# Personal Finance and Economics in the Writings of Larry Burkett: How Should Christian Economists Respond?

*I am, after all, a teacher on personal finances—not an economist.*
Larry Burkett (1993, p. 9)

Over the last two decades, Larry Burkett has been a strong advocate of applying biblical principles to personal and family financial management. Burkett has had a significant impact on many Christians in the United States by calling attention to our tendency to dichotomize faith and personal financial management. It seems that Christian spirituality does not pertain to the area of personal finance. The dichotomy has lead many Christians toward consumptive lifestyles, high indebtedness, and family financial vulnerabilities that mirror the world around us. Burkett has been a relentless voice in calling Christians to apply biblical principles to personal finance, especially in regard to personal debt. In this respect, Burkett's contribution should be recognized. In the area of economic analysis, however, serious flaws appear in his works. In this paper we present a synopsis of Larry Burkett's themes, pointing out both his contributions to personal finance and his problematic economic analysis.

**Family Financial Realities**

A few years ago we began offering family financial management workshops in our church. We discussed Christian financial values from the scriptures and covered basic budgeting and debt reduction methods. Much of the material for our seminars was drawn from the personal finance books of Larry Burkett (1985, 1989) and Ron Blue (1991). During the seminars, we discovered that few practiced serious financial planning. Among those who monitored their finances, few discerned the difference between retroactive accounting of their expenses and prospective budgeting. Failure to budget prospectively meant that families did not have funds for two kinds of events: (1) recreational activities such as vacations and eating out,

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and (2) household emergencies such as leaky roofs and automobile breakdowns. Under such circumstances, families often resort to credit cards as a payment device. The lack of prospective budgeting would repeat itself annually resulting in ever deeper indebtedness. We discovered that extensive credit card debt (in the thousands of dollars) among some Christian families was normal. Unpaid balances were compounding at annual rates of interest in the 14–18 percent range.[1] Some families with healthy income flows were financially vulnerable.[2] We were surprised at the lack of planning and forward thinking. Some families seemed to be living week-to-week. Longer range issues like college planning, retirement, and development of an emergency fund often were not addressed.

### Larry Burkett's Personal Finance Framework

It is to these problems that the personal finance books of Larry Burkett, Ron Blue and other Christian financial planners have been directed. It is our general conclusion that Larry Burkett's personal finance books are useful, indeed essential, for many Christian and non-Christian families struggling with financial problems. Even though we do not agree with every element of Burkett's personal financial system, we would not hesitate to recommend his books to others; our families have benefitted greatly from them.

Burkett's family financial planning system begins with a grounding in biblical values and attitudes toward finances. Burkett (1985, pp. 13–66) describes the attitudes of contentment, planning, and servanthood that should permeate the Christian's approach to money. He believes that a desire to increase one's wealth is often misperceived as worldliness. The real issue, however, is not the accumulation of wealth *per se* but the underlying values and motivations for wealth accumulation. Many Christians should be motivated to accumulate wealth to support the Church and its missions, provide for the family, and help the less fortunate. Burkett stresses that Christians need to be content with a balanced material life that God has provided and not indulge in overconsumptive lifestyles leading toward financial bondage and constrained kingdom impact. Contentment, however, does not mean a lack of financial planning. Burkett believes that rigorous financial planning is absolutely essential if Christians are to be good stewards of the financial resources entrusted to them. Healthy family financial management leads toward more giving in the church, healthier intra-family behavior, and a stronger basis for families and churches to help those in need.

After developing a foundation of proper values and attitudes, Burkett stresses several major themes: (1) avoid the mentality of living only in the short-term; always plan ahead and anticipate upcoming financial issues; (2) live within your means. Be disciplined in your spending and rigorous in your planning in order to keep spending below income; (3) avoid the consumer debt trap, especially credit card debt. Avoid going into debt to finance consumer items (food, clothing, appliances, automobiles) and make it a top priority to reduce mortgage debt.[3] Burkett believes that each family should develop a clear, realistic, and rigorous budget that incorporates these themes and reflects Christian priorities and values. Rejecting a budgeting approach to family finances could be perceived by some Christians as depending more on God and rejecting worldly materialism. Burkett believes that most Christian families that spiritualize the material realm in this way actually move toward financial bondage. Failure to budget, rather than a sign of Christian spirituality, leaves many Christian families with little or even negative kingdom impact in regard to finances.

In many respects, Ron Blue's (1991) financial planning methods and ideas are similar to Larry Burkett's. While Blue touches upon some basic economic issues, it is almost exclusively from the perspective of family financial planning.[4] For

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example, he discusses inflation as an important ingredient to consider when thinking about retirement (Blue 1991, pp. 45–54). In the few cases where Blue ventures into broader economic themes, he is quite restrained. Burkett also ventures into basic issues of inflation and unemployment in the context of family financial planning.

**Larry Burkett's Economic Analysis**

In some of his writings, however, Burkett ventures far away from family finances and tackles the realm of general economic analysis (1991, 1993). These writings feature a number of inter-connected themes. The first is the increased secularization of American society. Both Christians and non-Christians are ignoring or rejecting biblical principles in many facets of their lives. In the family financial realm, rejection of biblical values leads to materialistic lifestyles financed by over-indebtedness, dishonesty in business dealings, token giving, an entitlement mentality, and a general indifference toward the poor (1991, pp. 206–213, 222; 1985, pp. 14, 212–214). In the economic realm, secularism leads to materially dependent families and over-indebted government. These in turn lay a foundation for detrimental cycles of inflation and recession (1991, pp. 82–182).

A second theme of Burkett's economic writings is the increased presence of government in U.S. society. He cites numerous examples of government domination of business, banking, commerce, and the macroeconomy (1991, pp. 27–39, 128–143; 1993).

The first and second themes are closely connected to a third: American society is increasingly driven by an entitlement mentality (1991, pp. 97–100, 145, 152, 222; 1993, pp. 183–189, 240). American citizens desire more from government, but they don't want to pay for it (1993, p. 203). The excess demand for government provisions leads to an ever-growing national debt, an increasingly intrusive government, and decreased initiative for healthy family financial management.

The three themes imply a fourth and capstone theme of Burkett's economic writings: an economic catastrophe is imminent. Burkett likens the catastrophe to an earthquake that will devastate the U.S. economy. The coming collapse will be of the magnitude of the Great Depression. Burkett sees a number of tremors in the economy that herald the coming economic earthquake (e.g., the S&L crisis, the cost of AIDS, and the under-capitalization of FDIC, the insurance industry and social security).

The economic earthquake scenario follows a certain logic. Secularization, government intrusion, and the entitlement mentality lead to ever-growing private and public debt. Greater societal indebtedness is a symptom of the underlying rejection of biblical values in the material realm. Eventually greater debt, especially public debt, must give way to depression or hyperinflation followed by economic collapse (1991, pp. 150–54). Although Burkett identifies major changes in the political realm that could forestall the economic calamity, he believes the collapse is highly likely. Although he states that it is impossible to predict when the collapse will occur, he believes it will come "in the midst of what appears to be economic prosperity" (1991, p. 222). Based upon the Kondratieff cycle, Burkett suggests the depression might occur somewhere around the year 2000.

Mixed within the apocalyptic economic analysis are some doubtful interpretations of economic history and some factual errors. For example, Burkett (1991, pp. 19–29) describes how the stock market crash of 1929 precipitated the Great Depression. If the stock market crash of 1929 was a major cause of the depression, why did the stock market crash of 1987 (of the same relative magnitude as the 1929 crash) not precipitate a great depression or even a recession? Sorting out the causes of the Great Depression is a lively topic in the economics profession, but Burkett glosses over much that is important in understanding that economic catastrophe.

Burkett's analysis of the rise of Keynesian economics—a philosophy he holds partly responsible for government 'domination' of the economy today—is also problematic. For example, he states:

> Franklin Roosevelt was...educated ...at Harvard, where he was exposed to the philosophies of John Maynard Keynes of England. Keynes, an avowed socialist, had long advocated the use of government control over banking and business to ensure prosperity for all. The philosophy was not new. Karl Marx had advocated essentially the same doctrine...(1991, p. 27).

*The General Theory of Employment, Interest and Money*, published in 1936, could not have influenced Roosevelt decades earlier at Harvard. Indeed, Keynes met with Roosevelt in the 1930s in an effort to convince the President that government deficit spending could revive the U.S. economy. Roosevelt thought that Keynes' ideas were fanciful.[5]

Burkett's linkage of Keynes and Marx is equally problematic. As Gwartney and Stroup (1990, p. 228) put it:

> Some critics of Keynes thought his ideas were a threat to the market economy. Personally, Keynes believed his ideas strengthened the case for the private sector by proposing a cure for its most serious shortcoming: the recession. He praised the virtue of profits. "The engine which drives enterprise," Keynes wrote, "is not thrift but profit." He was unimpressed with Marxian ideas, which he found to be "illogical and so dull."

Nobody would claim that Gwartney and Stroup are Keynesians. We are not trying to defend Keynesian economics, which has some flaws that are well recognized in the economics profession. The problem here is that Burkett's treatment of Keynes and Roosevelt is not accurate; the facts are wrong. Burkett's analysis in this instance reflects the kind of problematic historical economics found in his writings.

**How Should Christian Economists Respond?**

It is difficult to respond to the economic writings of Larry Burkett; we find important points of agreement but also serious areas of disagreement. We agree with Burkett's concerns about excessive government intrusion and the entitlement mentality and we believe he should be commended for his insistence that the secularization of society manifests itself in the realm of economics and family finances. Nevertheless, we find his economic analysis to be superficial, overly apocalyptic, and fraught with factual errors. There are obviously numerous alternatives to the collapse scenarios that he paints.[6] While recessions are highly probable over a ten year period (based on past experience), predicting economic calamities of Great Depression magnitude based upon the Kondratieff cycle is highly speculative.

Other (non-Kondratieff) forms of economic analysis in Burkett's writings have a certain logic to them, but they too are problematic. These other forms of economic analysis center upon escalating national debt. Ever-growing national debt must lead to monetization of the debt or a growing threat of government default of its debt obligations. By printing money to meet its debt obligations, inflation and nominal interest rates would rise. Carried out excessively (because of excessive debt), monetization could lead to hyperinflation and eventually economic collapse. If the government refuses to monetize the debt, ever-increasing national borrowing and the threat of default would push interest rates up, leading toward economic collapse. Either way, escalating national debt leads to economic collapse.

Burkett's near-term economic collapse scenarios are not credible (nor were they credible in the early 1990s) because they are not reflected in long term Treasury bill rates. If either of Burkett's collapse scenarios were imminent, holders of T-bills

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would be unloading them, initiating rising interest rates today. Even if somehow the government tried to conceal its monetization of debt or its borrowings, such activity would still percolate through the financial markets to be dissected by tens of thousands of analysts. We see no evidence of impending government default or hyperinflation in the financial markets today.

Even within Burkett's own writings there are irreconcilable contradictions that demonstrate the overly apocalyptic nature of his economic analysis. For example, Burkett (1991) warns of government default and collapse by the year 2000, but then he classifies government-backed securities as one of the best forms of investment (1992, p. 89). He also states:

> Among those I have counseled who were more than 50 years of age, government-backed securities dominated their best investment list. This does not imply that CDs,T-bills, bonds and the like are the best performers. As mentioned earlier, they are usually selected for their lack of risk, not their return (1992, p. 90).

They can be selected for "their lack of risk" only if the collapse scenarios that Burkett paints are not credible.

### Can Larry Burkett Influence Us?

It is important to recognize that Burkett's economic analysis creates obstacles for Christian economists and we will be prone to dismiss him. This would be unfortunate. First, Burkett is influencing the economic thought of thousands of Christians. We need to be aware of his economic thought and offer other perspectives that balance his apocalyptic analysis.[7] Second, there are areas of concern where many Christian economists would tend to find common ground with Burkett. For example, Burkett's concern about government intrusion is consistent with a public choice perspective. We can indicate to fellow Christians where we think the economics profession (or subsets of it) tend to agree with him. It is important to distinguish Burkett's concerns and values (where we have common ground) and his apocalyptic and erroneous economic analysis (where we have little common ground). Third, Burkett has some valuable things for Christians to hear in the realm of family finances. It would be unfortunate if we dismissed Burkett for his problematic economics, only to miss the important and valuable influence that he has in the realm of family financial management.

When we first became interested in teaching personal financial management in our church, we did not view the subject as "economics." Yet surely the ways in which families allocate their financial resources is a significant part of economics. By what criteria are inefficiency, slow economic growth, unemployment, inflation, and pollution economic problems—but over-indebted, financially vulnerable families *not* an economic problem? Consider the question from a positive economic viewpoint. A society that is made up of a relatively large proportion of financially over-extended families might be expected to have longer and deeper recessions than a society with a small proportion of such families.[8] Financially vulnerable families may be more prone to divorce. Their behavior affects their willingness and ability to give, enjoy life, assist children during the college years, and retire without assistance from others. These in turn have a significant influence on our economy and society, including the church. Surely a society with 30 million families practicing a Burkett/Blue form of family financial management is going to be a different economy and society than one where only 5 million families do so. The effects of family financial practices on families and the economy are matters for scientific investigation by economists. There are significant positive economic questions to be investigated within the realm of family financial management.

We view family financial management as an economic subject with the potential for synthesizing Richardson's (1994) view that Christian economists should be good economists and the desire of some of our colleagues to do "Christian economics." A good economist will want answers to questions that stem from treating family financial management as an economic topic (Is long term credit card debt rational? Are recessions deeper and longer in societies with certain family financial management norms? How do family financial norms affect economic growth or the role of government in society?). Development of a "Christian economics" might start with the family as the fundamental unit of analysis (as opposed to the individual or society). While Gary Becker and others have already launched "family economics," Christian economists can make unique contributions to the field. We wonder what our economics textbooks would look like if the family, along with society and the individual, was treated as a fundamental unit of analysis. Consider the gains to society and the church from Christian families practicing healthy financial management. Instead of needing assistance, families would be able to assist. Increased giving in our churches, growing out of a base of family financial health, would surely transform churches and society. Too much of our economics focuses on the individual and society and whether to have "more" or "less" government. Scientific and normative economics would benefit greatly from family economics and the perspectives of Christian economists. For all of the problematic economics in Larry Burkett's writings, he does have his finger pointed at a subject we should take seriously.

## ENDNOTES

1 See Brito and Hartley (1995) for a model explaining why credit card loans can be attractive relative to bank loans.

2 It was during the time of our initial seminars that then-Boston Red Sox baseball player Jack Clark filed for bankruptcy in spite of his $2 million annual salary.

3 Some Christian financial teachers maintain on the basis of Romans 13:8 that the Bible prohibits borrowing, e.g. Institute in Basic Life Principles (1983), pp. 75–87. Although Burkett is negative and cautious about debt, he does not take the position that the Bible prohibits it: "There is not a verse directing God's people not to borrow money (not even Romans 13:8)" (1985, p. 107).

4 For example, Blue (1991, pp. 45–54) discusses inflation as an important ingredient to consider when thinking about retirement.

5 The video series *Economics USA* (Annenberg/CPB Collection 1986) states:

> Popular history has it wrong, Franklin Delano Roosevelt did not come to the White House convinced of the need for a Keynesian program of public spending to revive the shattered economy. In fact, he considered deficit spending a desperate and dangerous measure. FDR had spent much of the 1932 campaign declaring his faith in a balanced budget and blasting Hoover as a big spender.

6 This is not to say that some form of economic or societal collapse could never happen in the United States. History shows that every civilization comes to an end. Blue (1991, p. 15) quotes Alexander Tyler's conclusions regarding the decline of the Athenian republic:

> A democracy cannot exist as a permanent form of government. It can only exist until the voters discover that they can vote themselves a largess from the [public] treasury. From that moment on, the majority will always vote for the candidates promising the most benefits from the public treasury, with the result that a democracy always collapses over loose fiscal policy and is always followed by a dictatorship.

> The average age of the world's greatest civilizations has been 200 years. These nations have progressed through this sequence: from *bondage* to *spiritual faith*; from *spiritual faith* to *great courage*; from *great courage* to *abundance*; from *abundance* to *selfishness*; from *selfishness* to *complacency*; from *complacency* to *apathy*; from *apathy* to *dependency*; from *dependency* back again into *bondage*.

Blue directs the theme of Tyler's statement to the United States. Although Blue (1991, p. 16) believes that a societal collapse could come to the U.S., he draws a longer-term, non-apocalyptic picture. Indeed, Blue endorses the book cited in the following note that describes the U.S. economy as safe and secure.

7 A book that balances Larry Burkett's apocalyptic economics is Bruce Howard's *Safe and Sound: Why You Can Stand Secure on the Future of the U.S. Economy*. Wheaton, IL: Tyndale House Publishers, Inc. 1996.

8 See King (1994), whose cross-section analysis is prefaced by the view that "In the early 1990s the most severe recessions occurred in those countries which had experienced the largest increase in private debt burdens."

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