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## Reflections on the Global Economic Crisis

**By Darrow L. Miller**

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If you are like me, you are wondering what is going on with the economy. This is certainly the worst financial crisis we have witnessed in our lifetimes, and yet it may reach or exceed the severity of what has been known as the Great Depression of the 1930's. On a personal level, I have watched my life savings diminish by about 35% in the last year, and there seems to be no end in sight.

Credit is hard to come by. Food and gas prices have soared. People are losing their houses and their jobs. While this is certainly impacting the poor and the middle class in the industrialized world, it is perhaps a greater crisis for the poor in the least developed world. The rise of food and fuel prices in these countries is devastating.

Who is to blame? In the last few months, people have looked for answers and scapegoats. Many blame it on the failed economic policies of the Bush administration. Others have suggested the greed of Wall Street and the CEOs of major corporations who drive their companies into the ground and then retire or are fired - but with multi-million dollar pensions. Some point to a few major "futures traders" based in Dubai who manipulate the global stock and commodities exchanges. Others find blame with high-risk mortgages offered by banks and brokerage houses that allowed people who could not normally qualify for a loan (no job, no assets and/or no income) to get into a home. Many blame Freddie Mac, Fannie Mae, or Congress for forcing banks and brokerage houses to offer high-risk mortgages.

Perhaps the real answer lies in an American culture that is based on consumption: "Buy now! Pay later!" "Spend, spend, spend!" There are 1,200,000,000 credit and retail cards in America. The average American debt (man, woman and child in America) is \$175,154. When the USA was attacked on 9/11, George Bush did not call upon the nation to sacrifice for a war effort, he called the nation to "spend," and the government leads the way in spending. The national debt is at \$10.5 trillion or about \$34,500 for every man woman and child. We no longer are a nation of citizens who save for the future and delay our gratification. We want it all NOW!

What is the solution to the existing crisis? We are told to go out and buy even more, while the government is offering one bailout program after another with money it does not have. As private citizens and as government officials, we are mortgaging not only our children's futures, but our grandchildren's and great-grandchildren's futures, too. We are creating new watchdog agencies to watch the old watchdog agencies who failed in their charters. Individually and corporately, we no longer know how to live within our means and govern our own appetites. Who is going to watch these new agencies when they fail?

In all of these months of reading analysis of what went wrong, only one person alluded to the root of this problem. Former Senator Rick Santorum asserted: "The answer is that our beliefs, our choices and our character are not just private matters. They ultimately affect others."<sup>1</sup> In my opinion, we don't have a money problem; we have a moral and metaphysical problem. The root of this crisis is a cultural one. We function from a consumer culture, not a stewardship culture and so we are facing financial collapse because the moral and metaphysical infrastructure of our nation and Western materialistic societies is bankrupt.

After the collapse of Enron, my good friend Vishal Mangalwadi commented that its collapse was more problematic than the attack of 9/11. The Jihadists attack was an external attack, whereas the Enron scandal was a sign of the moral and spiritual collapse of our nation. If we learn anything from history, it is that nations rot from the inside before they can be defeated from the outside. To solve the current economic crisis, we need to reform culture and call the nation to a moral and metaphysical framework that supports a free, just and equitable society. The Atheistic-Materialistic metaphysic that is at the foundation of the new global economy is insufficient to sustain either a personal-family economy or a healthy global economy.

The English word economics is derived from the Greek word *oikonomia* and literally means "household management." It is derived from two Greek words: *oikos* - "house" or "household," and *nomos* - "managing" or "caring," and thus means to manage or steward the household. *Oikonomia* is related to another Greek word, *oikologie* - "the study of the house" from which we get the English word ecology. Both words reflect concepts that are Biblically derived. Since economics is linked to household management, we must ask the meaningful question "Whose house?" The answer is God's house. The universe was made by God and for God. Human beings have been placed here as stewards of creation, managers of the household (Gen. 1:16-18; Ps. 8). As such, we are to both conserve (not rape) and progress (create abundance) Creation - God's house. This metaphysic is radically different than the Atheistic-Materialistic paradigm that denies God, sees man as a consumer of scarce resources, and applies social Darwinism's

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<sup>1</sup> Rick Santorum, "The Elephant in the Room: Meltdown has many culprits," *The Philadelphia Inquirer*, October 9, 2008

“survival of the fittest” as the chief operating principle. These two different paradigms will inevitably produce two very different worlds and economic results. It was the Greek philosopher Aristotle who helped us understand the distinction between two economic different models: *oikonomia* and *chrematistics*.<sup>2</sup> Chrematistics comes from the Greek word *khrematizein* - “to make money,” and from *khrema* meaning “money.” In contrast to *oikonomia*, which stewards God’s house, chrematistics is a technical term for seeking the most efficient way to accumulate as much personal wealth as possible, as fast as possible. *Oikonomia* and chrematistics are rooted in two very different metaphysics—one is Theistic and one is Atheistic—and so have two very different value systems.

Let’s look at three important differences between these two models. First, the practice of *oikonomia* focuses on **managing** a household to increase its health and value for the whole community, and for future generations. In contrast, chrematistics is the **manipulation** of property and wealth for maximum gain of the individual, in the shortest time frame. Second, *oikonomia* benefits the entire **community** and cares for the created order, whereas chrematistics benefits the **individual** at the expense of the community and the destruction of created order. Lastly, *oikonomia* functions with long-term time frames and is interested in **investment** to strengthen corporations, the community, and the nation. On the other hand, the chrematistics model functions in short-term time frames—in **trading** stocks, bonds, and commodities for maximum gains in the shortest time for the individual manipulation.

As I have said before, I believe the root of the current economic crisis is not money itself; it is the abandonment of Theistic *oikonomia* principles for Atheistic chrematistic principles. To solve the economic crisis we must return to the sound principles of household management. All social, economic and political institutions are founded on what might be called a “mental infrastructure” or set of ideas and ideals. To put it differently every culture has a “story” that frames the life of the people and the institutions of the society. The end of the story will determine how we live our lives and which economic model we follow.

The Theistic narrative of the Bible begins in a Garden and ends in a City, the City of God. History is going somewhere and our lives have a purpose that was given by the Creator. That purpose has something to do with the long and multi-generational horizons of the coming of the Kingdom of God - the end of the story!

The Atheistic narrative of Secular Materialism says that life has come about by chance. There is no purpose in life; and when we die, our existence is over! Death marks the end of this story. This framework leads to the old hedonistic lifestyle of “Eat, drink, and be

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<sup>2</sup> Frances Hutchinson, *The Cancerous Money Economy (Chrematistics)*, <http://www.gaianeconomics.org/chrematistics.htm>

merry, for tomorrow we die!" The purpose of life is to consume and thus the emphasis in the modern world is on immediate gratification, and consumer and national debt. In this cultural narrative we live in a *money economy*. We live lives of radical individualism, self absorption, relentless speed and a quest for things. Why do we work? We work for money! The marketplace determines our worth, with money providing power and affluence, as well as allowing us to buy "stuff."

In the Theistic narrative, we live in a *calling economy*, as Os Guinness describes it.<sup>3</sup> We are called for a purpose and so we live in a connected world of community: in relationships with God, our fellow human beings and with Creation. Why do we work? We work to glorify God, serve the larger community, and build just societies and steward creation. We work to make our own unique contribution to the coming of the Kingdom of God and, as my good friend Bob Moffitt often says, to "write our signature on the universe!"

The global economic crisis exists because we are functioning from a mental infrastructure that has built a money economy. And this house of cards is collapsing. Oh, it may be saved for a short period of time, but in the end it will crumble as sure as communism—the other Atheistic-Materialistic economic system—has collapsed. We need a mental infrastructure that will support a vibrant *calling* economy for all peoples. As we continue to reflect on the global economic crisis, we have said that the root of the problem is not technical or lack of money. The root of the problem is in mental infrastructure between Theism and Atheism, and between their corresponding economic paradigm of oikonomia and chrematistics. These two different mindsets create two very different sets of values—or should I say virtues and vices.

In the Atheistic world of moral relativism, we speak of values - "my values vs. your values," "what I value." Everyone determines what is right and wrong in their own sight and situation. But in the Theistic world of moral absolutes, we speak of virtues and vices, words which are largely gone from modern vocabulary. Virtues refer to "moral goodness; the practice of moral duties and the abstaining from vice, or a conformity of life and conversation to the moral law."<sup>4</sup> Vices refer to "any moral unfitness of conduct."<sup>5</sup> In short, virtue is the practice of moral truth; vice is the living out of a moral lie. For our discussion, the practice of virtues leads to economic health for a family or nation whereas, carrying out vices lead to economic breakdown and poverty. Students of economic history have called the virtues that lead to economic development *The Protestant Ethic*. What are some of the virtues and their corresponding vices that we have forgotten in the modern world?

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<sup>3</sup> Os Guinness, *The Call: Finding and Fulfilling the Central Purpose of Your Life*, (Nashville: W Publishing Group, 2003), 135

<sup>4</sup> 1828 *American Dictionary of the English Language*, s.v. "virtue"

<sup>5</sup> *Ibid*, s.v. "vice"

WORK vs. SLOTH: Cultures that develop economically understand that work is part of mankind's dignity. Diligence and industriousness are virtues. Cultures and people that are underdeveloped economically see work as a curse. Because work is a curse, people devise schemes that allow them not to work. People want to survive or get rich without working. If work is a virtue, then idleness, sloth and laziness are vices.

THRIFT vs. WASTE: Economically developed cultures have future timeframes, allowing for delayed gratification and undertaking the habit of saving. In these societies, thrift and frugality are virtues. Saving patterns are high. Envy and waste are seen as vices. People and cultures that are underdeveloped economically have short-term timeframes, seek immediate gratification, and use credit cards to live beyond their means. Saving is low to non-existent. Such people squander their time and resources for consumption-oriented lifestyles.

GIVE vs. GREED: Cultures that thrive economically practice the virtue of personal generosity. People do not live for themselves but for their family and the larger community. Giving, compassion and personal charity are virtues, whereas greed, stinginess and selfishness are vices. Cultures that die economically are self-centered and narcissistic. People "look out for #1!"

The wealth and poverty of people and nations are largely determined by the "habits of the heart" - pursuing virtue and avoiding vice. The root of much of the current economic crisis can be found in the vices of greed, waste and sometimes sloth, and the loss of the virtues of personal charity, thrift and hard work. It is clear that our view of virtues and vices, as well as our economic principles and policies are founded on a Theistic or Atheistic set of assumptions. One set of assumptions fits reality the way God has made it, the other lives in a world of "illusion."

A Theistic set of assumptions assumes that the universe is an *open* system. An open economic system begins with a transcendent Creator who stands outside the universe. The universe is open to the intervention of God, the angels, and humankind - the *imago Dei*. In this system, wealth can be created.

An Atheistic set of assumptions understands that "nature" is all there is; the universe, like a huge machine, is a *closed* system. There is no God, nor are there angels to interact with the system. Humankind itself is part of the system - a cog in the machinery. In a closed metaphysical and economic system, resources are fixed things, in the ground. To put it differently, resources are both physical and finite. In contrast, the Theistic economic system assumes that the greatest source of resource is the human mind: innovation and creativity. Resources do not come from the ground but from the human imagination. These resources have only two limitations: the first is human imagination; the second is a lack of moral stewardship.

The open system model of economics is a *positive sum* exercise. The proverbial economic pie can expand and grow larger based on freedom of enterprise, human creativity, and stewardship of nature. Or, more simply, wealth can be created! On the other hand, the closed system economic model is a *negative sum* exercise. Since there are only so many resources to go around, if one person, or nation, has more wealth than another, the wealth was stolen from the other person or nation; this is the root of the cause of poverty. When the problem is defined in these terms, the solution is to “spread the wealth around” through taxation of the wealthy or through overthrowing the existing government. This is the Socialist or Marxist economic model, a model which defines justice as an equal distribution of resources through coercion or physical force if necessary. Power is the end game! While Socialism and Marxism demand economic justice - equal economic outcome - the *Stewardship Economy* defines justice as equality before the law (rule of law, not rule of man) with each person given the opportunity to develop their own God given potential and vision. This is free enterprise.

There are two major schools of economic thought examining the current global economic crisis. One wants to free individuals, corporations, and government institutions from responsibility and confiscate wealth from those who have acted responsibly, to bail out those who have not been responsible. Encouraging irresponsibility will only make matters worse in the long run. The second school calls for economic responsibility; a return to stewardship, thrift and long-term timeframes. It calls for those who acted irresponsibly to pay the price for their foolishness in the short run to make for healthier families, communities, and nations in the long run. We will either learn from this crisis or we will try to have simple and painless solutions which will only put off the day of economic reckoning.

In closing, we need to discover what role government should play in this crisis. There are three primary options of governance: license, tyranny and freedom. License is what some people in the West mean by “freedom.” Freedom, in an Atheistic framework, is defined as the ability to do what one pleases. People do what “feels good,” they follow their noses. This concept means that people are “free” to do what is “right in their own eyes,” including the freedom to do wrong. Freedom as license leads to anarchy in any society. In response to anarchy, most societies will turn to tyranny to secure some kind of order. They choose a government that will rule with an iron hand, creating more laws to try and curb people’s appetites, and building more jails to incarcerate those who have no moral compass. We have witnessed this in Germany and Russia after WW I. But tyranny and anarchy are not the only choices for a society.

The third alternative is *freedom* - the right to do good. For a society to avoid the extremes of chaos and tyranny, the citizens must govern themselves internally, based on God’s moral law. We may call this Christian self-government. This form of government is both political and economic. As we learn to govern our moral appetites, the need for external

restraints (laws, lawyers, and jails) is reduced and freedom is maximized. Similarly, as we govern our internal capital (intellectual, moral, spiritual, creativity, etc.) we build the capacity to steward the external capital that is found in our communities (natural resources, social capital, infrastructure, etc.) and thus create prosperous societies.

God has given us a remarkable world in which to live. He has made us in his image and called us to be stewards of his “house.” To deal with our current global economic crises, we need to go to the root of the problem – the metaphysical narrative. As individuals, and as nations, we can work within God’s economic order or we can try to develop a “counterfeit” order. The one leads to personal, familial and national health and prosperity, the other leads to increased poverty and the breakdown of the family and the decay of our nations. What will the future hold? That will be determined by the individual decisions of millions of responsible citizens. May you choose wisely.

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