

## Evaluation of Global Finance on a Personal Level: Comparing the U.S. and Finland

In today's world it is imperative to analyze both individual and large-scale economic decisions. It seems that now, more than ever, we as Americans are beginning to realize that how we spend our money affects us, and that there can be very negative ramifications for poor spending habits. Our government has accumulated a vast amount of debt and it seems that most American citizens have followed suit. This habit and irresponsible way of life has finally caught up to us as a country and is currently affecting everyone both in America and the rest of the world. As Christians, we are called to a different way of life. Jesus wants to be Lord over all aspects of our lives, and that includes our money. How we spend our money may seem like a petty and unimportant thing, but it is very clear that Jesus sees a direct correlation between our spending habits and our hearts. In this paper I'm going to compare the financial decisions and practices of most American citizens and economic policy making with Finland's. I'll also consider what it means to be a Christian in today's world and how a follower of Jesus should approach economic decisions.

First of all, let's look at the individual spending habits of Americans compared to those of Finns (Finnish citizens). Both America and Finland are highly industrialized countries. Finland is apart of the European Union and has a per capita output about the same as France, Germany, Sweden, and the UK (<sup>Wikipedia</sup> ~~██████████~~). Finland is much more socialist than the United States, but has adapted a free-market system that has been around since the 1980's. Finland has very low unemployment rates and the government

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has a program to help train unemployed citizens who are searching for a job. Most Finnish citizens spend in generally the same way. Because Finland is so undiverse? most of it's citizens spend their money in relatively the same way. (This is also a huge reason that socialism works so well here). According to Nordic Business Report, Finns spend less on food and more on living than the typical American citizen. This is most likely due to the increase in rented property, which tend to be more expensive, and decrease in home-ownership. Finns, like Americans, also spend quite a bit of their money on technology, specifically technology regarding communication. Nokia, a mobile phone company, is based out of Finland and sells a huge amount of products to Finnish citizens. Overall, there are not many drastic differences in the way Americans and Finns spend their money. The greatest difference between the U.S. economy and Finland's can attributed to the very socialistic government employed by Finland.

Day to day financial practices in Finland are very similar to those in the U.S. First of all, the primary bank in Finland is known as the Bank of Finland and is the 4<sup>th</sup> oldest central bank in the world. According to Expat, a website dealing with information and connections in Finland, getting a Finnish bank loan is same as getting a bank loan in almost any industrialized country. To get a bank loan the Bank of Finland looks at your employment status, your income, how much you want to borrow, your residence status, and your credit rating and status. The current interest rate in Finland is 4.0%. This rate is regulated and agreed on by the European Union and the European Central Bank. Let's look and see what a typical loan, to someone with a good credit rating, would look like. Imagine an adult with a good credit rating is taking out a \$5,000 loan and wants to pay it back in 4 years:

*good info*

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Loan Amount: \$5,000      Interest Rate: 4.0%

Compounded: Monthly

$$A = P(1+r/n)^{nt}$$

$$A = \$5,000(1+.04/2)^{4*12}$$

$$\text{Monthly Payment} = \$112.90$$

Housing loans, or mortgages, are essentially the same as in the United States. In June 2003 the mortgage rate in Finland reached a record low of 2.0%, but today is currently set at 4.25% (Global Property Guide). In 2003, the mortgage rate in Finland was 3.5%. Let's look at the percent increase over the last 5 years.:

2003: 3.5%    2008: 4.25%

$$\frac{(.0425) - (.035)}{(.035)} = .2143 \text{ or } 21.43\%$$

*great*

Mortgage rates in Finland have increased 21.43% since 2003.

The typical amortization period in Finland is currently 20 years and the average price for a large home in Finland is \$145,000. Lets look at how much a typical mortgage payment would be in Finland:

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In Finland, because it is a free market system, there is a stock market much like ours in the U.S. The stock market in Finland is known as Helsinki Stock Exchange, or HEX for short. The first transaction the HEX made was in October of 1912. In 1990 it moved to a new digital system in which traders can complete transactions on equal terms with those in the trading room. In September of 2003 the HEX merged with the Stockholm Stock Exchange and became the OMX and is now known as the OMX. The OMX operates weekly from 10:00am to 6:30pm. Stocks are traded in the same fashion as in the U.S. There is little difference between our system and Finland's, save the different companies.

Now, I would like to address my personal finance. I personally have always struggled with good spending and saving habits and have actually benefited quite a bit from this class. Growing up, my parents never really taught me much about wise money management and because of that I haven't saved relatively any money. I've worked a lot of different jobs, but have not learned to spend and save effectively. I've learned quite a bit this year and really feel better equipped to enter into world of economics. I would really like to save money this coming semester and this coming summer and open up a CD account. Through this class I've realized the very real dangers that credit cards pose and I will do my best to stay away from potential debt as best I can.

Finally, I would like to discuss how we, as Christians should operate with our money in the global economy. It seems that most of the evangelical world is willing to attend church on Sunday, dress nicely, and listen to Christian music, but unwilling to actually obey Jesus' commands. And even those who claim to be devoted followers of Jesus still hold things back from Him, most often their money. I fall into this trap. I'm

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willing to worship God with my life, my relationships, my words, but I am unwilling to budge when it comes to money. In the book of Luke Jesus clearly explains that how a person spends his money is crucial. Multiple times Jesus address money and it is clear that He is very serious about the subject. If you look at Jesus' words in the Sermon on the Mount He says, "Where your treasure is, there your heart will be also." It is very important to realize the order in which Jesus says this. He does not say, "Where your heart is, there your treasure will be also." Jesus is trying to make it clear that wherever and whatever you spend your money on is what your heart cares about. This is frightening because in the last year I've spent a lot of money on clothing, golf clubs, eating out, and going to movies, but a very little amount on the Kingdom of God. Jesus would look at my life and how much I love Him, but I don't believe He would be pleased with my spending habits. So, the question is, "How do I glorify God with my money and spending?" And I don't think there is a definite answer to this, but I think there are some practical ways to do this. First, I believe that as Christians we are called to care for others. This means that we must care more about who makes the things we buy and how they are treated, than how to get the lowest prices. We must be willing to sacrifice low prices for the sake of good working conditions and pay for the factory workers that make the things we buy. Secondly, I believe that we must buy things for their usefulness, rather than their status. When we constantly buy more shoes, but have no need for them, we are being selfish and irresponsible with our money. I know that there have been many times that I have bought a shirt that is much more expensive simply because of the label. If we truly want to represent Jesus with our purchases, we must not buy into the game of purchasing things simply for their label. Thirdly, I believe that we are called to be smart with our

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money and saving. Jesus clearly explains that the things we own will end up owning us.

He calls us to be willing to give up everything we own and follow Him. Therefore, we must be careful to buy things that will take up more time than we devote to Jesus. Lastly, we must be careful of debt. I truly believe that Jesus blesses each of us with an amount of money we can handle. He gives to us so that we may use what we have been given to glorify Him, but if we are in constant debt it will be impossible to give freely. If we truly want to be open to the call of God in our lives we have to be careful not to get tied down because of our debt.

At this time in the world how we spend our money makes a huge a difference on our lives and the lives of others. As I've compared the U.S. economy to the Finnish economy, it is apparent that not everyone manages money in the same way, and I feel that our government must be willing to learn from others and adopt new ways of operating. It is also clear that not one economic system is perfect and that all have flaws. As Christians we must be willing to take seriously the call of Jesus and His seriousness when it comes to money. This year I have learned quite a bit about the monetary system and feel much better equipped to enter into the realm of adulthood. I also feel that because of the knowledge that I have obtained I can be a better steward of the gifts and blessings God has put in my life.

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