Editorial

A 'once in a century credit tsunami', that's how Alan Greenspan, the Chairman of the US Federal Reserve from 1987 to 2006, described recent events when he appeared before the House of Representatives Committee on Oversight and Government Reform. As our news bulletins have been swamped by the ever-deepening 'credit crunch' and the crisis management of our own government and governments around the world, what should Christians be thinking, saying and doing?

Early on, Church of England leaders spoke out and hit the headlines. Indeed, back in April, long before the 'tsunami' hit, the Archbishop of Canterbury spoke on these matters in the House of Lords and was interviewed about them on the Today programme.[1] Perhaps thinking of the then recently confirmed bonus of £2,860,000 to Sir Fred Goodwin, Royal Bank of Scotland chief executive (who resigned in October after the government bail-out, though with a reported pension fund of £8,370,000 worth over £500,000 a year), he commented that "the more you have a disproportion between what people are actually earning and what they appear to be worth, the more you have astronomical sums with very little rationale behind them the less credibility the whole thing has". The Archbishop concluded his speech in the Lords by drawing attention to another of the most important issues about this crisis, one which sadly has not received as much attention in more recent reporting about massive government rescue packages and bank nationalisations:

> My final observation is a paradox, a paradox to which many noble Lords have referred during today's debate—that those who are most in need of dependable credit in our society seem to find it hardest to obtain it, and that those to whom it is most readily and irresponsibly offered by many agents are those to whom it should not be so readily available.[2]

Then, in September, both Archbishops hit the headlines with the Archbishop of York characteristically using even more provocative language:

> To a bystander like me, those who made £190 million deliberately underselling the shares of HBOS, in spite of its very strong capital base, and drove it into the bosom of Lloyds TSB Bank, are clearly bank robbers and asset strippers…We find ourselves in a market system which seems to have taken its rules of trade from Alice in Wonderland.[3]

In these statements, three significant areas are highlighted concerning which the church, at every level, must continue to speak out prophetically and respond to practically.

The rich getting richer and the poor getting poorer

First, with all the attention on the global banking and financial sector and the astronomical figures of government rescue plans – £400 billion in the US, a similar

1 See www..archbishopofcanterbury.org/1769
2 See www.archbishopofcanterbury.org/1774
3 See www.archbishopofyork.org/1981

figure in the UK, and nearly twice as much within the Eurozone – the wider context of gross inequality and extortionate private income within Britain must not be forgotten. In their recent study, *Unjust Rewards*, Polly Toynbee and David Walker vividly explore the wide-ranging gulf between the super-rich and the rest, especially the poorest. They point out that 'twenty years ago the average chief executive of one of the top hundred companies on the FTSE index earned 17 times the average employee's pay. By 2008, the typical FTSE boss earned 75.5 times the average, according to the Institute of Directors'.[4] Data from the widely-respected Institute for Fiscal Studies (IFS) shows that if we represented the population by 100 people in a line and distributed income between them then the richest one would get 13% of all income and the top ten over a quarter (27%) of it.[5] That IFS report measures income inequality by means of the standard Gini coefficient. This is a figure between 0 (for complete equality so all individuals have the same same household income) and 1 (where one individual has all the income!). They show a massive rise in inequality occurred in the 1980s (from around 0.25 to 0.34) which they state is 'unparalleled both historically and compared with the changes taking place at the same time in most other developed countries'.[6] After less sharp rises and some falls in the 1990s, the Gini coefficient rose again in Labour's first term to a peak of 0.35 in 2000-01 to which level it returned (after a few years falling) in 2005-06. They point out that although in the last ten years there has been a modest income equalisation in the central swathe of incomes, if we look at the extremes (the top 10% and bottom 15% of income distribution) then we find there is greater polarisation: the very rich are getting much richer, the very poor are getting poorer.

The IFS study looks at the richest 10% of adults (the top 4.68 million of the population) in 2004-05 and divides them into three groups : the very richest 0.1%, the richest 1% (excluding top 0.1%) and the richest 10% (excluding top 1%). The richest 10%, excluding the top 1%, had an average income ranging from just over £35,000 to just under £100,000. This is twice that of the average income tax payer (which was £24,769 before tax in 2007/08 prices). However, the richest 1-0.1% were six times richer than the average income tax payer and the very top 0.1% were on average earnings that were *thirty-one* times greater than the average tax payer. These comparisons, it must be noted, are with the average income tax payer and as only 63% of adults earn enough to pay income tax they therefore do not include the poorest third of adults in the country who do not earn enough to pay income tax.

Putting this in historical perspective, the share of total personal income going to the top 0.1% of the population was 3.5% back in 1949. It then fell to only 1.3% in 1979. By 2000, it had reached 4.6%.[7] Perhaps one positive outcome of the current stock market crashes is that this trend may at least be halted, if not reversed. The IFS study noted that there was a correspondence between relatively high and low income growth among the rich and the relative performance of financial markets. They conclude that 'if the performance of financial markets is the driving force behind income growth at the top of the income distribution, then one might expect that high-income individuals will have seen relatively fast income

4 Toynbee and Walker 2008: 5.
5 Toynbee and Walker 2008: 2.
6 Brewer, Sibieta, and Wren-Lewis 2008:2. The report is available at www.ifs.org.uk//bns/bn76.pdf and a powerpoint based on its findings at www.ifs.org.uk//docs/racing_slides.ppt.
7 Brewer, Sibieta, and Wren-Lewis 2008: 28, citing the work of Tony Atkinson - Atkinson and Piketty 2007.

growth in the years after 2004-05 up until quite recently'.[8] However, there is the danger that the losses brought by the crunch will – like the gains of some many years of 'boom' – be disproportionately distributed and that the wealthy will be cushioned and the poorer bear the brunt of the recession.

Turning to the other end of the income distribution, an even more recent (June 2008) report from some of the same authors at IFS, contains some good news but also raises concerns.[9] Definitions of 'poverty' are, of course, always an area of dispute. The authors measure it by 'counting the number of individuals whose household incomes is below 60% of that of the median individual (the median individual is in the middle of the income distribution)'.[10] This level is clearly relative not absolute – it moves with income growth. The good news is that between 1998-99 and 2004-05, the Labour government oversaw the longest decline in poverty since 1961. The bad news is that 'this decline in poverty came to an end in 2004-05, and poverty has now risen for two consecutive years'.[11] The rise was most evident among pensioners but child poverty has also risen (despite this being a focus of government action and targets). The challenge is how to prevent this worrying trend continuing and getting worse as the effects of the 'credit crunch' continue to spread through the economy as a whole where the poorest are already being hit hardest by the recent steep rises in food and fuel costs which take up proportionately so much more of their expenditure.

The Scriptures make clear God's 'bias to the poor' and the Old Testament prophets and gospels are full of condemnations of wealth accumulation in the face of poverty and destitution. The figures above demonstrate the relevance of all this for our own nation but the challenge is even more stark in relation to the global economy and global poverty. One of the most amazing lessons of recent weeks is how rapidly governments can act and provide resources when they believe there is real need. One of the most depressing is their failure to show the same urgency and priority to real issues of life and death. As the Archbishop of York told the Worshipful Company of International Bankers' Dinner:

> One of the ironies about this financial crisis is that it makes action on poverty look utterly achievable. It would cost $5 billion to save six million children's lives. World leaders could find 140 times that amount for the banking system in a week. How can they now tell us that action for the poorest on the planet is too expensive?[12]

One also cannot help recall that one of the criticisms made of the Jubilee 2000 campaign was that it was calling for large sums of money to be thrown at countries whose leadership was corrupt and did not merit being bailed out of the debts they had incurred. The question is why such thinking has not been applied here or whether, in fact, there is now to be serious and radical reform of our whole financial system.

8 Brewer, Sibieta, and Wren-Lewis 2008:29-30.
9 Brewer et al. 2008. The report is available at www.ifs.org.uk/comms/comm105.pdf and a powerpoint based on its findings at www.ifs.org.uk//lectures/oxb08_pov.ppt.
10 Brewer et al. 2008: 32.
11 Brewer et al. 2008: 33.
12 See www.archbishopofyork.org/1980.

A failing financial system

Archbishop Rowan's comments in the Lords about the paradox in relation to obtaining credit is just one of many signs that there needs to be a fundamental review of the financial and banking system. The goal cannot be simply emergency measures to ease the current difficulties or, as President Bush argued, to save capitalism by unprecedented large-scale but short-term government intervention.

When I studied economics as an undergraduate, one of the first books I remember reading from a Christian perspective was Alan Storkey's *Transforming Economics*.[13] Published in 1986, it focussed on the unemployment crisis but in setting out an alternative Christian paradigm to tackle the problem it began with 'financial empires', asking the key question which we need to revisit now, over twenty years later, but which liberal societies are so unwilling to ask: 'what are banks and financial institutions for?'. To answer that, of course, requires some wider vision of the common good and human flourishing. Turning to Scripture (and noting but not exploring the biblical ban on usury), Alan Storkey points to texts such as the following in Deuteronomy 15:

> However, there should be no poor among you, for in the land the LORD your God is giving you to possess as your inheritance, he will richly bless you, if only you fully obey the LORD your God and are careful to follow all these commands I am giving you today… If there is a poor man among your brothers in any of the towns of the land that the LORD your God is giving you, do not be hardhearted or tight-fisted toward your poor brother. Rather be open-handed and freely lend him whatever he needs (Deut. 15:4-5, 7-8).

He then argues that

> the normative purpose of lending was to help those in need to meet their necessities and earn their livelihood…'Banking' was not profit directed, but a part of a process of making available to those who needed them the resources for earning a livelihood.[14]

Writing in a world very different from that of today, before the massive and now evidently irresponsible financial deregulation of recent decades (overseen by people like Alan Greenspan quoted at the beginning), the rush of many building societies to become banks (all of them now failed), and the triumphant expansion of international free-market capitalism, Storkey warned that

> there comes a time when the dissociation of finance and investment becomes serious..The banking ethos of speculative financial management encourages this unstable pattern. Unexpected events could make it more serious. As the ratio of hot money to solid finance climbs on the world's money markets, the question arises as to whether banks really know how fragile is the base on which much of their lending rests.[15]

The risk is that despite having now seen just how fragile it all is, and taken some measures (such as banning short-selling), we will rapidly forget what we have discovered in recent months or at least fail to consider why it is that we have found

13 Storkey 1986.
14 Storkey 1986: 84.
15 Storkey 1986: 90.

that so many of our great temples to Mammon have been shown to be built on sand. It is frightening how rapidly and easily idols that fail and destroy can then reclaim a society's love and allegiance. At the heart of any renewed system must be a reconnecting with lived reality and, as Storkey argues, a financial system that responsibly serves society and particularly those in need. As Rowan Williams argued in the Spectator in late September:

> The biggest challenge in the present crisis is whether we can recover some sense of the connection between money and material reality — the production of specific things, the achievement of recognisably human goals that have something to do with a shared sense of what is good for the human community in the widest sense.[16]

While ultimately that challenge faces us all as a society and the church therefore has a role to play (perhaps beginning with putting its own financial practices in order, given some reports following the Archbishops' public comments), the government will be a key player in ensuring institutional reforms. This is not only because of its unprecedented involvement now in the banking system but because of its God-given responsibility for the common good. In this country, the 1960s and 1970s saw the unregulated power of organised labour increasingly damaging wider society and, after the infamous 'Winter of Discontent' in 1978-9, requiring some form of government intervention. The government that brought reform of trade unions however also brought about the deregulation of financial powers and was devoted to free market capitalism. Its New Labour successor has – until now – preserved and perpetuated that unbridling of capitalist forces. The question is whether any government will have the courage to confront these powers, bring an end to destructive practices which have developed in recent decades and enforce proper accountability.

A corrupt and corrupting culture

In effecting reform, though, it will not be sufficient to pass legislation and reform institutions. The Archbishop of York's comments about 'bank robbers' led inevitably (despite their clearly focussed target) to criticisms that he had failed to do justice to the complexity of the situation and the many good, decent people involved in the banking sector. The reality, however, is that we cannot simply blame a few 'bad eggs'. In criticising others at the heart of the failed financial system we must also not ignore the extent to which the failed financial system is in our own hearts.

A few years ago, under the auspices of Iain Duncan Smith's important Centre for Social Justice,[17] the leading evangelical and strong pro-market economist Lord Brian Griffiths, produced a report on personal debt.[18] It noted that 'unsecured personal debt is a serious problem in the UK', especially among low income families, that credit was far too easily available, and that the Banking Code lacked the teeth necessary. As someone who has never owned a credit card (and faced the ridiculous situation in the midst of the credit crunch of being unable to use a 'buy-through-rent' scheme for our daughter's new saxophone because we lacked a credit card!) it was astonishing to realise that the shift in our society related to credit is

16 See www.archbishopofcanterbury.org/1982
17 See www.centreforsocialjustice.com.
18 Griffiths 2006, available www.niace.org.uk/news/Docs/Griffiths-report-on-personal-debt.pdf

symbolised in the fact that whereas in 1971 there was only credit card and credit card debt was only £32 million, by 2006 there were no less than 1,300 cards on offer and credit card debt had risen to £49 *billion*, an average household credit debt of nearly £2,000.[19] Faced with this reality, we must see how the excesses of banking 'fat cats' were fed by the wider social desire for more material goods and wealth here and now based on often imprudent borrowing.

Here, perhaps, is the main area where individual Christians, local churches and Christian bodies can have the most direct impact in addressing some of the underlying problems and spiritual causes of the crisis. First, there can be support for and development of Christian-based credit initiatives and practical help and advice to those in financial need. The Griffiths report noted that 'community finance initiatives such as Credit Unions, Moneylines and Community Banking Partnerships are an important development in offering choice for credit for low income families'.[20] In an action explicitly welcomed by the Archbishop of Canterbury,[21] the government has recently signalled it will provide more support for credit unions and this could well become an important form of Christian mission where much can be learned from Christian initiatives in North America, particularly in the Reformed tradition.[22] Alongside this there are the various church-based initiatives providing debt counselling and other services[23] and the Church of England's own significant 'Matter of Life and Debt' initiative in this area launched at the beginning of this year.[24] Second, there is the nurture of an alternative economic vision and the cultivation of such spiritual disciplines as thrift.[25]

Here one of the most timely and stimulating books is William Cavanaugh's recent *Being Consumed: Economics and Christian Desire* which in four brief but challenging and practical chapters explores the free market, consumerism, globalisation and scarcity from a Christian and deeply theological perspective.[26] Cavanaugh should, perhaps, be given the final word as he sets the agenda for us in this post-credit tsunami world:

> Christians are not faced with the choice of either accepting 'the free market' as it is, or pinning our hopes on state intervention to bring freedom to the market. We might perhaps recognize, under certain circumstances, the usefulness of the state in mitigating the most egregious injustices of the market. But I argue that Christians themselves are called to create concrete alternative practices that open up a different kind of economic space –the space marked by the body of Christ. In order to address the subject of economics from a theological point of view, we need to discuss the ends of human life, specifically the end of life in God…The key question in every transaction is whether or not the transaction contributes to the flourishing of each person involved, and this question can

19 Griffiths 2006: 1.
20 Griffiths 2006, iii and especially chapter 7 (pp 61-8)
21 See www.archbishopofcanterbury.org/1876
22 For information on credit unions in Britain see www.abcul.org. North American examples would include the Christian Credit Union in Canada (www.christiancu.ca).
23 See Christians Against Poverty at www.capuk.org for more information.
24 See www.cofe.anglican.org/debt. It was reported in early October that this section of the website had received a 70% increase in traffic in recent weeks.
25 On thrift as a response see Peter Heslam's article at http://blog.transformingbusiness.net.
26 Cavanaugh 2008.

> only be judged, from a theological point of view, according to the end of human life, which is participation in the life of God…The goal is indeed revolution, to transform the entirety of economic life into something worthy of God's children. But it is a revolution that cannot be imposed from above by force. It will only take place in the concrete transformation of transactions that enslave into transactions that are free.[27]

In this issue

This issue opens with five separate short reflections from the Lambeth Conference this summer. While this makes for an apparently long article it is easily digestible and each voice is best heard on its own, perhaps followed by praying for the author, their sphere of ministry and the issues it raises for the Communion. Together, the four bishops and one speaker – Brian McLaren – provide a rich, honest and sometimes humorous insight into what the Conference was like from the inside, the value (but also the limits) of its work, and its importance both for the ongoing life of the Communion and for their own ministries and work of mission. While inevitably touching on some of the political matters that dominated much of the reporting, these different pieces give a richer sense of the lived reality of the Conference and particularly the importance of building relationships among ourselves as Anglicans and learning how people are sharing in God's mission across the Communion.

The second article provides a helpful introduction to the thought and relevance of Michael Polanyi, especially as found in his main work, *Personal Knowledge*, which was published fifty years ago this year.

Finally, Tim Dakin concludes the article which began in the last issue of *Anvil*, exploring here how network mission and a four-system understanding of the economy of mission have been taking shape within CMS and their relevance more widely.

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27 Cavanaugh 2008: viii, x.