modern-day men of Issachar would call out for repentance from this false doctrine about business. Undoubtedly they would commend us to a biblical philosophy of business built on the reality that business happens in an open system in which God responds to man's alignment with His plans and purposes. They would probably point to Scripture such as Matthew 6:33:

But seek first his kingdom and his righteousness, and all these things will be given to you as well. (NIV)

This text clearly gives man his marching orders. Unlike the common view today that business is about money, Jesus tells us here that life, including business and investing, is about the kingdom of God. And when we put the kingdom first in our lives, God will provide for our needs, which means that money should be a secondary motive in business.

Applying this biblical perspective to the current market situation, what are the 'signs of the times'?

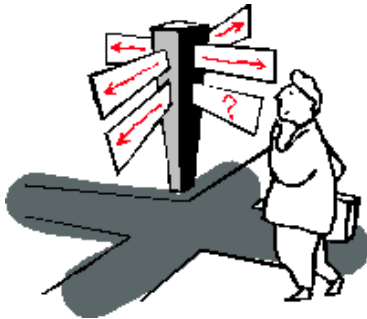
Perhaps God is signaling His displeasure with the false doctrine of debt-based Keynesian economics that is driving both private and public money management decisions. And perhaps we should be convicted of the fallacy of our fiat money system and the need to work toward a trade balance.

In place of these false doctrines that are ubiquitous in business, we need to adopt a biblical economic model that begins first with the understanding that God created and, therefore, owns everything. Furthermore, because He created and owns everything, He makes the rules for how life, including business and investing, are to operate. And He has specifically told us in Scripture that He blesses obedience to His philosophy, values, and principles, and that He judges disobedience. This revelation opens the door for us to begin to see the 'signs of the times', which paves the way for lasting economic blessing.

If you would like to hear more about a biblical worldview of investing, please click on the link below to order my new audio product.

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