

**The Economic Crisis – Towards Sustainable Economies and Livelihoods.**

**A day conference organised by Churches Together in Britain and Ireland.**

**Tuesday 20<sup>th</sup> January 2009.**

**Methodist Church House, London.**

Around 100 people attended the conference from all parts of the UK.

The following notes were made during the presentations and Q&A sessions by Revd. Robert Hill.

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**Keynote speaker: Bob Goudzwaard** Professor Emeritus of Economics and Social Philosophy at the Free University, Amsterdam. Co-author of *Hope in Troubled Times: A new Vision for Confronting Global Crises*.

The current situation is probably not a short (1 or 2 year) blip. The lessons of the 1930's gave confidence to tackle past crises but 'the tool box' of control mechanisms is now 'looking rather empty'. Crises could be predicted before, but this one could not be predicted – nor can crises in the future. This means a major drop in the self-confidence levels of the financial sector. The 'group hypnosis' that gave confidence to ideological theories has been a problem. Deep reflection may give clues to the healing as well as the analysis of what happened. Eg. Was it a crisis to the system or in the system? The development of the private aspects of money making (as opposed to the federal aspects) accelerated in recent years such that money itself became a commodity.

Greed can give a dynamic to society, but it can get out of control when fuelled by expectations and fears. A new 'Big Brother Syndrome': You don't know what capital will do with you. Money made by Man can become a god; changing from a dynamic tool, to being a 'Guide', and finally it becomes controlling. What we have is "the betrayal of a self-made god". We need to dig deep to find the real roots of the present situation. Example of credit and financial flow as a bicycle: If the bicycle is going to slow, you fall off. The momentum our system had was only there because of growth – and at only 2 or 3%, that wasn't much.

A similar situation years ago in America saw President Eisenhower declare that it was the duty of every American to consume more. But constant production drains resources and 'innovation' cannot keep up with the problems that a lack of resources brings. Must we strive to get back to this structure or do we now change to a new one?

The letter of the Ecumenical Conference of South Asian Churches in 1999 challenged Western ideas for financial structures, calling for a better understanding of what redemption of the purchased possession meant – Using Paul's understanding in Ephesians 1.

We need to be aware that there is no inherent need for advances in technology etc., but there is a need for a care of nature. Parallels have been drawn with war situations: time of plenty gives to time of scarcity – this time the 'war' is for nature. Happiness does not increase with wealth above a certain level.

Professor Goudzwaard concluded by noting that the promises of God were able to give us a correct guide for rebuilding a new financial future.

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The second address: **The impact of current economic factors on sustainable lifestyles.**

Ann Pettifor is the former head of the Jubilee 2000 debt relief campaign, Campaign Director of Operation Noah and author of *The Coming First World Debt Crisis*.

The speaker said that (opposite to the first speaker) the present crisis was predicted (as in her book) and used various bible quotations to show the roots of the problems of usury. (Ps 15.5, Lev 25, 35-38, Ex 6.6, & Mat 6.12) 'Redemption' was originally an economic term but has become very spiritualised and disconnected from its practical roots for us. Surah XiX 275-281 was quoted to relate the Islamic experience and standards for usury.

We in Christianity now seem to celebrate Usury where in the past it had social penalties (eg. restrictions on marriage in church, and not being allowed burial in holy ground). Whilst some changes have slipped into Islam, much of their original ethic remains. Islamic banking is based far more upon taking out shares, which means if the borrower makes a loss, so does the lender. Whereas in usury the lender is not at risk: If the borrower loses the money, the money, plus interest, still has to be paid back to the lender.

Calvin's theology split usury into two categories based on whether the interest was 'biting' or not. A reasonable level of interest was deemed to be theologically acceptable. This was endorsed by such as Francis Bacon and Adam Smith (18<sup>th</sup> century economist and author of *The Wealth of Nations*). The shift from 'shared risk' to 'profit only' was seen as the root of the present problem. Usury has been redefined as: Putting finances above human and environmental issues; creating money at no cost; to charge interest to increase unearned income; to extract wealth from those who lack wealth; to make a claim on the future; to extract wealth from productive sectors in a manner that is parasitic.

It was noted that money is a "man-made" creation, not a finite resource based on land or labour. The word 'credit' comes from 'Credo' – 'I believe...that you will pay me'. Most money only exists in ledgers and is not backed up in labour or land. Making a claim on the future is, in faith, only really possible by God. The present system favours those with assets (eg. Houses, horses, art works, etc)

The Bretton Woods banking system (1945) was put in place to control debts and surpluses, but this was dismantled by President Nixon in 1971. During the period 1945-71 there were no major banking crises. The Nixon Administration developed the US Treasury Bond because the gold that had been the basis of US finances had been used to pay off debts to France.

Before 2001 most lending was from major to smaller countries, more recently the trend has been reversed. China has massive surpluses built on its exports, but now has problems with supplying domestic requirements.

Globalisation 'hates' the boundaries which law and normal financial structures depend upon. Interest rates that had been stable or only rising slowly during the period covered by the Bretton Woods system, rose sharply in the 1970's, matching unemployment and the Retail Price Index. Oil prices also became unstable at that time.

The New Green Deal Group has argued for an ethical basis for finance, the re-regulation of credit creation, low to zero rates of interest, and for low cost capital to be available to fund Green projects. The key to the future is seen as having 'low expectation' regarding financial investment, and a structure that sees an alliance between the participants in a project rather than the 'silo' mentality of separate risks. Faith communities would also be seen as participants in such a community based structure.

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## **Six Short Presentations.**

### **1. A Scottish perspective**

Murdo Macdonald - Policy Officer for the Church of Scotland, Society, Religion and Technology Project.

The speaker noted that whilst Scotland would indeed be affected by the current crisis, the issues may not be as noticeable given the underinvestment that had already become part of the political landscape. There was a push to use the real assets of buildings and people, and the practical skills that people have to overcome times of shortage. He noted the rise of Credit Unions and Car-share pools.

### **2. A Welsh perspective.**

Geraint Hopkins – Policy Officer at Cytûn (Churches Together in Wales).

Wales is still recovering from the massive industrial changes of the past and already rates as one of the poorest areas in the EU. There is a call for the church to sponsor greater economic intelligence. The church in Wales has a long history of political involvement which should continue. There needs to be a real theological challenge to the current system which was seen as 'not God's way'.

### **3. A global perspective.**

Paula Clifford – Head of Theology at Christian Aid.

The question 'Is this God's way of getting us to slow down?' is offensive due to all who struggled before this crisis. This global crisis hits most the vulnerable and worse off. Examples:

It has wiped out gains made in birth-rate mortality over the last 6 years.

Markets have dried up for most small farmers in developing countries.

Christian Aid is struggling as an organisation, with demands on resources and falling exchange rates.

We are now feeling some of the pain that poorer countries have faced for years.

A right relationship with God must lead us to a right relationship with our neighbour: Relational Theology – Rights Based. There is a need to correct our relationships. What is done is done. We need to address injustice, and step up financial support and structures.

The church needs to rediscover its true prophetic (informed) voice in this area.

We only tend to become indignant about injustice when it hits close to home.

### **4. The Get Fair campaign.**

Niall Cooper – National Coordinator of Church Action on Poverty and the Get Fair campaign.

Christians have a duty to speak up for the most affected. Our theology must be realistic, not abstract. It is expected that around 75,000 families will lose their homes during the immediate crisis. The gap between rich and poor is now greater than at any time in the last 40 years. Society is judged by how it treats those on the margins. [Is it really? Or is this just a pious statement?]

What is a sustainable livelihood? Is it based on relationships? Does it include public assets (buses, libraries)?

The *Faith in the City* report outlined the issues in past crises that are relevant now.

Bishops in England and Wales have agreed that when the poor/rich gap becomes too great, society is run for the rich only.

The challenge for any new financial system will be to make the 'treatment of the poorest' as the testing standard.

Theology is not utilitarian – but our current systems are.

There is a need to engage with government and the banking sector to encourage a more positive vision and conviction of hope. – The ‘Get Fair’ campaign addresses this.

5. Housing and homelessness issues.

Alison Gelder – Chief Executive of Housing Justice.

This issue was already a targeted crisis. Availability and affordability of housing is getting worse. Those with no recourse to public funds (eg. migrants) are some of the worse hit. Those who are the ‘hidden homeless’ (those on sofa’s or staying with members of the extended family) have almost no priority. Those facing repossession of their homes due to mortgage or rent arrears has dramatically increased – estimated at 75,000 for 2009. The building of new housing has halted and there is a ‘mortgage famine’ but yet a rising need for housing.

The current financial crisis is not the only factor; migration, an aging population and a rise in independent (one person to one home) living has also contributed.

There is a need to pick up the ideas of fairness and justice. Just outcomes = right relationships = sustainable economics and livelihoods. What we might not see as ‘fair’ God might see as ‘just’. eg: Jesus’ parable of the labourers wages [Matt 20: 1-16]. We must start to think and do what is right as God see it: A bias to the poor. This implies doing things based on our relationships not simple for our gain. Points of injustice in clued: Unearned interest; Imbalances of cost and security; Disjunction between distribution and need; closed system of trading.

The challenges to be faced include: Lower cost tenures are highest security; Distribution of available housing; New-build housing is not always socially a real option; It is hard to change tenure style.

The opportunities for growth include: Improved affordability; A return to Council Housing; Viewing Housing as a function of public work (including installation of insulation to existing housing); de-stigmatising those in rented accommodation; Seeing houses as home and not just as assets.

What can the church do? The speaker suggests that the membership should take about it openly, make church land available for affordable housing, and challenge the old system that promotes higher housing prices.

6. Does responsible investment offer a solution to current financial turmoil?

John Reynolds – CEO Reynolds Partners, independent investment bank. Chair of CofE Ethical Investment Advisory Grp.

Currently, Ethics and governance play only a small part in companies. Three problems for Boards were identified: Governance by ‘Tick-box’ approach; Incentives below Board level; and, a utilitarian trend to ethics.

Christian ethics can make a good long-term plan for companies – but ‘long-term’ thinking is not fashionable. Whilst the Christian ethic may not have prevented the Sub-prim issue, it certainly would have highlighted it.

There needs to be a growth in the voice of the church. Commerce and Industry (not just the individuals with them) need to be seen as areas of mission. Ethical thinking should become part of governance and applied to major decisions in a fair, informed and realistic manner. Ethical pressure is needed on companies, stakeholders and customers. But Ethics as a subject must also ensure that it is in the popular language. Don’t underestimate love or greed.

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The following notes are drawn from a Q & A session with a panel made up of the above speakers.

- We must not get so caught up in our own jargon that we misunderstand the jargon of others.
- In the past, corporate strategists did not hear or think about faith. After 9/11 faith will now be heard more. How do we marshal our arguments?
- New Labour's call is to not take sides. The Gospel is about taking sides with the poor. Conflict will be needed and is right when confronting issues.
- There is a need to re-examine our quality and expectation of life and life-style. Eg. Do we have spare rooms that could house the homeless? Do we need the size of house we have?
- There is a tension between building houses that are needed and the need to not concrete over all the land. The balance between land and housing may be best sought by local discussion and not by central government.
- In the past there was a political party whose job it was to challenge the Government. Now all major parties seem to differ only in shade but not in substance.

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