Larry Burkett, *The Coming Economic Earthquake*. Chicago: Moody Press, 1991. Cloth, 231 pages. $14.99. Reviewed by E. Calvin Beisner, author of *Prosperity and Poverty* and *Prospects for Growth*.

Which would you rather have? A million dollars in cash, or one penny that doubles daily for thirty days?

If you chose the million dollars, you came up on the short end of the stick—by $9.7 million. You also demonstrated why the American economy is on the verge of a great depression—because the vast majority of Americans, particularly those in Congress, make the same mistake. They ignore the law of compound interest. Driving home that lesson is the chief burden of Christian financial advisor Larry Burkett's newest book, *The Coming Economic Earthquake*.

Burkett earned his reputation by giving sound personal financial advice. In *Earthquake*, he broadens his vision to look at the American economy as a whole, but the book still has practical value for individuals. And if many people take his advice seriously, America could be spared a crushing economic collapse—though not the pretty severe depression that is the inevitable payoff of our years of profligacy.

Burkett argues that a major depression is inevitable for America because decades of growing debt-financing by consumers, businesses, and state and (especially) federal governments have undermined the health of the economy, giving the appearance of wealth when in fact there is poverty. The enormous private and public debts bring the law of compound interest into play, and it takes no great mathematician or economist to figure out that those who live beyond their means for too long must finally reach the point at which they not only cannot pay off their debts, they can't even pay the interest on them—or find anyone willing to lend enough to cover the interest.

When that happens to private persons or businesses, they go bankrupt. When it happens to a nation's government, the whole economy collapses. Once the government has raised taxes as high as citizens will allow, it faces its last resort: to monetize the debt—i.e., to print ever more units of its currency and use them to make its payments. That spells hyperinflation: explosive growth in money supply that causes rapid deterioration of the currency's purchasing power and leads inexorably to huge losses in sales volume, skyrocketing worker layoffs, and widespread bank and other business failures. Vast fortunes vaporize overnight; long-term, high unemployment cripples the general standard of living; foreign trade grinds to a halt as foreign exporters, investors, and governments recognize that our currency is worthless—or soon will be. If pictures of post-World War I Germans taking wheelbarrows full of million-denomination Deutschemarks to grocery stores to buy a single loaf of bread don't come to mind, it's only because our schools do a rotten job of teaching history.

Make no mistake about it. Burkett hopes to alarm his readers. The statistics he provides, many in helpful graphs and charts, are persuasive. Nonetheless, he weakens his case in the minds of careful readers by citing current-dollar comparisons over fairly long time spans, thus failing to adjust for inflation, and occasionally ignoring mitigating factors. For instance, he claims that consumer debt rose from $131 billion in 1970 to more than $794 billion in 1990 (p. 106)—an increase of 506 percent. But after adjusting for inflation, the real increase is about 103 percent—bad enough, but considerably less. He also neglects to mention that the number of employed workers rose from 1970 to 1987 by 41 percent. Thus total consumer debt *per employed worker* actually rose by only about 13 or 14 percent.

Despite such weaknesses in his handling of data, Burkett makes a compelling case that a major depression must come. And the case is compelling because it's a simple application of basic economics—the kind anyone who regularly balances his checkbook understands, but politicians seem to find incomprehensible.

But alarming people isn't Burkett's only hope. He also hopes to persuade some readers to take steps to protect themselves, and possibly even their society, from total economic devastation when the time finally comes to pay the piper.

Burkett's personal advice is: (1) Get out of debt—including mortgage debt. "For those who are at least twenty years from retirement it makes economic sense to concentrate on debt retirement before saving for retirement" (p. 212). Why? Because the money you save on interest far outweighs the tax advantages of paying mortgage interest and saving for retirement. This even applies to those who already have money in retirement accounts. Take it out, pay the tax penalties for early withdrawal, use the remainder to pay down your mortgage, pay off what's left as rapidly as possible, and *then* begin planning for retirement. (After all, it will be a whole lot harder for the government to confiscate your house to help it deal with its debt than for it to confiscate your IRA's and 401K's.)

(2) Once you're totally out of debt, start saving for retirement. But don't use only "safe" investments. When hyperinflation hits, almost all domestic investments are going to take it on the chin. "You need to look at investing in some assets outside the United States through quality mutual funds and other instruments that have sound track records. The certainty is that the whole world's economy will not fail. Some countries will benefit while others suffer. The difficulty is in determining which will benefit and which will not. The best `hedge' is to diversify as much as possible—not only in different areas of the economy, but also in different areas of the world" (pp. 214-215). And don't believe the gold bugs: "It is far more likely that we will evolve into a totally cash-less [sic] economy as a result of the coming crisis, not one based on precious metals" (p. 215).

(3) Seek alternative vocational training before the depression comes. "Any investment can be lost, no matter how secure it appears at present. But vocational skills will last for as long as you live and will be marketable regardless of the economy. . . . If you can become highly proficient at any one thing, you will rarely be without a source of income" (pp. 215-216).

On the social and political level, Burkett advises: (1) "Demand that the Congress and the president abide by the Gramm-Rudman Act and balance the national budget—immediately" (p. 219)—even at the cost of huge across-the-board cuts in *every* area of federal spending. (2) "Keep track of how the politicians in your area vote on spending bills" (p. 220)—contact Citizens Against Government Waste (1-800-USA-DEBT) for information.

(3) "Every chance you get, challenge the mentality that all business people and the profits they generate are somehow inherently evil. That is total nonsense and merely a method of `scapegoating'" (p. 220). (4) "Check out the curriculum being taught in your local schools and see if it is anti-free-market biased. It would shock most Americans to realize that a great deal of the economic information being fed their children in grammar schools, high schools, and especially state universities is blatantly socialistic, if not openly communistic" (p. 221). (This sounds like a good case for private and home schooling to me.)

(5) Return "to our foundation: Jesus Christ." Demonstrate, by living within your means and not accepting any form of government handouts, that your trust is in the sovereign Lord, not in Caesar. "If we continue to take handouts from the government, how can we speak out against government waste? To take a stand against waste means that God's people must also refuse to take FHA or VA loans. Christian farmers need to say, `Thanks, but no thanks, Uncle.' Churches need to take care of their own poor, rather than expecting welfare or Medicare to do so" (p. 222).

There's the big IF. If professing Christians become *acting* Christians, applying all of the Bible to all of life, a major turnaround can be achieved. *The Coming Economic Earthquake* makes a persuasive case for applying Biblical principles at least in economics and financial management.

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