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Gleanings

Economic Lessons from History



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Solutions that Transform

Philosopher George Santayana famously stated, *"Those who cannot learn from history are doomed to repeat it"* (http://www.age-of-the-sage.org/history/quotations/lessons_of_history.html). So what lessons from history should we have learned about how to navigate economic crises?

Consider the recession in the United States from 1873 to 1879. Up to that time, this was the greatest economic challenge faced by the nascent country. The cause of the crisis was speculation driven by greed, associated with expanding the railroad network. Loans were made that should not have been made, which led to loan defaults and bank failures. Unemployment soared to an estimated 25 percent. Only 25 percent had full-time work, which meant that 50 percent were underemployed. Ninety thousand people lost their homes to foreclosure in New York City.

Today, some estimations of unemployment are around 20 percent and in August there were record home foreclosures nationwide. So far this year, bank failures number more than 140 and the pace is increasing with a higher number of failures expected in 2011 (<http://feeds.bignewsnetwork.com/?sid=579278>).

As was true in the 1870s, the current crisis is due to speculation driven by greed. Banks made loans that they should not have made and the result is massive defaults and bank failures.

Given the parallel between the events of the 1870s and those of today, here are two lessons we should have learned but apparently did not.

Lesson 1: Greed is not good.

At a town-hall-style meeting with the faculty and students from the Columbia School of Business in late 2009, Warren Buffett was asked about the problem of greed in the financial industry. His response was that greed has been around a long time. But he did not offer any solutions or remedies for the problem.

Greed was a driving motivator in the 1870s, as it is in the current financial crisis. The widely assumed antidote for greed is government regulation and oversight.

If you embrace a biblical worldview, you know that greed is idolatry (see Colossians 3:5). This means that greed is a symptom of the worship of money. Therefore if you believe that greed caused the economic recessions of both the 1870s and the 2000s and greed is the worship of money, then the root issue is theological. In other words, when people overly speculate in any venture seeking to get rich—particularly get-rich-quick schemes—this indicates that they are worshippers of money or “mammon,” which is sin.

Given that the God of the Bible is the only true God and is a jealous God in the sense that He does not tolerate the worship of anything or anyone other than Himself (Exodus 20:5), then greed—the worship of money—will not lead to lasting blessings. Rather, the worship of money will be met with economic judgment, which happened to the nation of Israel as recorded in the Old Testament, the United States in the 1870s, and is happening now to most nations of the world.

What is the solution for greed? Given the biblical doctrine of depravity—all people are infected with a bias to sin in their hearts—therefore the only way to be delivered from this sin bias is through transformation of the heart. From a biblical worldview, the only true transformation of the heart comes through the saving work of Christ. Therefore the only efficacious solution for greed is transformation. Those who experience this transformation are known as Christians.

In theory, Christians should be marked by obedience to Christ’s commands (see Matthew 28:18–20). Christ’s motivation was always to do the will of the Father; He was never motivated by greed. In fact, at the end of His life, Christ was homeless, jobless, penniless, and lived off charity. This does not mean that poverty is a virtue;

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rather, it suggests that to Jesus money was simply a tool of obedience to God. Money was never His agenda or His focus. His objective was to complete the earthly work assignment that the Father had given Him (see John 17:4).

Since this is the way Jesus lived, then those who claim to be His followers should live the same way. If we live with the singular focus of obeying God, we will not be greedy. This means that we will not overly speculate in ventures seeking to get rich.

Lesson 2: More regulatory oversight is not the antidote for greed.

In the 1870s there was little bank regulation and oversight. The Federal Reserve and FDIC did not exist. Today we have far more regulatory oversight. Nevertheless, we are in an economic recession on par with the 1870s. This suggests that increased regulatory oversight was either ineffective and/or poorly administered. In any case, government regulatory oversight has not worked as an antidote for greed.

But even if government oversight had been more successful, it would still not solve the problem. The common view is that government oversight is about managing sin. Of course, few people use this terminology. The focus of managing sin is always external behavior—do this, don't do that. But dealing with external behavior never solves the sin problem because the root of the sin problem is the heart of man. Until a person's heart is transformed from the worship of money to the worship of the one true God, there will be no freedom from the sin of greed.

Most people don't believe that government has a role to play in changing people's hearts. Scripture says the opposite, however. According to the apostle Paul (see Romans 13:3–4), the role of government oversight should always be to direct us to good—even coerce us to good. Since "good" is a divine attribute (see Mark 10:18), anything that is good is, therefore, consistent with God's nature. This means that government should be helping us live in obedience to God. If the only way to truly obey God is to transform the hearts of people, then government must support the work of the gospel of Jesus Christ. Only Christ can transform people and align them with God. Therefore to do "good" must mean to live as Christ lived.

What about separation of church and state? Sadly this concept is greatly misunderstood today. Early in the history of the United States, the Baptists who lived in Danbury, Connecticut, were concerned about the new federal government interfering with the government of local churches. They had experienced this in England and wanted to be sure that the federal government would not interfere with church polity. To address this concern, President Thomas Jefferson responded that in his view a wall of separation existed between church and state. The purpose of this wall was to protect the church from the state, not vice versa. In fact, the government leaders looked to the church for wisdom in how to govern the nation. Over time, the true meaning of separation of church and state has been corrupted. Now many wrongly believe that its intent was to protect the state from the church. This incorrect view of the relationship between church and state is driving our public policy away from the divinely ordained role of government.

One might ask about the First Amendment to the Constitution. One of the purposes of this Amendment was to insure that the government would not take over the church as it had in England. This Amendment was never intended to eliminate the influence and guidance of the church from public policy.

If government is to function consistent with Scripture, it must support—not interfere with—the work of the church of Jesus Christ. The role of the church is to bring people to Christ and help them mature, that is, to make them disciples of Jesus Christ. This is accomplished through transformed hearts.

Here are some economic lessons from history: greed is not good and more regulatory oversight is not the antidote to greed. Have we learned these lessons? If not, we will repeat the past. Future economic calamity will happen and it will be caused by speculation driven by greed to get rich.

Government seeking to manage sin by focusing on external behavior will never solve the problem of greed. Both Scripture and history make this clear. The only solution to greed is Christ transforming the hearts of people.

Until people embrace Christ, they will never be able to learn the lessons of history. They will simply repeat history and will be subject to the economic and political consequences of failing to worship the one true God. Lasting economic blessings can only come when people obey God.

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