So, in this 21st century, who's the ever-present, silent *financial partner* in your business or nonprofit? Well, you might say that your silent financial partner is God—and that may be exactly right when you are seriously Christ-focused! However, I'm not addressing that wonderful opportunity today…but, stay tuned on that—we do peck around the reality of partnering with God in various ways!

Anyway, truth be told—whether we might think so or not and, *then whether we like it or not*—there really *is* a silent financial partner impacting us and our enterprises' finances and wellbeing. That's right, that partner is the U.S. Federal Reserve System, commonly known as "the Fed." And if you've knocked around in life dealing with interest rate issues for a bank loan or a home mortgage, you know that the Fed in America is very powerful. That's because it's the ruling body of appointed bureaucrats which decides policies on interest rates and the entire money supply of the U.S. And, yeah, every person, every business, every nonprofit is ultimately impacted by these policies—whether directly or indirectly.

Hey, let's grab a bit of history. The Fed was established in 1913 by Congress, largely inspired by the U.S. experiencing highly impactful financial panics, business bankruptcies, and bank failures over previous decades. Because every other nation that was then a financial power already had a central bank, politics won the day…and the Federal Reserve Act passed by Congress created the Fed.

Now let's take a step back for a definition of the Fed from Investopedia, one that helps us grasp the vast scope and power of this rather cloaked institution. "The Federal Reserve System is the central bank and monetary authority of the United States. A central bank is a financial institution responsible for overseeing a nation's monetary system and policies. A central bank monitors economic changes, controls the money supply, and sets interest rates to influence price stability and employment."

So, there you go…the key essence is that the Fed controls the money supply and sets interest rates…yes, the Fed *is indeed* one of your key financial partners, whether you like it or not! But wait, you might say, I'm debt-free, I have some solid assets set aside, so I'm unaffected about whatever the Fed is up to. If that's your mindset, think again, because the Fed's policies are constantly impacting *your* wellbeing!

And one of the very key economic indicators the Fed focuses on is *inflation*—that's when prices rise in the economy, yes, that's when the dollars just sitting there in your bank account are losing value in what they can purchase. Economists vary in their emphases on what causes inflation…from rising wages…to increased total demand for all goods...to an increase in the nation's money supply. But the fact remains: the Fed is the single most powerful force in either increasing inflation or decreasing inflation in the U.S.

Now here's an example of inflation's unequal impact. Social Security recipients get an automatic increase each year that responds to the inflation rate the government ascertains. Right off the bat, then, the impact is uneven—and here it's about Social Security recipients vs. U.S. taxpayers—yeah, some people *gain* in relation to others while those on the other side of the same transactions *lose*.

But sometimes governments simply don't know what they're doing when it comes to monetary policies. And sometimes they don't really care! In Venezuela the past number of years when the Socialists gained control, the economy completely unraveled, including with *hyperinflation*. By the way, hyperinflation is a technical term in economics…it means just what it says! Well, Venezuela officially released statistics at one point that its inflation rate over several years was *58 million percent*—yes, that destroyed their currency! Small surprise, then, that Venezuela has lost about 25% of its citizens to emigration…yes, all Venezuelans were losers…except the Socialists in charge! *But…Venezuelan politics doesn't really impact other countries, right?* Well, six to seven million destitute Venezuelans migrated to somewhere else!

'Course *you* know that the Fed attempts to tame inflation in the U.S. by increasing interest rates. And, boy, does that really alter the full-blown highly-interconnected economy in a place like America. That's because the Fed routinely lends money to the banks in America, so any increased costs from the Fed's rates ultimately flow through to huge numbers of personal borrowers *and* enterprise borrowers.

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And you know what happens then: increased borrowing costs for house purchasers reduce demand and prices for homes. So, yeah, that directly reduces the housing wealth of current homeowners. Also, some would-be purchasers get completely priced out of buying a home—or those who do close a deal can't afford to buy the house that truly meets their needs. Meanwhile, businesses also have increased borrowing costs to operate—so they work to get those costs back by raising prices for goods or laying off people. All these downward economic spirals—both personal and business—feed off each other.

Hey, in the early 2020s, the Fed raised borrowing rates to banks about 5% in about one year! *5%!* The problem was indeed mortgage rates and business borrowing, of course, but a really substantial hit festered in commercial real estate. You see, bank lenders lend at fixed rates for greater than one year to developers, so when the Fed raised rates so quickly in a rather unexpected fashion, the status of many properties went upside down. Then, as the property market recognizes that with lowering values, each developer can't sell properties easily and defaults on loans. That vicious cycle starts…and is hard to exit.

For sure, these erosive issues of personal borrowing and business borrowing roll through the system. Yes, back to that earlier point: we're in a highly-interconnected economy. So you personally being out of debt may help you—unless you are trying to sell your house or keep your job at a vulnerable enterprise! *You are connected, too,* and it can go downhill fast! Remember, manure runs downhill! Yeah, it's likely that you *and* your workplace are somehow caught in the vise of Fed policy. Are you fed up with the Fed?

And local examples all constantly add up to the big picture. Yes, similar to Venezuela but much wider in scope, the status of bad economics in the U.S. can impact the rest of the whole world very adversely. In fact, there's a saying for that: *when America catches a cold, the rest of the world catches pneumonia!*

Here's a pretty startling admission. Jamie Dimon is the highly-respected, long-time CEO of the giant JPMorgan Chase bank. And on October 24, 2023, cnbc.com published his remarks about central banks around the world, yeah, ones just like the Fed. Dimon's remarks were made during a summit conference in Saudi Arabia: "I want to point out the central banks 18 months ago were 100% dead wrong…I would be quite cautious about what might happen next year." Also, CNBC quoted Dimon criticizing "this omnipotent feeling that central banks and governments can manage through all this stuff. I'm cautious." And then there's this. "This may be the most dangerous time the world has seen in decades."

Hey, remember when we talked about risk, where we asked if risk is good or bad? Then the response was this: risk just "*is.*" Well, that's pretty much true for America's and the world's relationship with the Fed, too: that's right, we can't get a divorce from the Fed…and we can't easily stop what they do as a relatively unaccountable government authority…*well then, the Fed…like risk…just "is."*

Jamie Dimon did everyone around the world a service by warning that central banks and governments are *not reliably competent!* Yes, they can certainly seem *omnipotent*—all-powerful—but that is quite a different assurance than *their reliable competence*. The emperor may reign, but he has no clothes. We can't plan as if Fed chair Jerome Powell and his fellow czars in the Fed reliably know what they are doing. The evidence in recent years shows that: first with zero rates for years, then with a rapid 5% raise in about a year. More than a bit scary—but we are warned by Dimon…and also by the Psalmist long ago!

Psalm 146:3 (ESV) says, "Put not your hope in princes…in whom there is no salvation." And, frankly, that's just as true for economics as it is for spiritual salvation. Every country needs government, but it needs and deserves good government, humble government…yes, from Venezuela to the United States!

The fact remains, you still must make important financial decisions. And, whether you like it or not, you have a silent financial partner in the Fed. So, like with everything else where you have stewardship responsibility…study. Get informed. Dig deep. Learn from the Fed's mistakes…and yours!

And even if you feel justified, don't get fed up with the Fed—that's a waste of your emotional capital! But do trust in Jesus, consulting Him in all your decisions! Yes…*Jesus, the only fully trustworthy Prince!*

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A&A: Application & Action

1. Have you personally had a rude surprise or two the last few years regarding inflation? How about interest rates? How have you succeeded in not wasting emotional capital on financial issues that you are truly not in control of? Share your strategies.

2. Perhaps your workplace has been strongly jolted by increasing inflation or elevated interest rates. How has it handled its own stewardship? Discuss.

3. Fresh cultural strife is now accompanied by fresh financial strife and uncertainty for this generation. (And if that's not true *now* when you're reading this, it will happen again!) And some large, key institutions seem untrustworthy. How is your local church doing in the midst of that? What teaching and worship strategies does it deploy to help ensure its members rely on Jesus in the midst of turmoil? Be specific.

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