

# **THEOLOGICAL REFLECTION ON THE ECONOMY**

*A Working Paper for  
North Carolina United Power/  
North Carolina Industrial Areas Foundation  
from an Interchange Among  
Theological Educators*

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The following statement has been composed and endorsed by theological educators from institutions in North Carolina and South Carolina. These institutions represent various Baptist, Methodist, Presbyterian, Lutheran, and ecumenical Protestant Christian bodies, and the specific theological educators come from an even larger range of Protestant Christian churches. Member institutions of NC UP include many Roman Catholic Parishes, Jewish Synagogues, Muslim Mosques, Unitarian-Universalist Congregations, and other groups with no specific religious affiliations. However, the institutions training clergy in this region are all affiliated with Protestant Christians. This statement does not claim to speak for all member organizations, but it represents the shared convictions of a group of faculty from these institutions of higher learning.

**I. The Economic Crisis 2008-2009:** People are losing their homes. Banks are closing. Businesses are failing. Workers are losing jobs. Families are uprooted.

**A. Causes**

1. Artificial inflation of housing prices created an illusion of wealth.
2. Greed and irresponsibility made financial institutions eager to sell “creative” and high-risk investment products.
3. Government deregulation of financial markets allowed risky experimentation, gigantic financial conglomerates, and diminished consumer protection.
4. The complexity of financial instruments that divided, bundled, and resold mortgages again and again, led to confusion about their real value and to lack of accountability for following best practices in making loans.
5. Households overextended their debt as consumer acquisitions outpaced income.
6. Overinflated housing prices, the justifiers of high levels of debt and consumption, finally crashed (the "housing bubble" burst).

**B. Effects**

1. Many households faced foreclosure and the loss of shelter.
  - a. People owed more than their houses were worth.
  - b. Many people lost jobs in the weak economy and could not keep up payments.
  - c. Many households faced increased interest rates from Adjustable-Rate Mortgages (ARMs).
2. Growing numbers of foreclosures led to a crisis of solvency in the financial institutions holding these mortgage-backed securities.
3. The crisis in the financial institutions led to a crash in the stock market.
4. The value of pensions, homes, and investments lost value dramatically, affecting retirees, institutions depending on endowments, homeowners, investors, and the economy in general.

**II. The Initial Government Solution**

**A. Top-Down Bailout for Institutions "Too Big to Fail"**

When the economic situation became too severe to ignore, government officials recommended a massive bailout of major financial institutions. With only a bare sketch of a plan, the engines of government shifted into high gear to authorize transferring hundreds of billions of dollars directly to banks and other financial institutions to prop up their endangered portfolios of assets. "Too big to fail" became a motto for saving the financial institutions that helped to create the collapse, as a way of assuring average citizens that their own economic future was bound up intimately with the success of these mega-banks.

### **B. Problems Remaining After the Bailout**

The purpose of the bailout plan was to stabilize the financial system so that banks would be willing to lend money. Banks and other financial institutions were unwilling to lend money because they could not get a clear idea of the value of the ubiquitous securities intertwined with delinquent and "troubled" loans ("toxic assets"). By lending money, more people and businesses could buy goods and services and fuel economic recovery. However, the banks and financial institutions took the money and held it or used the money for self-aggrandizing purposes. Consequently, the bailout did not have the intended ripple effect on the economy, and it did not pump up the economy.

1. Foreclosures have increased unabated regardless of claims that programs would help people keep their homes.
2. A crisis in credit markets has led financial institutions to rewrite overnight the terms and conditions of credit cards, to the disadvantage and dismay of their customers.
3. Many have found themselves now holding more debt than they can possibly repay.
4. Bankruptcies have continued to increase resulting from credit card debt, mortgage debt, and debt arising from skyrocketing costs of health care and growing numbers of people without insurance.

## **III. Faith Perspectives on Responding to the Crisis**

### **A. Introduction**

Among the most cherished biblical texts in the Christian scriptures is Jesus' teaching to his disciples concerning prayer in Matthew 6. Verse 12 says, "And forgive us our debts, as we also have forgiven our debtors." The same Greek word in this passage has historically been translated by both the English words "debts" and "trespasses." The first translation affirms an economic obligation; the second implies a broader, metaphorical one. While both are theologically significant, the first has been underemphasized.

The background of this economic obligation appears in Deuteronomy 24:10-13. A lender must not take away a borrower's essential items for survival as a pledge for a loan. A loan must serve the good of the whole community, both borrower and lender. When a family member or neighbor is in dire economic straits, biblical economics deems it wrong for a relative or neighbor to make a profit on their misfortune. If someone needs assistance, the command of the Torah

affirmed by Jesus is that our hands ought always to be open to help the poor (Deut. 7 and John 12). The Sabbath Year and Jubilee Year laws insist that there is a limit to what a lender can demand from those who have fallen on hard times. This kind of mutuality is what God blesses and it is to be the material and economic shape of our earthly lives if they are to reflect existence as it is in heaven.

However, far from taking reasonable steps to assure the safety and security of borrowers in need, many banks (and hence, many businessmen and women of faith) currently are forcing people out on the street, refusing to share the impact of the loss of real estate values. In contrast to this scenario, Biblical economic principles demand shared risks and as shared opportunities for lenders and borrowers as well as limitation on lending so as to prevent usury.

## **B. Biblical, Theological, and Ethical Principles Guiding NC UP Actions and Campaigns in Response to the Economic Crisis**

### **1. Interdependence of creation and humanity's birthright to share in God's gifts**

Gratitude toward God, communal interdependence, and mutual accountability are at the core of a biblical understanding of economics, grounded in the Jewish scriptures and reaffirmed in the Christian scriptures. In the parable of the "rich fool," a man reaches the apex of prosperity because of bumper crops on his farm. He congratulates himself as if it were all his own doing, only to lose enjoyment of his success when he dies in his sleep (Luke 12:13-21). Human beings share a mutual obligation for the well-being of all. Cyprian of Carthage taught, "Whatever is of God is common in our use; nor is any one excluded from God's benefits and God's gifts, so as to prevent the whole human race from enjoying equally the divine goodness and liberality." One "who, as a possessor in the earth, shares his returns and his fruits with the brothers and sisters, while he is common and just in his gratuitous bounties, is an imitator of God" ("On the Unity of the Church," *Ante-Nicene Fathers* 5:25).

Indeed, if we are to flourish or even survive, we must act in love. We must receive what we need from others and we must share what they need from us. If we don't receive from others, we will die. If we do not share what we have, then they will be less likely to share what we need from them; we both will die. We must act in love or face destruction.

According to Howard Thurman, "Human beings, all human beings, belong to each other, and anyone who shuts themselves away diminishes themselves, and anyone who shuts another away from themselves destroys themselves" (*The Search for Common Ground*, 104). Because of the way God created the world, our own, truest self-interest is inextricably tied to that of others. So, pursuing God's kingdom, or righteousness, is to participate in and contribute to the great exchange, by which we all survive and flourish. It is to honor others by receiving their goods and virtues and, then, sharing our own goods and virtues vital to others. "We are," as Dr. Martin Luther King, Jr. said, "caught in an inescapable network of mutuality, tied in a single garment of destiny" ("Letter from Birmingham Jail").

### **2. The unconditional protection of those vulnerable to loss of food, shelter, clothing, and other basic goods of life**

The divine plan for humanity's flourishing requires that societies and communities manage their wealth toward this end: "There shall be no one in need among you" (Deut. 15:4). In the story of the fledgling church after the Spirit of God moved at Pentecost, the writer states the budding fulfillment of this teaching, "There was not a needy person among them" (Acts 4:34). The teachings of Christian theologians through the ages have reinforced this view of wealth. Martin Luther wrote of Deut. 15:4, "Now if God gave this commandment in the Old Testament, how much more ought we Christians be bound not only to allow no one to suffer want or to beg" ("A Treatise on Usury").

The Year of Release, also called the Jubilee, offered a new beginning, a second chance, and a path to keep the entire economy flourishing for the long term. There must be no irreversible poverty, no unlimited acquisition of houses and lands, goods that should be distributed among all the community. Houses give shelter; fields provide food. Both are essential to making a livelihood.

The prophet Isaiah condemned those "who join house to house, who add field to field, until there is room for no one but you, and you are left to live alone in the midst of the land!" (Isa. 5:8). The prophet Micah denounced those who "... covet fields and seize them, houses, and take them away . . . who cry "Peace" when they have something to eat and declare war against those who put nothing in their mouths" (Micah 2:2; 3:5). Nehemiah chastised the wealthy landowners who had accumulated numerous houses and fields because of the misfortunes of their neighbors, and he publicly denounced them for their selfish greed. The very identity of the people depended on their returning houses and lands to all the families in the community (Neh. 5:1-17). In that case, Nehemiah and the people managed to reverse the growing gap between the rich and the poor.

Will people turn again toward the common good in our time? Will this society make a path for recovery to all classes of people who have suffered losses? Or will the economically powerful tighten their grip, leverage their advantages, and make recovery difficult or impossible for the unemployed, the foreclosed, and the uninsured? Basil of Caesarea preached, "If one who takes the clothing off another is called a thief, why give any other name to one who can clothe the naked and refuses to do so? The bread that you withhold belongs to the poor; the cape that you hide in your chest belongs to the naked; the shoes rotting in your house belong to those who must go unshod" ("Homily on Luke 12:18").

### 3. No permanent debtor class; no propertyless, hopeless poor

If there is to be a new beginning, a second chance, then the community must make a way to deal with debilitating debt and generational, propertyless poverty. The Lord's Prayer makes it plain that the Jubilee formula is the norm--we must forgive our debtors. In Jesus' parable of the unforgiving servant, the wealthy king says to the hypocritical man who had received mercy but refused to pass it on to his debtor, "I forgave you all that debt because you pleaded with me. Should you not have had mercy on your fellow slave, as I had mercy on you?" (Matt. 18:33-34). Mercy demands that past misfortunes, mistakes, and failures ought not determine the entire future of any member of the community. Augustine of Hippo wrote, "From those things that God gave you, take that which you need, but the rest, which to you are superfluous, are

necessary to others. The superfluous goods of the rich are necessary to the poor, and when you possess the superfluous you possess what is not yours" (quoted in Justo Gonzalez, *Faith and Wealth*, 216).

When economic prosperity shifts too far toward the benefit of a few, the ensuing shift in power allows the fortunate to maintain their advantage through a variety of means: low wages which prevent economic improvement of the wage-earners, high interest charged on loans, and systems of tenancy or share-cropping style arrangements. In such systems, the landlord claims first right to the products of the tenant's work. The landlord, or factory owner, can exploit the unequal power by "balancing the accounts" in such a way that prevent the tenant from making enough to get ahead. A just economic system would allow them to work and accrue sufficient income, so that they might eventually regain their land and livelihood rather than remain in perpetual peonage.

Families falling on hard times may have to sell their land to a wealthy neighbor and become tenants or share-laborers. Justice entails finding ways to make it possible for all who become impoverished to recover from an economic crisis. The words of the spiritual song say, "I'm so glad trouble don't last always." If God's compassion and justice can inspire this kind of hope among slaves, then God's people must learn to share in the divine mission of hope for the downtrodden. We ought to make this song's affirmation a reality. The community's responsibility includes sustaining the conditions for opportunity and flourishing for all of its people.

#### 4. Limitation on interest charged—prohibition of usury

Biblical economics prohibit charging "points," or advance interest, and charging long-term interest to those who must borrow to eat, find shelter, and survive. Those practices perpetuate a permanent debtor class. Biblical teaching consistently condemns usury—the practice of charging exorbitant interest. When the poor are desperate, the power of the lender may coerce them to accept disadvantageous terms for a loan. Under such conditions, they may never be able to reduce the debt. A just system of lending recognizes the dangers to an economy when a permanent underclass is forced to pay their entire livelihood to a small class of wealthy lenders.

Usury, sometimes taken to mean any interest charged on a loan, is more usually understood as excessive or predatory interest. Many of the references to usury in the Jewish and Christian scriptures come in the context of how one treats the poor. Jean Calvin concluded that the Scriptures do not condemn all possible charging of interest, but that equity and justice require reasonable limits. He wrote in a letter to a friend, "[U]sury almost always travels with two inseparable companions: tyrannical cruelty and the art of deception. . . . [N]o one should take interest from the poor, and no one, destitute by virtue of indigence or some affliction or calamity, should be forced into it. The second exception is that whoever lends should not be so preoccupied with gain so as to neglect his necessary duties, nor, wishing to protect his money, disdain his poor brothers and sisters" (*Calvin's Ecclesiastical Advice*, 140-142).

#### 5. Economic value tied to real, material goods and services, not ephemeral financial machinations

The practice of making money off of money was strictly limited and often prohibited throughout the history of the Christian church. Citing Exodus 22:25, which states, "If you lend money to my people, to the poor among you, you shall not deal with them as a creditor; you shall not exact interest from them," Thomas Aquinas, wrote that "To take usury for money lent is unjust in itself, because this is to sell what does not exist, and this evidently leads to inequality which is contrary to justice" (*Summa Theologica*, IIa IIae. Art. 1, Q. 78). One of the critical problems that created the economic recession was the fact that mortgage-backed securities and other financial products were sold and resold for values that had lost touch with the actual homes and real estate that stood behind them. Credit default swaps were another form of betting on the paper assets of others, using more money than anyone can afford to risk. Playing this imaginary game of finance puts the entire economy at risk.

#### 6. Transparency and honesty in exchanges and business dealings

The current practices of consumer credit and the recent "creative financing" of mortgages fall under the condemnation of the biblical view of usury. High-powered marketing campaigns promise easy access to money, with the details of excessive interest rates, charges, and penalties often relegated to the fine print. Offering low "minimum payments" and changing the terms of a credit agreement are deceptive practices that often saddle the unsuspecting borrower with accruing debt accompanied by unforeseen and undisclosed rate hikes.

These practices strongly parallel the devious ways of Zacchaeus, the tax collector mentioned in Luke 19, whom Jesus admonished to rethink his business tactics. Zacchaeus' repentance leads him to repay those he has cheated fourfold, an act of obedience to Jesus that comes into full view when contrasted to a story from the previous chapter of Luke. There one sees the failure of the rich young ruler who could not bring himself to sell what he had and distribute it to the poor in order to follow Christ. There is a clear message here that Jesus' followers must turn from lives of economic exploitation toward lives of generosity and just and honest business activity.

#### 7. The dignity of work and the opportunity to contribute to the material and spiritual common good

In a biblical economics, work has dignity as the creative activity of those made in the image of God. Thus, human beings work as for the Lord and not for human masters (Col. 3:23). Even so, this work done unto God also serves the divine purpose of doing good for all. Paul encouraged the Philippian Christians to emulate the ways of Christ when he wrote, "Let each of you look not to your own interests, but to the interests of others" (Phlp. 2:4).

All work which serves the common good has dignity as part of God's purpose for creation. When market economies become distorted by wealth, greed, and inequity, the work of some earns status and wealth, while other essential work receives disdain and very low compensation. Although financial institutions are resisting limits on wages of executives because they fear a "talent drain," they consistently oppose better wages and benefits for the average worker. The shocking fact is that many of these so-called "talented" executives played games with other people's wealth, took undue risks, promoted questionable mortgages and remained blind to the housing bubble.

Why aren't average workers considered "talent?" Workers are the assets that make careers for executives possible. A long-range view of business and the economy aims to reward and keep talented, hard-working people. Only shortsighted greed leads some members of a corporation to pursue their own self-interest at the expense of the interests of those responsible for creating the value, through goods and services, that sustains the corporations and the common good. "The laborer deserves to be paid" (1 Tim. 5:18).

#### 8. Shared economic risks and benefits

All societies become accustomed to doing things a certain way; however, there are many possibilities for organizing a flourishing economy. The predominant systems of investment and borrowing may be familiar, but that does not mean there might not be other, perhaps better, ways to invest, produce, and prosper. Rather than shifting almost all the economic risks toward the borrower, especially toward small borrowers, and the assured benefits primarily to the lender, there should be a way for risks and benefits to be shared more equitably.

Why should a family that has toiled for many years, paying bills and paying down a mortgage, be financially devastated by a change of fortune, when a financial institution prefers to write off their mortgage as a loss rather than work out a means of mutual and equitable benefit?

As Paul wrote to the Corinthians, "whoever plows should plow in hope and whoever threshes should thresh in hope of a share in the crop (1 Cor. 9:10). Martin Luther wrote, "If you would have interest in my profits, you must also have an interest in my losses. . . . The owners of income, who will not put up with that, are just as pious as robbers and murderers, and wrest from the poor man his property and his living" ("A Treatise on Usury").

#### **C. Conclusions**

Too often, people imagine that the economy is a competition over scarce resources. Yet while creation is finite there is no fixed limit on the prosperity that humanity can share. Unlimited acquisition and idiosyncratic use of possessions fall off of the path to human flourishing. Such hoarding of goods is theft, and it begs for divine judgment.

Rather than hoarding, sharing our blessings sets the tone of biblical economics. We are blessed that we might bless others. All that we have comes by God's grace, and we must be gracious toward one another.

Without standards against usury, the massive transfer of wealth from the middle class workers to a wealthy elite will continue. As long as a powerful few have freedom to do as they please concerning the consumer credit of the many, the economic system will not serve the common good. No magical hidden hand will correct economic oppression.

To get out of the current mess, we will need an economic reform which acknowledges our mutual dependence and obligations and turns aside from the way of selfish individualism and competition for status and conspicuous wealth.

What kind of an economic recovery leaves giant banks standing while the average worker's life gets harder and harder? It is not an economic recovery when billions can bail out executive jobs but nothing can bail out the rest of the jobs. There is not justice when everyone's tax dollars can pay off banks' bad debts, but the average taxpaying citizens are left on their own to drown in

their debts. Debt relief for millionaires and homelessness for working people—that's not the kind of economy we believe in.

Economic justice is not merely a fantasy or impossible ideal. There are practical ways to put it into practice. Communities of faith have demonstrated these possibilities in the past and present. Justice need not be limited to small economic experiments. Making real steps toward justice is fully compatible with rational and pragmatic economics. It is time for people of faith to speak this truth to power.