

## **The economic crisis Towards sustainable economies and livelihoods**

A day conference organized by Churches Together in Britain and Ireland ([www.ctbi.org.uk](http://www.ctbi.org.uk))  
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### **Setting the Scene**

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What are the underlying questions behind the headlines?

#### 1 Do we want capitalism to work?

Some Christians deplore capitalism as a system but a long term perspective shows that it has been a successful means of raising living standards and offering people more choices. This applies both in the UK (compare your living room with that of your grandparents) and globally (look at what Korea has achieved by using the opportunities of a globalised capitalist economy). Many have not benefitted proportionately (in the UK or globally) so the challenge is to reproduce the conditions which have allowed some to flourish in those settings where little progress has been made.

#### 2 How do we rekindle trust?

Behind much of the recent turmoil has been a loss of trust eg by depositors in their bank, by banks in each other. While faith in things unseen is fundamental to the Christian (however much it is ridiculed) so trust in intangibles is critical to a functioning economy. The erosion of trust in people and institutions in our society will make the essential rebuilding of trust more difficult.

#### 3 How much risk is good for us?

Changes in legislation (1980s) and banking ethics have allowed banks to take much greater risks. RBS is a prime example of a bank that deliberately became much more aggressive, seemed to put less value on relationships and has now collapsed spectacularly. Taking risks is essential for human progress but we need to assess afresh what risks are acceptable and how we ensure that those who take risks also bear the responsibility when they go wrong.

#### 4 What sort of banking system?

We have a rare opportunity to think again about what sort of banking structures best suit our aims for society, especially the Christian imperative to protect the most vulnerable. The 1980s move to comprehensive banks able to indulge in all forms of financial activity has led to Governments having to bail out the bankers in order to avoid losses for ordinary citizens with deposits in the same institutions. We should consider the option of a legislative framework that supports banks providing basic services to the general public with an ultimate Government guarantee behind their depositors. The growth in credit unions in the UK demonstrates that very basic banks can work. Separate institutions would be free to engage in sophisticated and speculative financial market activities, but would not enjoy the taxpayers' guarantee.

#### 5 Is growth a virtue?

In our generation it has been assumed the economy's job is to generate continuous growth. The crisis in the banking system has now spread to cause an abrupt shift in expectations and performance in the underlying economy. As this effect is worldwide, we cannot expect growth in our trading partners to help the UK out of this particular recession. We should consider what we want a rejuvenated economy to deliver for us. In for example the nineteenth century, it was not assumed the economy would always grow and some saw the Church's moral duty as being to

discourage consumption that would strain the economy's capacity. In our very different times, we might have other reasons to decide growth is not our principal aim. But if, for environmental or other reasons, we reduce growth targets, the importance of addressing inequality within the relatively static economy increases.

#### 6 How is Christian influence maximised?

In the debate now starting, some Christians will instinctively see the Church's best contribution as campaigning. Others might instinctively see it as changing human hearts. The Chairman of HSBC, the High Street bank that has been damaged least by the recent turmoil, is a committed Christian and an Anglican clergyman. Is that merely a curious coincidence or do Christian values at the heart of a bank affect its style? Should we be encouraging some of our most able and committed young Christians to seek a career which immerses them in the centres of economic power?