

# Ten years after the banking crisis, or should we say, the moral and spiritual crisis?<sup>1</sup>

*A painful parallel regarding the state of our Western culture.*

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Recently it was commemorated in many places that ten years ago the infamous banking crisis that shook the world's economies to their foundations broke out; it was called 'the mother of all financial crises.' I once read an article by Rick Joyner in which he analysed the disaster with the Titanic (1912) in every detail and used it **as a parable**, a prophetic warning of the state of humanity. It was painfully recognizable in many parallels; does man ever learn from his mistakes and pride? The banking crisis of 2008 is even more hallucinatory in my view; the consequences were dramatic for millions, but it was extremely close to a total catastrophe. What happened on the economic level is an almost perfect parallel to the crisis in which the entire Western culture finds itself spiritually and morally. So here we have to start by explaining a series of economic mechanisms, but this is only a necessary prelude to explaining more important things.

## The run-up: 'deregulation' or, the freedom of the fox in the henhouse

The banking crisis was made possible by the fact that the American government had been pursuing a **policy of deregulation** for several decades. Before that, there were strict rules to protect the market from abuse (after the infamous crash of 1930). But strict rules also limit the freedom with which bankers can experiment with new products and expand. Banking was 'boring' at the time. Several successive ministers of finance have thus, at the request of the top on Wall Street, started to relax the rules,



which indeed made the markets much freer for the banks; soon they experienced **enormous expansion**, made incredible profits and could pay absurdly high bonuses to their top bankers. In their eyes, these were 'golden times.' Some bankers earned enough in a few years to be 'in' for the rest of their lives. But freedom also means **freedom for wolves and pirates**. Investing became speculation or gambling, and the stock market became a kind of casino. The rules were handled more and more loosely. You could even speculate against the market and thus earn a lot of money when the market would collapse (which eventually happened).

The well-documented documentary film 'Inside Job' (directed by Charles H. Ferguson, 2010) tells the story in detail and speaks of 'systematic corruption' in the system. The

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<sup>1</sup> This article is the deeper elaboration of one small chapter (4.8.2) in my book '95 Theses on Humanism,' 2018, Resource Publications. But at the same time, it expresses the whole essence of it in a nutshell.

problems started when the housing market in the US was undermined; for years banks had too easily lent to people who could not actually afford it. There was no longer any control over someone's income, because loans were profitable. **The higher the risk, the bigger the bonuses.** The control mechanisms were eroded, and if someone asked critical questions about this, the answer was something like, 'Everyone does it.' Moreover, reality was **camouflaged** and made opaque by creating 'complex products' (collateralized debt obligations or CDOs), large packages of home loans where solid and dubious were mixed together; and on top of that they created packages of such packages, etc. And this was a deliberate strategy in order to be able to repackage and sell 'junk loans' as an investment to others. Customers eventually bought shares in these packages, but nobody knew what was in the box.

The major rating agencies such as Standard & Poor's also gave ratings to banking products like AAA (very reliable) while they were dubious and risky; after all, if they would give a bad rating to a product, the customer would go to the competition. This gave rise to **a huge bubble**; the bad situation was concealed to the general public for fear of a crisis. And those who were in the system and knew it, kept quiet; everyone had to stay positive and deny the facts. The **'good news show'** of unlimited growth and huge profits had to continue.



Some already saw this crisis coming in 2005, but they were lonely voices in the desert and everyone laughed at them; the housing market was considered extremely stable. The beautiful film 'The Big Short' (Adam McKay, 2015) tells their story. Critical questions about the system were too threatening. Until the very last moment, top bankers persisted with a smile that everything was going well.



What the top bankers had done was not only **immoral** (playing with the money of others), but also illegal and downright **criminal**: concealing the facts, concealing the truth and embellishing the figures, which actually endangered the whole system. The top of the financial world was too intertwined with the government (which had to make the laws) and with all the control systems.

Not to mention the **decadence** in those circles of 'haute finance' where excessive use of cocaine or alcohol, or expenditure in very expensive luxury brothels were

deducted as 'professional expenses.' I can't really recommend the film 'The Wolf of Wall Street' (2013) because of an overdose of immoral scenes, but it was unfortunately made on the basis of the memoirs of stockbroker Jordan Belfort; it shows how he gets extremely rich without any moral scruples and organises one decadent party after another, with an abundance of drinks, cocaine and naked women.

## The banking crisis itself and its consequences

The real banking crisis broke loose when, on **15 September 2008**, the large bank Lehman Brothers went bankrupt; its losses amounted to \$80 billion. What nobody thought possible happened anyway, a giant in Wall Street went down. And nobody knew



how many more would follow, because there was \$12 trillion in outstanding mortgages in the US. The bank Bear Stearns saw its \$17 billion liquidity reserve wiped out in three days. **A tsunami-like shock** wave raged through the global financial system, as far as Europe (because many European banks had bought billions in CDOs) and the rest of the world. This crisis was much

worse than the Great Depression of 1930. Nobody could see where the core of the problem was, and so the **distrust** of the markets spread like wild fire. Banks also no longer dared to lend to each other. In the end, **\$5 trillion** in value of savings, pensions, shares and real estate of ordinary people had 'evaporated,' 8 million people lost their jobs and 6 million lost their homes, and that in the US alone.



On that infamous day, the American government took the plunge to save the entire system from total collapse and guaranteed itself the immense debts itself;

**700 billion** of taxpayers' money was used to buy the bad products. The same thing happened in many other countries; in Belgium it was 11.2 billion.

The story is called '**a thriller**' by top politicians and top economists. It could have been much worse; many more banks could have gone overboard, and the entire economic system could have exploded. European president Herman Van Rompuy only dared to admit in 2014 that we were a few millimetres from a total implosion!

Subsequent analyses can easily indicate **the errors in the system**: a far too lax monetary policy, a proliferation of financial products, (deliberate) opacity, high risks, **irresponsible mountains of debt**, the erosion of control mechanisms... Previously the generally accepted norm was that banks should have their own capital buffer of 25-30% (the ratio of own funds to all borrowed money); now it had dropped below 2%. Long-term reinvestments were financed with money borrowed in the short term. It was the political strategy of Alan Greenspan, director of the Federal Reserve (the American central bank), that in a crisis situation the central bank and the government would intervene and take over the risk; in other words, taking irresponsible risks and piling up huge debts was 'not that bad anymore.'



**The consequences were felt everywhere**, not only in the banking world. The budgets of almost all richer countries were hit hard. Both the interventions to save the banking system and the consequences of the severe recession afterwards weighed heavily. For all the OECD countries (the 30 richest countries), the national debt increased by 50% between 2007 and 2013, from 74% of the GDP to 112%. The budget deficit rose from 1.3% of GDP in 2007 to

3.4% in 2008 and 8.2% in 2009. The total debt ratio (being the total debts of government, banks and citizens) rose from 300% in 1980 to more than 700% in 2008. The consequences are still present today; the gap in government budgets has still not been filled. However, when taxpayers' money is used to save the banks, this means **the ordinary man pays the price**, and this is still the case 10 years later.



Afterwards, of course, there were calls for thorough **reforms**, but almost all of them were **blocked**. Intense lobbying by major banks weighs heavily on political policy-making (according to the Belgian finance minister, Johan Van Overtveldt!). Since then, the system has only been tackled in its symptoms and margins; the construction fault itself has never been remedied. Even investigation into 'the guilty' was hardly carried out, or not at all, only covered up. Those who caused the system to explode were never presented with the bill; nobody had to pay back their bonuses, and **nobody was punished**

*"During the last 40 years we have brought forth a type of monster that we are now trying to tie up with all kinds of ropes as if it were a Gulliver"*

Joris Luyendijk, Dutch journalist

(except for one banker)! According to insiders, fear and omertà (the duty of silence) also prevail in the City of London; driven by an assertiveness/competition (to make it) and fear (to be fired), the system continues to run.

Capital buffers are still only 3-4% of venture capital (although, according to a new agreement, it should be 7-8%, which is still very low). So what guarantee is there that this scenario will not be repeated? To be honest, none! In 2015 some banks started selling 'bespoke tranche opportunities' which is just a different name for CDOs...

If the economy is to return to a fundamentally healthy state, debts must be substantially reduced, but then interest rates will rise again, which is bad for economic recovery. Policy makers prefer to postpone such difficult decisions to the future, otherwise, the current generation will pay the cost, and politicians will not be re-elected. This is the perverse side of democracy, and the thin line that separates it from demagoguery. Who dares/can/will tackle the problem at its roots?

This painful and disconcerting story is almost too unreal to believe. It is simply shocking how world leaders 'play' or play poker with the fate of millions and organise themselves in such a way that they always escape the consequences.

### **And now: the application of the parable**

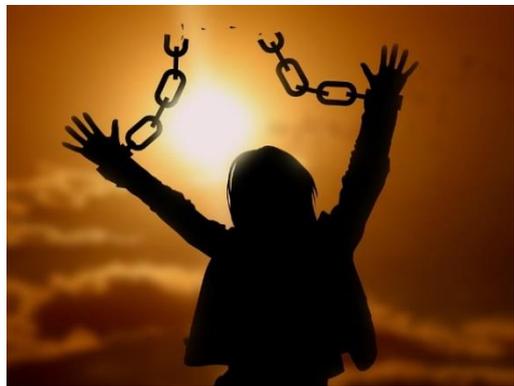
What happened here on a financial-economic level is a staggering parable for what is happening on a spiritual and moral level throughout our Western culture; it has been in a deep existential crisis and malaise for several decades (or centuries?). Economics is not separate from man; even if it is a 'system' with its own laws, it has been created by man and is controlled by him. There would never have been a banking crisis if its administrators had just kept to the normal rules. But they were struck with blindness by excessive profits and bonuses, and then people tend to 'forget' rules, norms and values. Money is not the problem, but the love for money is. Even then Prime Minister Elio Di Rupo spoke outragedly in parliament about 'the greed of the banks.' Financial corruption included moral corruption and spiritual corruption. Let's extend the different elements of the 'parable' to the spiritual world.

Our Western cultural crisis also began with a process of **(1) 'deregulation,'** being the **call for spiritual and moral freedom.** Before that, the rules of the game were clear and strict; for 1500 years, ancient Christianity was the unifying vision, the undisputed moral authority, with the Bible as the source of values and norms. Not that there was a perfect society in the Middle Ages, far from it; at all levels of church and society there were cracks, the brokenness of mankind was visible. But at least there was a unity of worldview, a set of generally accepted values and norms: one God, one truth, one morality. The problems were many, but the fundamental framework was considered evident by everyone.



Since the Enlightenment (±1690-1800), critical thinkers began to question this system of values, and demand freedom for dissidents. The Church gradually lost its monopoly and its grip on culture.

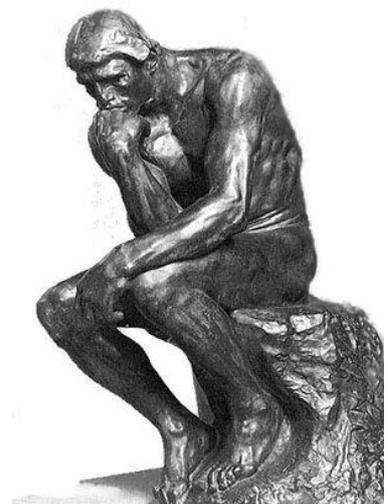
Certainly, since the 1960s, the call for freedom broke through in an unprecedented way and in a rapid tempo: May '68, the hippie movement, flower power, the sexual revolution, the anti-authoritarian movement. The old 'oppressive' rules were spit out as 'hopelessly outdated.' Man considered himself morally mature and threw away every yoke of the Church or God. The churches emptied rapidly and the whole of society was secularized; in public space, any reference to God or religion was removed. From then on, this had to be 'neutral,' i.e. colourless.



But what or who filled this vacuum, this empty hole? **Humanism** is nowadays the most widespread and dominant ideology that best suits a secular society; not God, but man must solve it. He has placed himself on the throne and has sovereignly declared himself the 'creator' of moral values and norms, who decides good and evil, purpose and meaning of everything. Liberal humanism, so to speak, offers an alternative 'framework of meaning,' but this framework is empty, and the instruction here is that each fills it in for himself. These values made by man are as (un)reliable as man himself; they are like **(2) an uncovered cheque,** without real value behind it (comparable to the gold



stock of a bank). It is as if every human being is now allowed to print his own money on a private printing press. Because God is removed, he himself becomes the guarantee behind the validity of the values. But.... man cannot even keep his own values and norms; he himself is not exactly a steadfast rock, rather a windsock that shifts with all the winds.



The 'goodness of man' as a capital base is far too narrow! And reason or science can unfortunately not help us at all; reason can be used to find arguments for any point of view, and everything you rationally analyse falls apart. Man-as-the-new-god is not a real (or really no) alternative.



The '**deregulation**' in the ideological market is complete in our time; there is total freedom of religion, but is this only a blessing? In any case, this has the downside that anyone can tell the greatest nonsense as if it were a venerable worldview, and the market is inundated with fake and demagoguery. It is so beautifully called 'pluralism' and 'multiculturalism,' but it has actually become a flea market, a free haven for charlatans who smell money in it. In practice, the empty hole is filled by everything: exotic, oriental therapies and techniques, horoscopes, zen and yoga, or a multitude of secular gods, powers and 'stars,' new messiahs, Hollywood idols, politicians, hobbies, shopping, gastronomy, culture, philosophy, travel, football, sport,

health... You can really turn anything into a religion.

In our culture there is no longer a shared long-term vision or shared value system, but a total fragmentation. Since **postmodernism**, we have blindly believed the 'dogma' that everyone has their own truth, but what a twisted reasoning is that? In no area of life or society do we accept 'chaos as a policy,' or a lack of vision/leadership/direction, but precisely in the most determining area we do. A lax monetary policy is only a preschool error compared to the **(3) spiritual laxity of our culture**. For who is still asking the fundamental, existential questions out loud, 'What are we doing it all for? Is there anything higher? Does life make sense? Is there a higher plan? A Plan-maker?' The answers to these questions profoundly determine all our major and minor life choices. Since our culture has pushed aside the traditional answer, there has been a gigantic vacuum, and some dance on this organized chaos.



So, the problem under the banking crisis is first and foremost spiritual; the question 'What is your highest value, i.e. your god?' determines all our rules of conduct. When the 'official God' is thrown out, usually mammon takes over: the god of money and possession, the focus on the here and now and on material certainties. In the world of top finance, **money was the highest good**, the highest god; 'unlimited economic growth' was the first commandment and main dogma, and 'wallowing in money' was the earthly paradise. Wall Street was the Walhalla of **the mammon religion**, the Mecca for everyone who wanted to become very rich very quickly... But mammon also has its own values and commandments! When money becomes the supreme god, it means that all other values become subordinate to it; honesty, justice, humanity can be willingly pushed aside if they hinder material interests. Crudely put, you can walk over corpses. That is why Jesus calls him 'the untrustworthy mammon' (Luke 16:11), the greatest competitor to God; 'You cannot serve two masters' (Matt. 6:24), for his values and norms are incompatible with the biblical God.

For decades, the circles of 'big business' argued for a total separation of economy and spirituality. 'The world of big money must be separated from morality and religion; different rules apply here than soft charity. It is a world of sharks, a rock-hard world where only numbers count.' But a banking crisis shows exactly what happens when you do that; 'amoral' becomes 'immoral' and the whole system collapses. When elementary moral values are missing or circumvented by the policymakers in that sector, you get this as a result: a perverse system, an impudent culture of grabbing, unlimited self-enrichment, irresponsible speculation and playing with the money of millions of people, their jobs and homes. Economic capitalism appears to have no mechanism in it to stop derailment. Greed does not limit itself. And **the (4) control**



**mechanisms are also hollow** and corrupt because in a humanistic society man can only be controlled by... himself! What we see in the economic world is not essentially different from what we see in other domains; a human being is the same everywhere. Short-sighted self-interest is again and again a stronger motive than selfless charity. The motto is 'profit to the maximum now,' even if implosion threatens later generations.

For a more fundamental reason, the economy also has more to do with spiritual or moral values than we might think at first. I once heard a manager of the national bank explain in the Brussels Stock Exchange building what the main mission of the national bank is, 'Maintaining trust!' I chuckled in myself and thought, 'This sounds very religious.' Trust is exactly the same as faith. **The whole economic system is built on faith**, not in the reliability of God, but in the economic system, in the stability of the currency. When people lose faith in the currency (and thus massively empty their bank savings), everything collapses like a house of cards. Our secular world is also full of faith.

A spiritual vacuum also brings with it **a moral vacuum**; nobody - according to humanism - has authority to stand on top of someone else and to impose rules on him. Only the government can still impose a kind of minimum morality (which is limited to external behaviour), but for the rest, **the morality is 'privatized.'** The Church as a moral authority has been resolutely overruled. If there is still moral authority somewhere, it is fragmented, temporary or fashion-defined. People are in any case free to select their role models according to their own preferences and tastes, and then they decide whether or not to follow them today. Anyone who wants to 'impose' moral rules on others is a moral knight - about the worst insult today. But when there is no longer a framework, morality automatically slips into opportunism. Declaring moral freedom means that everyone must now regulate themselves. But how much confidence do you have that your neighbour will limit and control himself? Euh, why then do you lock your front door, your car or bicycle, and protect your bank account and passwords on the internet...? And an even more painful question, do you always limit and control yourself?

And when it comes to freedom to set moral standards for yourself, today you can hear the most opposing views being just as fiercely defended; where abortion used to be generally regarded as 'murder' and 'crime,' others will present it as a 'right' and a 'blessing.' In other words **(5) the moral compass of our culture is turning in all**

**directions**, is spinning. The value 'tolerance' can also be invoked for everything and for the opposite. E.g. during the sexual revolution it was used to propagate far-reaching immorality; you were only modern, 'in' or 'with the times' if you were open-minded and thought that 'everything must be admissible.' The wave of divorces since then has been the sour fruit of this; in 1960, 1 in 15 marriages in Belgium ended in divorce, and in 2013, 1 in 2.



It is remarkable how in a few decades time the values themselves became 'genetically manipulated,' first **the terminology started to be 'adapted'** and changed to make other practices more acceptable. **The shift in standards** (flattening of standards) **had to be (6) camouflaged** because in our time



the packaging is about 90% of the product. 'Respect for people' or 'human dignity' was cited as an argument for giving lethal injection to the elderly. What used to be considered morally reprehensible is now called 'mercy' and 'assistance;' and those who defend life are now called 'unloving.' Those who wanted to legalize abortion were looking for a more 'friendly' word such as interruption of pregnancy (instead of 'termination'), but this created the illusion that it was only 'interrupted' for a moment and then continued as if nothing were wrong (also in French, it is officially called 'IVG' or 'interruption volontaire de grossesse,' a misleading term), since possibly blaming the mother is worse than killing an unborn child.

Every day we notice an enormous amount of **deception and distortion in communication** and media about this; 'respect' and 'tolerance' have degenerated into slogans, whereby nobody thinks about what they mean. One calls out, 'I am the boss of my own body' as an argument for abortion, while everyone knows that the foetus is not an appendix to the mother's body, but a separate body within her. Abortion is a 'right' for women? Since when is it a right to kill your own child? Under such an **inflation of words** was hidden a far-reaching **devaluation of human life**. But everyone is sucked into this spiral, and **(7) fundamental critical questions are hardly asked**. 'Are we doing well? Isn't this policy too lax? How long can this still go on?'

Just as the banking crisis was caused by **(8) investing too much with borrowed money**, so is the ideological crisis. The humanistic values are all borrowed from Christianity, but God was cut out of them. However, do these values still function when you cut the legs out from under them? How long will the leaves of the tree remain green after you have cut the roots? You can build a beautiful villa on sand, but how long will it remain standing? Can man take the place of God? Can he guarantee the solidity of the system? How far can you get with borrowed money without ending up in a purely virtual world?

In the context of this general call for freedom, the ideal of **anti-authoritarian education** was also launched. According to the leading psychologists, saying 'no' to your child could cause him lifelong psychological damage. This 'free upbringing' has produced a whole generation of unruly, rudderless and spoiled children. The consequences only became visible with the next generation that must glue the chunks back together. The

waiting lists for special youth care or youth care services speak loud and clear; it's just a matter of mopping-up while the tap remains open, because **(9) the price for our freedom is paid by the next generation.**

Literally, this also applies since **the social cost (the price tag!)** of what the government pays to clean up this rubbish runs into billions. All extra expenditures for fighting crime, the prison system, psychological care and psychiatry, public safety, the whole social sector, courts means you and I as taxpayers pay the price! It is a typical slogan of socialism; the government will pay, 'then you and I will not have to.' The government is seen as a big Santa Claus who constantly has to stand in for the stupidity of people... but in the end we pay the bill anyway.



How much can this rise before it **becomes completely unaffordable**? Are you ready for some figures? In Belgium there are 1800 suicides per year (5 per day) - but the number of attempts is much higher (in Flanders alone 10,360, meaning 28 per day). From a purely economic point of view, this is a loss of 3.8 billion per year for society. 1.2 million Belgians (10%) use antidepressants (320 million doses in 2015, and the use of these is increasing among young people in particular), and 370,000 use antipsychotics. The cost for the reimbursement of health insurance in 2015 was 219 million €. ± 10% of Belgians have a 'problematic alcohol consumption.' In terms of the number of gambling addicts, there are 386,000 'at risk' and 80,000 'problematic.' 28,000 people are in **burnout** (i.e. sick for more than a year), and 405,000 are on long-term illness (double since 2000, with burnouts costing the economy about 272 billion per year according to the European Commission!). Prisons bulge with 11,000 prisoners; the annual cost for the prison system is 505 million (buildings not included; this is 124 € per prisoner per day). Furthermore, add all costs of police, courts, lawyers, social services, PCSWs, benefits... Price tag? Many, many billions!



But the financial cost should actually be the least of our concern. What does all this do to the victims? **The emotional pain** cannot be estimated, cannot be expressed in money. 25,000 divorces a year alone are just as many emotional dramas, even 'traumas' as man and woman are torn apart heart-heartedly and cruelly, go through hell, and the children are even worse off. Broken marriages and relationships, broken families, **broken lives, depression**, suicides, emptiness and loneliness... Our gross national happiness goes deep into the red. One of the sad things about euthanasia is that so many people (2300 in 2017) actually choose to die voluntarily. We rank at the top of the world in terms of health care and comfort, and yet thousands of people would rather die every year; isn't that tragic? What does that say about our civilisation? And then some think that a world without God becomes more humane!

## Conclusion

Under the banking crisis there was a moral crisis, and underneath it an even deeper layer, **a philosophical or spiritual crisis**. Everyone knows that a banking crisis can recur, or even a total collapse of the entire economic system is possible (if the faith in it would disappear altogether). But the same goes for the entire Western culture. In his analysis of the banking crisis, the Dutch journalist Joris Luyendijk (in Knack 18-2-2015) described **the vulnerability of our society** and compared it to a plane full of

passengers that flies on autopilot; everything is cosy and smooth, but if something goes wrong, nobody has the control, the overview, because there is no pilot behind the stick anymore! This is true for the financial world, but even more so for morality and spirituality; **the great Pilot has indeed been fired**, but the flight plan has also been thrown away, and so has the user manual. Nobody knows where the plane is going, or who can decide where it is going; nobody even agrees on the procedures to determine who determines the course. It is organised anarchy.



Secular, humanist values at first appear to be close to Christian values because they are derived from them, but the capital base behind them, the coverage ratio, is completely eroded. So today there is an enormous **(10) spiritual bubble**; all spiritual values have evaporated, gone away. Even if we still use spiritual words, we mean something completely different; when people speak about 'God,' for example, they mean at most a vague 'something,' an impersonal power, a ubiquitous energy. It is characteristic of a bubble that must eventually burst. No one knows how long it can last; a mouldy system can sometimes seem 'tough' and can survive for a very long time. As long as there is enough goodwill within enough people in this world, everything will continue to function reasonably well. But as the pressure increases, more and more people will fall through the cracks, and freak out. And then the downward spiral can suddenly go faster than anyone thinks possible. Meanwhile, **the (11) prophetic voices that warn**, 'This is getting out of hand. That's no way to go on,' **are laughed off** as old-fashioned moral knights, religious conservatives, prophets of doom. They are silenced, banned from the media. Nobody wants to hear such messages, or even less think about them. This has been the case for thousands of years, but today, deception techniques have only become more sophisticated.



And in the end, as always, **the common man will pay the price again**; he lives in the midst of spiritual chaos and confusion, an emotional and relational battlefield, groans under fatigue and burnout, loses confidence in all leaders and institutions, is increasingly thrown back on himself, sees nihilism or eruptions of senseless violence all around him. He sees everything around him dramatically disintegrating and

fragmenting, also within himself. We know there are icebergs, but will the Titanic adjust its course or slow down? No sign indicates this for the time being. Neither in the financial world, nor in the spiritual. After all, the 'captain' has long since been dismissed, the manual and the procedure booklet thrown overboard... How long will the orchestra continue to play cheerfully?