

Now What? What Next?

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"If I were a rich man, yah dah yah dah yah dah, all day long I'd yah dah yah dah, if I were a wealthy man!" Topal sings this in *Fiddler on the Roof* and I suspect many of us still fantasize that a certain level of wealth will free us from all financial concerns. It is a poor person's fantasy, it is not true, has never been true, freedom from financial concerns comes from centering our life around something more important than our financial wellbeing. When all around us there is chaos, anxiety, despair even, it can be nearly impossible to center our lives on nonmaterial things. We are in a time of financial chaos, may lose everything, or not, this may be grossly unfair, or beginning to tilt towards justice, but what is important as we make our way through this turmoil, is for each to always remember we are more than merely our individual financial wellbeing. So we face the future with hope.

American capitalism, and the USA itself, in September 2008 entered into a new phase of existence, that will in many ways be different from what we know and assume to be ordinary. It helps perhaps to recognize that this is at least the 7th major transformation of American capitalism in this congregation's short 300 year history. The initial English settlers that formed this congregation lived a rural farming existence subsisting at about half the economic standard of living of the rest of the world in their time. They were the 17th Century's low cost labor and emerging market economy. However, thanks to immigration and industriousness, within a hundred years the population increased ten fold, and our gross domestic product (GDP) grew almost 24 fold, such that by 1820 the average American enjoyed twice the economic standard of living of the average person living elsewhere in the world. This was an extraordinary occurrence, seldom seen in the history of the earth, and yet over the next 100 years Americans got so used to the idea that we should always be richer than the rest of the world, that it seems to many our manifest destiny. Yet there have always been those in this congregation who worried that America's overly focused pursuit of economic wellbeing largely ignores other aspects of our being, to our detriment as beings.

America survived its first great debt crisis in 1789, shortly after gaining its freedom from England, which was accompanied by runaway inflation, falling currency values, and broadly threatened massive defaults by banks, commercial concerns, and the individual state governments. Alexander Hamilton, the recently appointed Treasury Secretary, the Hank Paulsen of his day, with George Washington's approval went to Wall Street and arranged a massive federal debt program to absorb and gradually retire all of the toxic state and commercial debts that were clogging the new nation's credit system. This federal debt consolidation was opposed by Thomas Jefferson, and many others, as a massive usurpation of state rights by the new national government, but it cleared the way for an era of unprecedented prosperity over the following decades.

Within two generations, America's dramatic push west from the Alleghenies created a land rush, largely funded by low interest mortgages on newly acquired properties, which were so inflationary that by the 1830's you were not a land speculator, you likely saw the value of your other assets decline to a level that would not even ensure subsistence. It seemed everyone in America now invested in real estate, and East Coast moneyed interests, especially those connected with the government or the Bank of the US (that century's equivalent of the Federal Reserve Bank) made the biggest profits. Real estate appreciation became what everyone counted upon for wealth creation and for funding their retirement in their old age. In a populist uprising Andrew Jackson was elected President of the USA in 1829, and in the final weeks of his second term he killed the Bank of the USA, creating a massive credit crunch in 1837 just as he ended his second term. The crash of 1837, with falling real estate values and inability for many to pay their mortgages was one of the greatest credit crises in American history. I have studied that particular financial crisis in some depth because its impact on Ralph Waldo Emerson, Henry David Thoreau, Theodore Parker, and Frederic Henry Hedge was extraordinary, striking as it did when they were in their 20's, just starting out their careers, and its impact on their way of being in the world would color their entire lives. I would argue it helped turn them away from seeking financial success and led to the rise of Transcendentalism as a response to this economic catastrophe. Today, America is the better for it.

The industrial revolution came early to America transforming the American economy following our Civil War. Then a 15 year railroad building boom led to America's first stock market bubble, and in 1873 caused a stock market induced depression. By 1913 the American population had grown another 10 fold, and the American economy had grown another 40 fold. The average American now enjoyed 3.5 times the annual income of the average person living in the world, but with the rise of modern corporations and the concentration of wealth in a few hands, a large part of that financial wellbeing was for the first time exclusively enjoyed by the top 5% of America's wealthiest. By the beginning of the 20th Century, many Unitarians and Universalists were protesting the inequities of these skewed financial rewards, and particularly were focusing upon the horrible conditions of those living at the bottom of the industrial pyramid, while helping to lead labor and reform movements to bring fairer working conditions for new immigrants and the working poor. Progressives raised the challenge of how to curb corporate abuses, and provide for a living wage for all workers, without destroying the incredible engine of economic growth that industrialization represented for America. These personal and small scale efforts were largely dwarfed by the scope of the Great Depression in 1929, a financial crisis caused by over reliance upon financial leverage to magnify one's financial stock market returns. These private efforts were replaced by Franklin Delano Roosevelt's New Deal, which brought the federal government into the financial and employment markets to ensure their fair and free functioning. Most of our financial regulatory bodies (SEC, FDIC, FASB), much legislation and corporate practices date from this period of nationalizing community standards of risk taking and rewards to those allowed access to our national credit system. It works.

America's dominance of world economic wellbeing peaked in the 1950's, largely due to the devastating effect of the two world wars on European, Chinese and Japanese economies, but began its relative decline through the 1960's and 1970's. Then the technology boom followed by the dotcom bubble lifted the American financial advantage to its highest point in history, with 4.6 times the world average income in 2001, before the events following September 11, 2001 led us into a new decline. In fact the Federal Reserves policy of keeping credit artificially cheap for the last seven years, and using continued consumer consumption well beyond our means to power the expansion of our economy, allowed America to postpone its recognition that its world financial

dominance was coming to an end, and it also created the current real estate bubble, financed by complicated credit derivatives, which ensured that the financial crisis when it finally came would be among the largest in our country's long history of financial crises. That is what we experience now, a financial reckoning which came upon us quickly, that harms innocents and culprits alike as we see a decline in real estate values, toxic mortgages and financial derivatives backed by such loans, a massive credit crunch, substantial reductions in the use of financial leverage, and a fitting ending to what much of the world views as America's love affair with an amoral individualistic, deregulated, and unconstrained capitalism.

Since this crisis is less than 40 days old, and the only true certainty is surprises, it is premature to say with any confidence what will replace what has been swept away. However we can guess from some earlier crises in American capitalism some of the attributes of whatever comes next. At the very least, the USA, a relative newcomer in a world of thousand year old cultures, must finally step up to its maturity as a nation state. As an economy we are too big and too important in this world to let laissez faire capitalism trample upon the needs of the poor and the disadvantaged, no matter who wins. We owe it to the world to act responsibly. Based upon the crisis of 1789, it is clear that a strong Treasury Secretary can navigate us through the initial stages of a crisis, where a broader consensus of elected politicians are unable to arrive at quick and drastic decisions required by the moment. The question is whether a government reflecting populist concerns negates its results. Based upon J.P. Morgan's astute navigation of the credit crisis of 1907, we know that greater transparency and clarity about risk taking may be necessary to resolve the current credit crisis. One hundred years later Warren Buffet appears to stepped up to assume some of J.P. Morgan's role in today's credit crisis.

Most importantly our faith communities need to help us think about how we continue to participate in the Great Story of the unfolding and emergence of the universe; when so many respond with despair, we of faith need to offer hope. For too long, too many of us, have compartmentalized our financial lives from our spiritual lives. Crisis is first and foremost about being human, how we each choose to live our one precious life!

Perhaps the enormous amount of intelligence and talent that is freed up, when our best and brightest young people are not being lured to Wall Street careers

or real estate development, might bring about a further renaissance in American letters and philosophical thought. Since all anomalies tend to regress to their mean we can expect the American standard of living will gradually become more like that of the rest of the world, whether it be by their financial ascent, or our financial decline, or some combination of both is as yet unclear, though a rapid decline in American standards of living is looking less likely if this financial crisis can be managed prudently and effectively.

I do worry that income and wealth inequality in this country continues to rise even as many of yesterday's financial winners have turned into today's financial losers. Our markets thrive only because most of the participants believe them to be inherently fair. The top 20% of American households receive almost half of all personal income, and the top 20% also hold 80% of the country's personal wealth. The top 1% of America's households now own almost a third of all its wealth. It is time for some UU's again to fight for a fairer distribution of wealth, without handicapping capitalism's engine for economic growth, and provide a better safety net for the poor and dispossessed who live near the bottom of the American financial pyramid. It's time to bring back enforcement of anti-usury laws. No one should ever be required to pay interest greater than 10% above the nominal inflation rate. Societies are destroyed by greed.

So what other lessons are already clear? First, as with all previous crises, most of us will survive and do just fine in the new financial reality. Fear not, for our fear itself does us far more harm than the underlying reality. Second, we have for too long financed our American dream of over consumption through too much debt. Consumer spending must decline, along with consumer debt, as we make our way out of this credit crisis. Third, during turbulent times excess volatility disproportionately destroys our illiquid assets. Know what you own and have a strategy in place to preserve it. Fourth, there are forces greater than our ability to control them, and when the financial paradigm changes, winners and losers also often change, often in unforeseen and unpredictable ways. We will know that the crisis has passed when real estate values cease to decline, when new and existing home sales begin to pick up, when credit is again available on reasonable terms to credit worthy borrowers, and when commodity prices have stabilized. That end is not yet in sight but it may not be far away either. Much depends upon who is elected President in November and how we go forward

from here. But we should remember the audacity of hope! We can thrive with faith and prudence.

Despite appearances, the sky is most assuredly not falling yet. I believe what we may see coming out of this crisis is a more cooperative form of capitalism in America. There will be a greater insistence upon transparency, upon listening to the various voices that have an interest in the actions of any individual corporation or entity, and stronger and perhaps more flexible government regulations to ensure this is so. Progressives, and perhaps Unitarian and Universalists in particular, are called to work for those who are left behind. It is the under served communities, those without a voice or power of their own, who bear the brunt of these turbulent times. We must give voice to the voiceless, and stand in solidarity with those who cannot stand up for themselves. This is why I preach this sermon on UU Association Sunday, it is through supporting our Association that we engage with the world on behalf of the values that we as a faith community share in common values.

What about your personal spiritual life? I continue to believe that financial worries, anxiety and depression can too easily squeeze out the joy and happiness inherent in a life well lived. How do we find the space in this time of turbulence so that each of us can continue to focus on what truly matters in our own lives? How do we remember to hug our children, our parents, our spouses, and all of our various loved ones? How do we recall what gives our lives meaning and purpose? That is the challenge before us, and I offer this morning's selection of UU voices, talking about what UU spirituality is, as an antidote and a comfort as we each go forth to make our own ways in this troubled world. We are here to help each other, to companion one another on this journey, and to transform ourselves as a first step in our efforts to transform our world. We can, we should, and we will make a difference helping to shape the American approach to justice as we enter into this new world for American capitalism! So may it ever be for us. Amen.