

Personal finances?

Shedding light on economic gloom

by Rodney Green



A close look at our personal finances shows that we are deep in debt, and that even Christians succumb to consumerism if advertising is clever. Rodney points to St. John the Baptist's preaching as the remedy: generosity to counterbalance greed, restraint to prevent reckless spending, contentment to avoid the restless search for material satisfaction. A Christian solution for our ills is there.

Experts disagree. This is true in economics nearly as much as in theology. The old adage remains — if you lay the entire world's economists end-to-end, they would still not reach a conclusion. The more complex the problem, the more convoluted the preferred solution. Occasionally, the underlying problems may be capable of simpler solutions than we imagine. Simpler to explain — not necessarily to do. So what has been going on in our personal finances to contribute to the largest peacetime deficit in public finances; and what might we do about it? Can we shed light from an ancient source on our contemporary ailments?

Choice and consumerism

Ed was a New York Times financial reporter. His divorce required substantial maintenance payments for three teenagers. He began a new relationship. They found a 'perfect brick house in a leafy neighbourhood... I loved it.' The mortgage required was more than 3.5 times his income. His broker reassured him, 'don't worry. The value of your house will be higher in five years time'. Ed's fantasy was that his new wife would develop an exciting career to help fund the mortgage. Her dream was to settle down and do the things she was best at: 'I'm finally at home'.

Spending above income led to ballooning debts. Every overdraft was met by the Bank automatically drawing on his credit card leading to more debts. The solution was to take out a larger mortgage to pay off the credit cards. Then his wife lost her reluctant job and cashed in her retirement savings. Finally they lost the house.

It will take years to make up the costs of our misadventure. I have no idea when I might be able to get credit again, much less retire. My hunch is that a large share of the people who are now in trouble knew in their gut they were taking unreasonable risks too!

Ed's story can be retold in 100 different ways affecting people in our neighbourhoods. Many of them attend our Churches. Some are our faith leaders. These matters concern us both because we want to be authentic in our discipleship and because Jesus called us to be faithful in a little before we can be trusted with much. We have so much in the West. Our personal finances seem to be a small matter but one that has become a great difficulty to manage effectively because of wider social pressures.

The championing of choice and consumerism in global markets has been accompanied by a downgrading of values and religious conviction which might have shaped those



►► choices. In a global survey asking for a response to the statement, ‘religion is very important in my life’ the following results were recorded:

- Middle East 99%
- Brazil 78%
- USA 57%
- Poland 33%
- UK 19%
- Sweden 8%²

Less than 200 years ago, the UK would have been near the top of this list.



Isla Fisher stars as Rebecca Bloomwood in Walt Disney Studios Motion Pictures’ *CONFESSIONS OF A SHOPAHOLIC*

As choice expands, consensus contracts. Rebecca Bloomwood in *Confessions of a Shopaholic* confesses, ‘When I shop the world gets better; then it’s not any more and I have to do it again’. It is easy to be more sympathetic about her feelings than concerned about her values. But this consensus has been tested to the limit as Western economies have plunged into unimaginable collective and personal debt. Students in their twenties have amassed debts that may dog their lives for decades even before they begin to address housing, marriage and parenting costs.

Who’s been swimming naked?

How about Christians? Are they any more resilient in facing materialism? What should they focus on in order to be more distinctive?

A study by Ekant Veer from the University of Canterbury, New Zealand and Avi Shankar of the University of Bath, UK has shown Christians are less likely to purchase a product if it is advertised in a materialistic or “showy” way. Unfortunately, it also showed Christians would buy the same product if it was advertised as being “high quality”. It seems that advertisers merely have to change their line of approach to achieve the same behaviour from Christians³.

The most stubborn among us now have a sinking feeling that if we do not grapple with this debt we will leave our children with a shameful legacy. Although much is made of the difference between political parties on this subject, the only real difference concerns the speed and mechanisms involved in paying back our debt. We are shocked at what has come to seem normal over the last decade.

Debt has been confused with credit. Consumption has been equated with fun. Income differentials have been distorted by greed. The gap between the highest and lowest paid has cantered into an unthinkable chasm. Our highest-paid bankers now earn in one year what a working man would earn over ten lifetimes.

Personal spending was at 105% of annual earnings in the decade before the crash in 2007. Personal savings reduced from 4% to 0% of GDP over this period⁴. When the crash came 30% of us had debts of over 3.5 times our family income. UK citizens held collectively 75m credit cards, three out of four of which were bearing interest charges - the most costly but most convenient form of credit. ►►



75 million credit cards



Ancient remedies for contemporary ailments

John the Baptist had a thunderous rebuke to deliver against the economic, social, and spiritual vices that festered in his society. He had no economic qualifications, still less experience of our contemporary circumstances. John was eccentric.

Around AD 28 he appeared from the Judean desert. His birth was foretold by God through an angel (Luke 1:26). His clothes were homespun. He drank no alcohol and ate exclusively from his own wild pantry (Mark 1:6). His message was described as ‘Good News’ (Luke 3:18). ‘Among those born of women there is no-one greater than John’, Jesus concluded (Luke 7:-28). Endorsements do not come stronger.

His social conscience had the originality of a Martin Luther King. His fearless rebukes were astounding. In a society that loved luxury John offered an intriguing slap in the face. Like Geoffrey Boycott’s cricket analyses he managed to mix insight with belligerence. Clearly, there remains in every generation an appetite for insight and conviction presented straight up. Society and workplaces need more than analysis: they need people who can speak out credibly against the current.

▶▶ Even the experts were shocked. ‘Those of us who looked to the self-interest of lending institutions to protect shareholder equity are in a state of shocked disbelief’ said Alan Greenspan, Chairman of the US Federal Bank⁵. Little wonder as he surveyed the data:

- 50m people lost their jobs
- Pension savings reduced by 40%
- The global financial crisis was estimated to have cost £7.1 trillion
- Britain’s share was estimated at £1,227bn - £20,000 per man, woman and child

‘Only when the tide goes out do you discover who’s been swimming naked’ was the wry remark of Warren Buffet, possibly the most successful and frugal investor of our generation.⁶

A call to repentance: practising the principles of shrewd money management

John battered fashionable vices in his day picturing the crowds as snakes scuttling from bushfires (Luke 3:7). He scoffed at weasel words of remorse, insisting on radical reform that bore fruit. He demanded repentance that turned back from worshipping our false gods of success, prosperity and consumption. He offered his inquirers three principles of shrewd money-management. ▶▶



John the Baptist Preaching
Giovanni Battista Tiepolo, 1732-1733
Cappella Colleoni, Bergamo, Italy

▶▶ John spoke bluntly to ordinary working people about lives that had been undermined by disordered personal finances. While he brushed aside their slippery excuses (Luke 3:7-8), he took their concerns seriously (Luke 3:10-18), engaged with them and called for radical personal change. We can all blame politicians, bankers or bosses for our financial pressures. Yet John stressed the contribution that each person can make to the stability both of their personal finances and the wider economy through stewarding personal finances conscientiously. His conspicuous self-discipline was demonised (Luke 7:33), but he practised what he preached.

John triangulated three themes in response to his listeners to provide a sound financial foundation for living in uncertain times — *generosity, restraint and contentment*. Perhaps it is these that need our focus and investment at the present time.

Generosity

The first issue facing John’s listeners concerned privilege. In a community with few safety nets poor people depended upon generous giving for survival. John appealed to the prosperous to be generous (Luke 3:11).

Many people fall short of our prosperity in the West even in our leanest times. One billion

people subsist on less than \$1 per day. Millions of the poorest human beings on earth cannot presume on food, water, sanitation, education, housing, medicine or pensions. Giving in response to disaster appeals represents a good start, but systematic giving is much more significant, particularly investment in social enterprises that produce skills rather than dependency.

Christian discipleship involves investing in the Kingdom of God. ‘The Lord’s tithe’ of 10% of all earnings has been a bedrock of Biblical thought and practice for generations. Jesus said, ‘Give, and it will be given to you. A good measure, pressed down, shaken together and running over, will be poured into your lap. For with the measure you use, it will be measured to you.’ (Lk 6:38). The Apostle Paul reminds us of the Macedonian Churches that faced a serious economic contraction. They were an outstanding demonstration of the grace of God in a recession: ‘though desperately poor...they gave offerings of whatever they could, far more than they could afford, pleading for the privilege of helping out’ (2 Cor 8:1-2). Giving is a demonstration of grace to which all Christians are called. It is also a protection against our natural avarice.

Dan was a financial advisor whose boss was lured by large fees into covert money-laundering. He was visited by two thugs. No-one knows what was said but soon after his boss committed suicide leaving a trail of devastation, including a grieving wife and three young daughters.

Dan became depressed at his failure to prevent this tragedy even though he realized that events were started by a combination of greed, status and bravado. Since that terrible time Dan has tried to tithe 10% of his income to build his life around generosity. ‘I remain convinced that the making of money can become a kind of cancer which blights and shapes people’s lives and how they treat those around them.’



Generosity

A local builder donated this shed, and the four lads in the picture donated their time, for a Children’s Adventure Farm

Thankfully, many individuals and businesses have a tradition of ▶▶

►► generosity. Yet as a nation we have paid scant regard to charitable donations. Much cheering has been devoted to abolishing Third World poverty but we have never succeeded in raising even 0.7% of our national wealth that we set as a target to help the poorest people on earth.

Generosity reminds us that life cannot be constructed solely on the basis of building bigger barns. To give up on giving would seriously impoverish our own lives. So we have to accumulate in order to give, which means saving in the boom to spend in the bust. So radical has this seemed that it led to the immediate release from prison and promotion



Joseph, Overseer of the Pharaoh's Granaries, 1874
Lawrence Alma-Tadema (1836-1912)
Dahesh Museum of Art

to Prime Minister of Joseph when he proposed it to the Egyptian Pharaoh (Gen 41:41-43). 'Let Pharaoh appoint commissioners over the land to take a fifth of the harvest of Egypt during the seven years of abundance' (Gen 41:34). Government stimulus packages are an understandable attempt to increase spending during recessions in line with Joseph's prescription of spending during the lean years of famine. But you should only spend in the bust if you have saved in the boom. Those who have spent in the boom should not continue spending in the bust: that would defy the law of gravity.

A commitment to systematic generosity (1 Cor 16:2) also provides a curb on our disposable income, just as spontaneous generosity provides a curb on heartless pride

in systematic generosity (2 Cor 8:7). This leads to John's second challenge around restraint.

Restraint

The second issue for John's listeners related to opportunism. There were people whose jobs provided the opportunity to set their own remuneration packages and expense claims. To tax-collectors John said, 'don't collect any more than required' (Luke 3:13). Today management consultants, contractors and financial experts have scope to push the envelope to their own advantage. What is fair when boundaries are vague? The recent interim report of the independent High Pay Commission reveals that top pay has gone from 69 times the average wage to 145 times in the last decade. This lack of restraint is a temptation that is easy to criticise and hard to resist. What is acceptable in the boom may seem outrageous in the bust. Tax-collectors were the most annoying example in John's day: bankers or top executives might be their successors today. The uproar over the Chief Executive at Suffolk County Council, the UK Government's edict to constrain bonuses in the public sector to <£15,000 in 2010/11 and the Irish Government's proposal to limit all public sector remuneration to €200,000 per annum all imply a fundamental change in climate regarding top remuneration. Frankly, we all find restraint taxing. Without restraint it is easy to be snared by 'casino capitalism' and 'candyfloss currency'.



Lloyd Blankfein, CEO of Goldman Sachs,
"The prince of casino capitalism"
and the richest banker in Wall Street

▶▶ Stephen Green’s *Good Value* offers a sober insight into the financial crisis of 2007/9. Then Chair of HSBC and an ordained Anglican minister, his summary illustrates how obvious the cracks were in retrospect, and how much could have been avoided by restraint: ‘massive financial imbalances caused by macro-economic relationships; a sustained global period of loose money; a fundamental complacency both macro-economic, institutional and individual; a financial system which was over-confident in its own risk-management techniques; the globalising of the bubble through securitisation and the widespread dispersion of risk.’⁷ There is also the merely human factor – a rogue trader in Baring’s, or simple tiredness. Without proper restraint, the long hours culture at the top of many organisations leads to inevitable mistakes as exhaustion and over-focus take their toll.

For many people today, earning what you need before you build what you want sounds startling. Proverbs 24:27 is blunt. ‘First plant your fields; then build your barn’. Income first; expenditure second. ‘Have it all now’ is



Contentment

Louis, a down-and-out in Toronto, Canada

more fashionable. Before the banking collapse in 2007 more than half of all UK mortgages were being used to pay for consumption and speculation, not home-borrowing. Debt incurred in order to acquire assets that generally appreciate over time (e.g. a home, an education, a robust business plan) has featured in most societies. So has joint investment through private equity that shares risks. But debt for assets that become valueless immediately (e.g. a holiday) is different. Debt gives others power over your future. Easy debt is a menace, not a flexible friend. We need to be less presumptuous about tomorrow’s trading environment, and more attentive to the restraint required to meet our long-term needs, especially in retirement.

Regulators will now spend years producing technical reforms. But the underlying problem is not so much technical as moral. The need is not to create a culture of law, but a consensus of values. For the majority of us who do not pull levers in the global economy there is still an invaluable contribution we can make. We can show restraint in our personal finances and in the way we govern our businesses. The anger expressed over excessive risks, exorbitant bonuses, tottering debt and unsustainable consumption suggests that most people want to see more restraint.

Contentment

The third issue among John’s listeners concerned power. Some services to the public if withdrawn could bring society to its knees. For example, policing provided a barrier against international terror and neighbourhood racketeering. Police in a low pay/high stress occupation could be tempted by discontentment to use extortion. Who then could you turn to? For this reason today, strikes are prohibited in certain services such as the police and military. John’s word to the soldiers was, ‘don’t extort... be content with your pay’ (Luke 3:14).

Many people are racked with anxiety over the economy. Contentment is elusive: surveys show a majority at *all* income levels believe



▶▶ they require 30% more income to satisfy their needs! What can we do about the moths of worry that consume our contentment?

Jesus was full of compassion about such worries. His life was a well of joy from which we are invited to draw. He pointed to the lilies



Lilies of the field

Field of glacier lilies, Erythronium grandiflorum, Mount Cheam, British Columbia, Canada

fluttering in the field. Since God clothes the grass which lasts barely a day, how much more will he look after our needs? He knows that we need food, shelter and clothing. ‘Seek first his kingdom and His righteousness and all these things will be given to you as well. Therefore do not worry about tomorrow, for tomorrow will worry about itself’. (Matthew 6:33). God gives grace for all our needs, which is his contribution to our contentment. Even when life seems to have turned upside down, it is possible to discover deep contentment.

Leslie had been asked to close a factory and then make himself redundant. The devastating news broke when his wife was six months pregnant. He

immediately phoned her, and then made himself available to speak to all three shifts. He had abuse and anger thrown at him which quickly subsided when he explained that after wielding the axe he would have to fall on his sword.

Now he looks back on those traumatic months from a different perspective. In the event, he was forced to be at home for the first eight months of his son’s life. Despite setbacks and anxieties he now regards those unwelcome events as one of the most important episodes of his life. ‘I had eight months to watch my baby growing up, an opportunity I would never have been able to have enjoyed had I not lost my job’. Leslie would never have chosen redundancy, but the time spent with his young son became a rich seam of contentment he has never forgotten.

Contentment requires quality of life, not just quantities of pay. Contentment is the capacity to discover joy and acceptance in your current situation. It is the refusal to allow mental mosquitoes to hinder satisfaction with everything you experience. Epicurus said, ‘do not spoil what you have by desiring what you have not’. Whatever your means, contentment involves living within it. Contentment spots the deceit behind riches and the grinding behind poverty and welcomes neither (Proverbs 30:8). Instead, contentment is located in rich relationships, time for reflection and a secure hope.

When John saw privilege, opportunism and power unchecked in his society he advocated three simple responses: *generosity, restraint and contentment*. He believed that we all have a contribution to make to sound personal finances as well as to a more stable community for economic leaders to manage. Simple to explain. — not necessarily to do. ■

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- 1 Edmund Andrews, *Busted: Life Inside the Great Mortgage Meltdown*, WW Norton, 2009.
- 2 Lausanne Convention, Cape Town 2010
- 3 Ekant Veer and Avi Shankar, ‘Forgive me, Father, for I did not give full justification for my sins: How religious consumers justify the acquisition of material wealth’, *Journal of Marketing Management*, Vol 27 (5&6), 2011, pp. 547-560.

- 4 http://www.watsonwyatt.com/europe/pubs/gim/media/ch_1.pdf, p.10
- 5 www.nytimes.com/2008/10/24/business/economy/24panel.html.
- 6 *The Essays of Warren Buffet: Lessons for Corporate America*, Cunningham, 2001, p.210.
- 7 Stephen Green, *Good Value*, Allen Lane: Penguin, 2009, p.112.