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Gleanings



Gerald R. Chester, Ph.D.
President

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The Way Back to Financial Prosperity

The latest forecast for the budget deficit of the U.S. government for 2009 is \$1.8T—a staggering sum. Unemployment is now at 8.1 percent [1]. Sales of new automobiles are at a fifteen-year low [2]. Worldwide, the airline industry is projected to lose \$5B in 2009 [3]. The U.S. Postal Service could run out of money in 2009 [4]. For the first time in more than half a century, GE's credit rating was cut [5]. And the AIG fiasco revealed that the government's bailout effort is being poorly managed.

Given this plethora of negative news, it is no wonder that people are riddled with fear about the future. Some may argue that this crisis is so severe that the survival of the United States' free enterprise economy is dubious.

No one knows the future and, certainly, no one knows the future of the U.S. economy. Nevertheless, I will offer my perspective for your consideration.

As long as the U.S. government has credit available, I believe that it will borrow money to pump into the economy, seeking to develop an appearance of prosperity, which is largely defined as increasing employment and increasing retail sales. If the U.S. government's budget deficit grows as expected, however, the credit available to the U.S. government will decline and, with time, this decline will cause upward pressure on the interest rate paid on the public debt. Continued government budget deficits eventually will cause a crisis. This will occur when the government can no longer borrow money to cover its shortfall. For now, however, it appears that the government still has credit; hence, they will use this credit in an attempt to pump life back into the economy.

The government's policy of deficit spending follows the pattern of Keynesian economics, which was introduced during the Great Depression of the 1930s. Interestingly, Keynesian economics failed to bring the U.S. economy out of the Great Depression—a point that seems to be ignored. In fact, the U.S. economy did not recover until World War II. So why is the U.S. government following the failed experiment of Keynesian economics?

I would posit that it is because of the socialistic ideology shared by the current U.S. president and John Maynard Keynes. This shared ideology helps President Obama to overlook the historical record of Keynesian economics. Perhaps the president thinks that he can apply Keynes's theory better than FDR; perhaps the president is naive; or perhaps there is another explanation. Whatever the reason, President Obama appears determined to use government spending as a catalyst to revive a weak U.S. economy.

Congress is not oblivious to the reality of the risk associated with deficit spending. Some public officials are expressing mild concerns, but the level of alarm does not appear to be sufficient to bring about change. The assumption that government spending is required to turn around the economy is ubiquitous; therefore, any interest in balancing the budget will be deferred. And any effort to begin to pay off the \$10T+ in federal debt does not seem to be even contemplated.

Herein is the problem. The federal government continues to operate under the hubristic presumption that it is exempt from basic laws of economics, specifically, the law of a balanced budget.

When I was a freshman in college in 1965, my geology professor walked into class one day and decided to talk about economics. He declared that there would be no day of reckoning, implying that the federal budget deficit was not a problem. It seems that our elected officials heard that same lecture and apparently believed it because the federal government is run with little concern about the massive accumulation of debt.



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Interestingly, no person or organization can long endure deficit spending. There is always an end. If the debt cannot be repaid, usually bankruptcy is the result. Why would anyone think that the federal government is exempt from bankruptcy? Nevertheless, this is the common assumption and therefore the federal government continues its reckless financial policy with little to no understanding of the consequences for their actions.

The day is coming when the credit will dry up. Major investors in U.S. debt, such as China, are already on record stating that they want to reduce their holdings of U.S. government bonds. Most likely other investors will follow China's lead. Eventually the market for U.S. bonds will grow smaller, ultimately leading to a financial crisis in the public sector. And there is no one to bail out the federal government.

Barring something unforeseen, the U.S. is moving rapidly toward financial calamity on an unprecedented level.

What can be done to avoid this train wreck? The solution is simple. We need to repent from our belief in the false doctrine of Keynesian economics and return to the truth of biblical economics. Keynesian economics is based on deficit spending and, at best, gives only the illusion of prosperity; hence, it cannot produce lasting blessing. On the other hand, biblical economics is based on living within your means and generating real profit rooted in real work performed according to biblical principles. This is the only way to produce lasting stability and prosperity.

A return to biblical economics will require sacrifice. Many people will have to reduce their standard of living, accept lower work compensation, and start saving. Companies will have to be more vigilant about operating according to biblical principles—no more sloppy unrighteous practices. Sins, such as lying, pride, jealousy, stealing, and greed, cannot be tolerated if business is to be profitable. Government will have to eliminate many programs and balance the budget, including developing a plan to pay off the public debt.

The regimen may seem harsh, but in the end we can pass-on to our children and grandchildren a debt-free government operating at a surplus and a prosperous economy—if we return to biblical economics. May the Lord give us the grace and courage to provide our children this heritage.

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1. <http://www.bls.gov/news.release/empstat.nr0.htm>.
 2. http://www.huffingtonpost.com/2008/05/01/us-auto-sales-fall-to-low_n_99746.html.
 3. <http://www.iht.com/articles/2009/03/24/business/iata.php>.
 4. <http://www.msnbc.msn.com/id/29877702/>.
 5. http://www.thedeal.com/dealscape/2009/03/general_electrics_nyse_ge_headaches_continue.php.

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Discover Your Life Purpose	Webinar : Strategic Life Alignment	March 31 - May 12, 2009
	Seminar : Strategic Life Alignment	April 24, 2009 in Texas
More Help to Discover Your Life Purpose	Seminar : Strategic Life Alignment Alumni Event	June 26, 2009 in Texas
	Webinar : Strategic Life Alignment Alumni Event	3rd Quarter 2009
Fulfill Your Life Purpose	Seminar : Beyond Babel Model Overview	April 24, 2009 in Texas
	Webinar : Beyond Babel Model Overview	2nd Quarter 2009