

# ISSUES IN PERSPECTIVE

Dr. James P. Eckman, President  
Grace University, Omaha, Nebraska  
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## PERSPECTIVE NUMBER ONE

### *THE UNINTENDED CONSEQUENCES OF THE "OWNERSHIP SOCIETY"*

One of President Bush's main goals when he became president was to build an "ownership society," characterized by, among other things, more people owning their own homes. It was a laudable goal. The US government would facilitate this goal through the creative use of two major "government-sponsored enterprises" (GSEs) established by federal law, which means that, although they are private companies with stockholders and profits, they do receive special privileges. These two GSEs are the Federal National Mortgage Association (now known as **Fannie Mae**) created in the 1930s as a part of the New Deal and its cousin now known as **Freddie Mac**.

How do they work? Overall, they own over \$5.2 trillion in mortgages in the US, nearly half of all outstanding mortgages in this nation. These two giants are simply too important to fail and they are backed up by the US government, which cannot permit them to fail. Simply put, both Fannie Mae and Freddie Mac would buy mortgages from banks with funds it borrowed at a much lower rate because it is a GSE. This would then give the banks more money with which they could make more loans. They would then bundle these mortgages together and sell them as securities and/or bonds on the open market. The mortgage-based investments continued to rise in value and in tandem so did the value of real estate. As real estate values continued to soar, so did expanded home ownership. The nation's banks then relied on these investments to raise more money for a whole new wave of loans. This complicated system worked as long as lenders could keep selling their mortgages and as long as someone would guarantee most of the debts. Here is where Fannie Mae and Freddie Mac came in because they would guarantee the loans. That is why they together now own nearly half of all mortgages in the US.

With this relatively easy method of financing, more and more people bought homes and it seemed that real estate prices would keep rising forever. Therefore, some banks made more and more risky loans (aka sub-prime loans), which were the first to default when home prices started falling. As lending became more conservative, the speculative bubble burst. With housing prices plummeting, the ugly reality emerged that many banks did not understand the details of these mortgage-backed investments. That ignorance was expensive! With huge losses being recorded, the only major player left in the market is Fannie Mae and Freddie Mac. So, that being the case, the US government simply cannot allow them to fail. Peter Goodman has written: "For a generation, American policy makers have lectured the world on the need to unleash the animal instincts of the market. China's rickety banks should stop lending to protect state factory jobs, Americans said, and focus on the bottom line. Now the Bush administration is reluctantly concluding that Fannie and Freddie might need to be propped up to protect the American homeowner. . . Yet here, in the aftermath of a financial crisis brought on by what were once

called American virtues—financial engineering and risk management—Washington may bail out Fannie and Freddie for the simple reason that they are too big to fail.” The current, brutal reality is that the US government is now playing the dominant role in assuring that Americans can purchase a home—and that is not a good idea!

Not too long ago, critics of Fannie Mae and Freddie Mac were arguing that they should be required to report to the Securities and Exchange Commission like other corporations, that they should pay state and local taxes like other corporations, and that they should increase their capital reserves like other regulated financial entities. But in each case, their corporate officers would unleash their lobbying machines in Congress and thwart such actions. They both used their position as GSEs to an unfair advantage in the market place and when times were good they raked in huge profits. Now that times are bad, they are running to the US government for salvation. And the US taxpayer will foot the bill! This is a colossal mess, one of the unintended consequences of fostering, through an agency of the US government, a good and worthy goal—an ownership society. But this ownership society was not to be achieved in the normal manner—through the market. It was to be achieved through an unfair GSE. When it comes to the US government, one is beginning to wonder who is really minding the store right now! This will not be quickly fixed and we will be living with this for some years to come.

See Peter Goodman’s most helpful analysis in the *New York Times* (14 July 2008) and the *USA Today* editorial (15 July 2008).

## **PERSPECTIVE NUMBER TWO**

### ***INJUSTICE AND EVIL: THE CASE OF ZIMBABWE***

There is a penetrating verse in Ecclesiastes 3:18, which reads, “. . . As for human beings, God tests them so that they may see that they are like the animals.” In the beginning of this chapter, Solomon has been arguing for the providence of God as a solution to the meaninglessness that he sees in life (e.g., “Vanity of vanities. All is vanity”). But there is an apparent contradiction to God’s providence—injustice. Solomon has some difficulty reconciling injustice with that providence, but in this verse he concludes that injustice is didactic—i.e., it teaches; it demonstrates that humans are but brutes—animals! In our world today, there is no greater demonstration of that proposition than Robert Mugabe of Zimbabwe. He was recently reelected to the presidency of this nation in a sham election! He said before the election: “We are not going to give up our country because of a mere X. How can a ballpoint [pen] fight with a gun?” His army killed, beat and intimidated thousands to insure his reelection. They set up torture camps to “educate” the people on how to vote. His opponent, Morgan Tsvangirai, leader of the Movement for Democratic Change (MDC), won the 29 March election but did not receive the needed majority. So, Mugabe orchestrated this sham election the end of June, with Tsvangirai withdrawing for fear of violence to himself and to his followers.

The conditions in Zimbabwe are absolutely appalling. Inflation is running at 3 million percent, annualized!! Price controls imposed by the government mean there is little food. Staple foods are distributed as a political weapon and there is virtually no fuel to transport food anyway. Starvation is a reality and malnutrition is pervasive. Mugabe incredibly banned aid agencies

from distributing aid and food. According to the UN, this puts at least 2 million Zimbabweans at greater risk of starvation, homelessness and disease. Mugabe has taken what was once a rich, prosperous country and destroyed it. He is a megalomaniac, with delusions of grandeur and power. He rules as a dictator and is supported by a ruthless and greedy group of generals. They know that if he loses power, they will too.

So, what is to be done? The United States has been demanding increased sanctions through the UN but China and Russia oppose anything that might work! Nations of Africa, especially Botswana and Zambia, detest Mugabe and what he is doing to his country. But until and unless South Africa turns against Mugabe, there is no hope of an African solution. What is most troubling is that Thabo Mbeki of South Africa refuses to take the lead in condemning Mugabe. He prefers quiet diplomacy, which is clearly not working! Mugabe has made it clear that he will never permit the MDC to take power: He would rather “die fighting” than be “ruled by an MDC government that is keen to sell the country’s birthright.”

In short, if the African nations will not pressure Mugabe, and if the UN cannot act, which it will not due to China and Russia, the only option left is for the US and Britain to take action, using force if necessary. But that is never going to occur. So, the people of Zimbabwe must wait, suffer and endure. This is where God’s providence comes in. There is injustice in Zimbabwe—in the worst possible sense of that term. The injustice demonstrates, as Ecclesiastes 3:18 argues, that Mugabe is but a beast! So, it is proper for you and me to ask God to remove Mugabe from power. He has destroyed his nation and injustice reigns supreme. I am praying this prayer: “Oh God, rich in mercy and grace, exercise your sovereign rule, be an advocate for the Zimbabwean people. Please remove Robert Mugabe from power. I pray this in the name and with the authority of Jesus Christ. Amen!”

See Roger Bate’s helpful editorial in the *Wall Street Journal* (19 June 2008).

## **PERSPECTIVE NUMBER THREE**

### ***THE FAITH OF TONY BLAIR***

Former British Prime Minister, Tony Blair, recently unveiled The Tony Blair Faith Foundation, dedicated to proving that collaboration among those of different religious faiths can help address some of the world’s most difficult problems. *Time* reporter, Michael Elliott, recently interviewed Blair on his foundation. Here is a summary of that interview: “In two long conversations with Blair recently, I explored his conviction that religion matters—that it shapes what people believe and how they behave, that it is vital to understanding our world, that it can be used to improve the lot of humankind. But if not engaged seriously, Blair thinks, faith can be used to induce ignorance, fear and a withdrawal of communities into mutually antagonistic spheres at just the time that globalization is breaking down barriers between people and nations.” Blair sees his goal to rescue faith from the twin challenges of irrelevance—the idea that religion is no more than an interesting aspect of history—and extremism. Correctly, Blair believes that religion is a very important force in people’s lives.

Personally, Tony Blair is a deeply religious man. Elliott reports that, after the 1996 tragedy in Scotland where a gunman killed 16 children, Blair responded to queries about the goodness of

God by saying, “Just because man is bad, it does not mean God is not good.” Blair’s faith goes back at least to his days as a student at Oxford, where, amidst the partying and agnosticism, there was Tony Blair and his stand as a man of faith. Further he married Cherie Booth, a devout Catholic. She recently wrote of her husband, “Religion was more important to him than anyone I had ever met outside the priesthood.” She writes that she and her husband have spent countless hours talking about God “and what we are here for. I don’t think it would be too strong to say it was this that brought us together.” Blair believes deeply that in the rich world of the 21<sup>st</sup> century, “without spiritual values, there is an emptiness that cannot be filled by material goods and wealth.” The world, he believes, would be a better place if people harnessed their talents together in aid of the common good. Faith is the basis for human rights and dignity, “an inalienable principle, rising above relativism and expediency.” Because Britain is still fundamentally Protestant, his tendency toward Catholicism prevented him from acting on that tendency. But after he finished as Prime Minister, he converted to the Catholic Church. [Incidentally, there are now more Catholic than Anglican churchgoers in Britain for the first time since the Reformation.]

For Blair, faith “can be a civilizing force in globalization.” According to Elliott, his first goal is malaria, which kills around 850,000 children annually, which could be prevented by bed netting to protect against mosquitoes. Blair writes that if “you got churches and mosques and those of the Jewish faith working together to provide the bed nets that are necessary to eliminate malaria, what a fantastic thing that would be. That would show faith in action, it would show the importance of cooperation between faiths, and it would show what faith can do for progress.” Blair will bring a new dynamism and energy to a movement of interfaith dialogue and cooperation.

For Tony Blair, faith is “not an historical relic but a guide for humanity on its path to the future. A faithless world is not one in which we want ourselves and our children to live.” Faith has been historically a source of both reform and idealism—witness the fight against slavery, apartheid and genocide; all of which cannot be understood apart from personal faith.

A concluding thought: Tony Blair has always been a man that I admire. His personal faith is compelling and, I believe, genuine. He is driven by his faith and it alone explains some of the choices he has made. However, his faith reflects the pluralism of the Postmodern world—a pluralism that eschews doctrine and theological distinctives. His Christianity is one that is social. That is not wrong per se, but if that is all it is, it is doubtful it will be the glue to bring the various faiths together. His personal faith and now the work of his Foundation will no doubt bring good to the world. Lives no doubt will be saved as a result. But the human condition is not only framed by the physical needs of humanity. The fundamental problem of the human condition is not physical, economic or social; it is spiritual. Only Jesus Christ can ultimately solve that problem. Tony Blair apparently has faith personally in Jesus Christ. But he cannot solve the fundamental problem of the human race alone by dealing with social problems, even like malaria. As Christians we must work to solve challenges like malaria—but it cannot end there. Those who are saved from malaria must now hear of the ultimate Savior from sin—Jesus!

See Michael Gerson’s editorial on Blair’s faith in the *Washington Post* (4 June 2008) and Michael Elliott’s piece in *Time* (9 June 2008), pp. 33-36.