

August 1, 2011

Gleanings

Is Greece a Harbinger for the USA?



Gerald R. Chester, Ph.D.
President

Political pundits stated that the average democracy lasts approximately two hundred years and then collapses due to government largesse. Largesse happens when the people demand entitlements from the government. The government capitulates to the demands but eventually is unable to finance the entitlements. The end result is a financial crisis that the government is unable to solve.

Currently, Greece provides a case study for this phenomenon. The Greek government is a parliamentary republic, which is similar to a democracy in that the legislature is elected. The executive branch is under the legislative branch, however, which means there is no separation of powers and the executive branch is accountable to the legislative branch. Even though the government is not technically a democracy, there are still lessons to be gleaned from the Greek financial crisis.

Why is Greece in an acute financial condition? According to some, the cause for this crisis is wage increases between 1999 and 2010 of ~107 percent without a commensurate increase in productivity. The Greek people effectively voted pay raises for themselves—an entitlement that has been largely funded by sovereign debt.

This is tantamount to giving yourself a raise by borrowing money on your credit card. If you ignore the reality that you must pay the money back, you may be deceived into thinking that you are prospering. This is effectively the case in Greece; it is a largesse mentality.

Greece has one of the largest economies in the Eurozone. (The Eurozone consists of seventeen nations that form the European Union.) The financial calamity in Greece did not have to happen. Greece has the potential to be prosperous, but not if its people choose to live in the deception of largesse.

Consider the deteriorating condition in Greece caused by this largesse mentality:

While other EU countries are economically growing, Greece is declining. In 2010, its GDP was EUR230 billion down, 4.2 percent from 2009. It is expected to decline 3 percent in 2011.

Unemployment is ~16 percent and is expected to continue to rise in 2011.

The Greek budget deficit in 2010 was 10.5 percent of the GDP.

Outstanding sovereign debt is EUR340 billion.

Yield on Greek bonds was over 26 percent in July 2011. Effectively the Greek bonds are junk bonds.

Last year, the IMF and EU put together a rescue package of EUR110 billion to help Greece avoid defaulting on its sovereign debt payments.

This year the IMF and EU have approved a second bailout package of EUR110 billion. But this time there are stricter conditions. Specifically, Greece was required to pass austerity measures that included selling assets, cutting expenses, and raising taxes.

The austerity package mandated by the IMF and EU caused rioting in the streets of Athens in late June 2011 because of the economic pinch imposed on the Greek people.

One of the consequences of fiscal irresponsibility is the loss of sovereignty. The lenders are now effectively in control of public policy in Greece. This is not surprising. Greece has come face-to-face with one of the timeless universal principles (TUP) of God's universe. Solomon articulated this principle in Proverbs 22:7 (NIV):

"The rich rule over the poor, and the borrower is servant to the lender."

All debt is based on presumption. Presumption is a point of faith. Any person or organization that takes on debt assumes they will have the capacity to repay the debt. And if they can't, they will suffer the consequences.

Strategies@Work, LLC

Solutions that Transform

Services

Consulting

Planning

Training

Coaching

Affiliate Consultants



Free PodCasts
Click here to subscribe.

View online
Print

<http://StrategiesWork.com>
Gerald@StrategiesWork.com
972 473-8655 USA

For a sovereign government, the consequences for failing to comply with the covenants associated with debt can include a lower bond rating, which means a higher interest rate on the debt and limitations on the capacity to borrow. And if restructuring the debt is required, then debt for equity swaps and austerity measures may be required. But worse yet, defaulting on debt can lead to bankruptcy, economic calamity, and the loss of sovereignty.

Austerity measures have been initiated, Greece could face bankruptcy with very limited capacity to borrow, its economy is failing, and it has lost sovereign control. This situation appears to be the result of a largesse mind-set in Greece, which led the Greek government and people to function outside God's principles of sound financial stewardship. Greece is experiencing the reality of another TUP found in Numbers 32:23 (NIV):

"You may be sure that your sin will find you out."

The sins of greed, self-centeredness, and entitlement led to the Greek largesse. And the largesse was manifested in irresponsible stewardship.

The situation in Greece is an interesting case study for the United States, which seems to be rapidly moving toward its own financial crisis. The United States (USA) has developed a largesse mind-set just like Greece, which is rooted in the sins of greed, self-centeredness, and entitlement. If the citizens and governments of the USA do not repent of these sins, will the fate of Greece become the fate of the USA? Greece could be a harbinger for the USA or any other country that refuses to obey the divinely ordained TUP of finance.

As a guide to repentance for financial sins, consider the following examples of the divinely ordained TUP of finance:

God owns everything; live as God's stewards. Since God created everything, it all belongs to Him. In reality, we own nothing. We have no right to make personal consumption the primary use of resources that God gives us. We are simply stewards created to serve Him in His universe (Genesis 1:26–28; James 4:2–4; Psalms 24:1).

Build families, organizations, and nations based on alignment with God. No one can have lasting financial blessings without divine favor, which emanates from obedience to and alignment with God (Psalms 1).

Live within your means. No one is entitled to a job, a certain standard of living, health care, and retirement income. These are gifts from God that should cause us to be thankful and to live responsibly as stewards of His resources (1 Corinthians 4:1,7).

Build reserves. Wise people save. And they have the capacity to lend, if appropriate opportunities arise (Proverbs 21:20; Deuteronomy 28:12).

Think about the next generation. Each of us was intentionally and purposefully created by God to play a role in God's multi-generational meta-narrative. It is the role of wise people to accumulate the assets needed by the next generation and pass on those assets (Ephesians 1:11; 2:10; Proverbs 13:22).

Use debt sparingly. While Scripture does not forbid debt, Scripture warns against it. Use debt wisely and always based on the clear conviction that God is directing you (Proverbs 22:7; Romans 14:23).

If we don't live according to the divinely ordained TUP for finance, we will find ourselves in bondage to others, just as Greece is experiencing today.

May the Lord grant us grace to live according to the timeless universal principles (TUP) of God's universe, thereby enjoying His blessings and favor.

Reference material

<http://online.wsj.com/article/SB10001424052702304584004576415071607671398.html> <http://online.wsj.com/article/SB10001424052702304447804576413014161600714.html> <http://online.wsj.com/article/SB10001424052702304584004576417121066876968.html> <http://www.reuters.com/article/2011/07/03/us-greece-junker-idUSTRE7620ZK20110703> http://www.freshplaza.com/news_detail.asp?id=76360 http://www.economist.com/blogs/freexchange/2010/04/sovereign_debt_0 <http://blogs.wsj.com/economics/2011/07/08/imf-approves-5th-tranche-of-greek-loan-program/> http://en.wikipedia.org/wiki/European_sovereign_debt_crisis

Training for Work and Life from a Biblical Worldview

Your Need	Training Venue	Information (click on date)
Inspiration to Find Your Life Purpose	Luncheon : Executive Forum	August 26, 2011
Help Finding Your Life Purpose	Seminar : Strategic Life Alignment	September 8–10, 2011
More Help Finding Your Life Purpose	Webinar : Strategic Life Alignment Alumni Event	September 12, 19, and 26, 2011