Reflections on the Present Economic Crisis from a Franciscan Perspective

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The following is adapted from an address prepared for a meeting of the International Board of the Comprehensive Course on the Franciscan Mission Charism (CCFM) in commemoration of the twenty-fifth anniversary of the CCFM and the 800th anniversary of the Franciscan Order. The CCFM offers a course designed to engage participants in current world issues from a Franciscan perspective. The International Board met at the Capuchin Education Center in Frascati, Italy.

Roughly a year and a half ago — on September 14, 2008 — the world witnessed the collapse of Lehman Brothers, a major international banking institution. Lehman Brothers had more than 25,000 employees in centers around the world, and its collapse began a global economic crisis that has affected millions of people. What reflections can we make from a Franciscan perspective on this crisis?

What I have done below is provide a brief description of the problem at this one bank and some of its causes. I then offer some Franciscan values that stand in contrast to the values shown in the Lehman Brothers example.

The Background of the Economic Crisis: The Lehman Example

The company Lehman Brothers began in 1845 with an immigrant from Bavaria, Henry Lehman, who traded cotton in Montgomery, Alabama. The company later moved to New York City, where it specialized in providing loans, especially to new business ventures. In the final years of its existence, it had begun to make investments, including complex financial transactions that speculated on debt for home mortgages.

As the prices for houses increased dramatically during the 1990s, banks and other financial institutions began offering loans to many people who were too poor to pay them back. The program had a cynical side: first providing a loan to these families with a low rate of interest at the beginning, allowing them to begin buying their home; then, increasing the rate of interest after several years. When they were unable to keep making payments, the property could be seized and sold again by making another loan to another family.

Profit could be made by buying the debt owed by these families. There was a risk that these people might not repay what they borrowed. But banks found a way to create investments here. By combining the debt of many different families into a single, large quantity of debt, they were able to sell shares of that debt to investors. The interest charged on the loans provided the profit for the investors. To give a simple example: $100 in debt could be sold for $115.

Why would investors want to buy this debt? Because they were confident it would be paid back, but would be paid back late, meaning that years of interest would have to be
paid. The investors make a profit on the interest payments. But that profit came with a risk: the risk that the loan would not be repaid.

The people who first offered the loan, Lehman Brothers, for example, passed that risk to a group of investors. Those investors did not know fully the risk involved in buying these “packages of debt.” Different debts of different families were combined, and this made it difficult or impossible for an investor to know if the loans were solid, if the property had a value to support the loan, and if the family who had borrowed the money had the ability to repay it. What the investors saw was the opportunity for a big profit without knowing that it came with the possibility of a big risk.

In 2006 and 2007, when banks began to charge the new, higher interest in the later years of the loan (which the families had agreed to many years earlier), many people could no longer pay the interest, and began to lose their homes. As the banks had more and more homes to sell, the price for the homes began to fall. And when that happened, the “loan business” could not give the big profits investors wanted. Loans stopped, profit from interest stopped, prices of homes went down, and the market was filled with empty houses owned by banks unable to sell them. A financial crisis had begun. No investor now wanted any of the “packaged debt,” and the banks had no way to regain the money they had lost. Lehman Brothers announced its bankruptcy in September 2008, ending more than 160 years of profitable business.

The Crisis Viewed from a Franciscan Perspective

Of course there were many other factors that contributed to the present international economic crisis, but this phenomenon of risky loans by U.S. banks played a major role. What can a Franciscan perspective contribute to our understanding and approach to this situation? Let me suggest a few possibilities, pointing to certain basic principles within the Franciscan tradition.

1. The desire to enrich oneself at the expense of another is at the origin of sin.

In his Admonition II, St. Francis of Assisi describes the sin of Adam as one of the desire grasping, holding, possessing: “That person eats of the tree of the knowledge of good who makes his will his own and, in this way, exalts himself over the good things the Lord says and does in him. And so, through the suggestion of the devil and the transgression of the command, it became the apple of the knowledge of evil.”

In the original text, the Latin word used is appropriat, “to make something one's own,” “to appropriate.” Something that is good (in this case, fruit of the tree of knowledge) changes into the “apple of the knowledge of evil” because of the action of appropriating, making my “property” something that does not belong to me.

The opposite to this dynamic of sin is the dynamic of Christ and the Gospel, to live sine proprio, as it is expressed in The Rule of the Friars Minor (RB), to live “without appropriating,” without grasping things in order to possess them as “mine.”
Avarice and greed, whether in the 13th century or the 21st century, thus stand for what is contrary to the “spirit of the Lord and Its holy activity” (RB X:8). Instead of turning human beings toward their neighbor in justice and charity, these are the “vices and sins” that Francis says belong to us. These are our *proprium*, our “property.” (“nothing belongs to us except our vices and sins,” observes the *Earlier Rule* of the Friars Minor) because they certainly do not come from God as a gift, as only the good comes from God, who is the highest Good. Their opposites are expropriation and sharing, exemplified in the parable of the Good Samaritan (Lk 10:25-37).

The desire for personal or corporate profit, without regard for the consequences on poor families, is clearly a major cause of the recent economic crisis. An economics of fraternal solidarity can serve as an alternative to this economic system based on avarice and greed.

2. To exploit the poor is an offense against Christ.

There is a story recounted in the *The Life of Saint Francis* by Thomas of Celano about a brother who was criticizing a poor man. Francis reacted very strongly, and demanded that the brother strip off his clothes, kiss the man's feet and ask for pardon. He then went on to explain the reason for his reaction in these terms: “Anyone who curses the poor insults Christ whose noble banner the poor carry, since Christ *made himself poor for us in this world*’ (2 Cor 8:9). The poor are representatives of Christ, and must be treated with the respect.”

The speculation on property values at the basis of the current crisis punished poor working families in particular. Ordinarily, these families would not be considered as candidates for house loans, because they do not have the resources necessary to repay the loan with its substantial interest. Banks then decided to offer very low interest at the beginning of the loan, but with a future, high rate of interest after a few years had passed. Little or no down-payment was required, thus tempting these families to enter a financial contract that would exploit them, without their full knowledge of the consequences.

From our Franciscan perspective, this form of “preferential injustice against the poor” must be considered not only a crime, but the gravest type of sin: deliberate and cynical exploitation of the representatives of “the Great King.”

3. Avarice and greed are at the root of injustice.

In the second version of the *Letter to the Faithful* (or *Exhortation to the Brothers and Sisters of Penance*) Francis describes in vivid terms the death of a man who was greedy and unjust:

> And immediately they make a priest come. The priest says to him: “Do you want to receive penance for all your sins?” “I do,” he responds. “Do you wish to make satisfaction, as far as you can, out of your wealth, for what you have done and the ways in which you have cheated and deceived people?” “No,” he responds. “Why
not?" the priest asks. "Because I have placed everything in the hands of my relative and friends." And the wretched man begins to lose his speech and so dies. But let everyone know that whenever and however someone dies in mortal sin without making amends when he could have [done so] and did not, the devil snatches his soul from his body with such anguish and distress that no one can know [what it is like] except the one experiencing it. ... [His relative and friends say] “Let his soul be cursed because he could have given us more and acquired more than he distributed to us!” Worms eats his body and so he loses his body and soul in this brief world and goes to hell where he will be tortured without end.

We should note that Francis describes here his view of “mortal sin:” it is a sin of injustice in financial matters, “you have cheated and deceived people.” The way to “do penance” is by taking the wealth that was gained by injustice and distributing it as “satisfaction” to those who were treated unjustly. A financial sin requires financial penance. The clever legal maneuver of passing all the wealth to relative and friends cannot deceive God. Passing the responsibility to other people does not take away the responsibility from the ones who started the program.

4. Alms are a legacy and a justice due to the poor.

If the exploitation of the poor is a dramatic example of “anti-Gospel” living, what is a response to this financial crisis that is based on the Gospel?

Using an ancient principle of Christian social teaching, Francis writes in Chapter IX of the Earlier Rule in these terms: “Alms are a legacy and a justice due to the poor that our Lord Jesus Christ acquired for us. The brothers who work at acquiring them will receive a great reward and enable those who give them to gain and acquire one; for all that people leave behind in the world will perish, but they will have a reward from the Lord for the charity and almsgiving they have done.”

From our Franciscan perspective, what is usually considered a voluntary donation or “alms” for the poor (eleemosyna) is really a payment in justice. Christ acquired for the poor a legacy and a right in justice (hereditas et justicia): it is a “debt” that is owed to the poor (debitur pauperibus). They are the heirs of Christ, and thus have a legal right to what he bequeathed to them: the right to what others have beyond their needs. All that is given as alms is, in fact, the property of the “Most High,” who is the Owner of all good things. All that is potentially “alms” has already been promised to the poor, as heirs of the Kingdom of Heaven (Mt 5:3 and Lk 6:20). These “resources” of the Kingdom of Heaven were acquired by Christ.

The basic economic principle at work in this “evangelical economy” is that of providing the necessities of life for all, especially for the poor. That is a fundamental right based on justice. This was already stated by Gregory the Great, who taught that when we give the necessities of life to the poor we are returning to them something that was already theirs.
5. Balancing the “common good” and a “just interest” should be a basic economic practice.

The Italian historian Giacomo Todeschini, of the University of Trieste, has written an introduction to the Franciscan influence on medieval economic theory and practice. In Ricchezza francescana: dalla povertà volontaria alla società di mercato (English translation, Franciscan Wealth: From Voluntary Poverty to Market Society), he shows that Franciscan writers and preachers, especially in the 14th century, were favorable toward the use of “instruments of credit,” whether for businessmen or city-governments, as long as these served a public good. Profit beyond what was necessary for the maintaining of a healthy business activity was to be invested in the poor, by means of the lending institutions promoted by Franciscan initiative, the montes pietatis, which took “excess profit” and re-invested it in the form of loans, with interest, but with levels of interest that could really be paid by the poor who needed loans of money. In this way a “just profit” was allowed, and interest on loans was permitted without becoming “usury.” But the very important foundation of these practices was that of the “common good,” with special attention to the economic empowerment of the poor.

In our own day, especially in light of recent economic crises, the need to consider profit within a broader social context (“the common good”) has become even more urgent. In his recent encyclical, Caritas in veritate (Charity in Truth), Pope Benedict XVI states this principle in regard to the issue of profit:

Profit is useful if it serves as a means towards an end that provides a sense both of how to produce it and how to make good use of it. Once profit becomes the exclusive goal, if it is produced by improper means and without the common good as its ultimate end, it risks destroying wealth and creating poverty.

In our example of U.S. banks and loan practice, we can note that the desire for profit was separated from the notion of the “common good.” In fact, the pursuit of profit for its own sake destroyed the financial stability of the banks that were seeking it, and created greater poverty for their employees and clients.

Gospel values of Franciscan Tradition: Gratuity and Fraternity

We read in the Earlier Rule “Let us refer all good to the Lord, God Almighty and Most High, acknowledge that every good is His, and thank Him ... to Whom all good belongs.” All good belongs to the Most High, and is given to us as a gift. Thus the value of gratuity is at the heart of our response to the world the Lord has created: God is the great gift-giver, giving us all things purely out of goodness and love, without any self-interest. All of us, human beings and all creatures, have our life and existence from the gratuitous Trinitarian God who is the Good itself, through the Beloved Son who shares with us the experience of being a creature. As we look at each other, we see that we are brothers and sisters, sharing a Common Brother in Christ. The value of fraternity is rooted in our very identity as creatures, a fact poetically expressed in Francis’s Praises of God for Creatures or Canticle of the Creatures.
It is to these values that Pope John Paul II appealed in his reflections on the economy in *Centesimus Annus (The Hundredth Year)*, which Pope Benedict XVI recalled in *Caritas in veritate* in these terms:

> Today we can say that economic life must be understood as a multi-layered phenomenon: in every one of these layers, to varying degrees and in ways specifically suited to each, the aspect of fraternal reciprocity must be present. … Charity in truth, in this case, requires that shape and structure be given to those types of economic initiative which, without rejecting profit, aim at a higher goal than the mere logic of the exchange of equivalents, of profit as an end in itself.

**A Unique Franciscan Opportunity**

As people of Gospel values and Franciscan heritage, we have the opportunity to model for our society some of those economic initiatives that witness to a higher goal than profit, namely reciprocal fraternal relationships and gratuitous action. Let us ask ourselves: What concrete examples of our Franciscan Gospel-inspired economics can we identify? What characteristics make these initiatives different from projects that focus only on profit? How do these “alternative economic initiatives” restore to the poor their “inheritance and justice”? And what actions can we take to encourage more initiatives of this kind at the local, regional or international level?

In our efforts to restore a Gospel vision of a global economy, may the Most High, “to Whom all good belongs,” bless us abundantly with peace.