

The Time is Right.....

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The time is right.....

..... but for what?

There are many approaches which could be taken for this topic, given the rapidly deepening financial crisis at present. It is also clear that the ongoing concerns of ECCR have a fresh and renewed relevance in the realities of today's world. There are many opportunities as well as challenges for the faith communities at this time as we reflect on the changes around us.

But what I have decided to do is to pose a number of propositions, possibly provocative but I believe fundamental propositions, and suggest that the **time is right** to radically examine them and explore the implications arising from that examination. I recognise that in the time allotted to me I cannot attempt a full analysis, and may thus appear to be glossing over the complexities which I recognise are involved. Nevertheless I want to raise questions and issues which I think we need to seriously reflect on and then arising from that to start to determine the relevance of the core points made. I thus want to provide an agenda for debate, whether or not you agree with the points raised, and start a debate on the issues.

1. My first proposition is that the time is right to agree that **“Banking is too important to be left to the Bankers”** and to explore the implication of that.

The key point I would make here is to recognise that retail banking (and I stress I am talking here about the retail side of banking) is an essential part of the social and economic infrastructure of a modern society – by the provision of basic banking services to individuals and small businesses. But it is not just another ordinary type of business. This therefore means that it needs to be treated appropriately in terms of social and political policy. If you accept this basic premise, it implies, in my opinion, that

- Firstly, it must be tightly regulated for the common good, as is appropriate for a public service even if being provided by private companies. Thus it is in a sense a public utility. Such regulation would include, in my opinion, outlawing sub-prime lending or the ability to package and transfer risks to other people.
- Secondly, there is a good case for promoting, as a matter of public policy, an active segment of the retail banking field which is publicly owned or at least cooperatively or community owned – providing a benchmark for a different perspective and a different ethos for doing business. There has been a lot of talk recently about creating so-called ‘bad banks’. I would be much more interested in starting to create, or re-create, ‘good banks’. This could I believe provide an important benchmark and example of banking as being infrastructural in nature, not just a financial business. *[I might mention in passing that we do not have a cooperative bank here in the Republic of Ireland, and Triodos Bank was unable to maintain the branch they had here some years ago, while the last of the mutual building societies may be likely to disappear soon.]*
- Thirdly, this implies a clearer separation of this social infrastructure role of banks from their wholesale, back-office, role as investment bankers, or as some would say, as gamblers. As Will Hutton said in 2007 *“Globalisation, it is now clear, is run in the interests of a global financial class which has western governments in its*

thrall".¹ Recent events have shown him to be very perceptive in that comment. I will return to this point in a few moments as part of my second proposition.

- Fourthly, we need to articulate and promote a healthier attitude to money. As the well-known cliché puts it "*money makes the world go round*", at least to the extent that it has become an essential part of economic life particularly in the more developed economies. But we also need to recall what is probably the most misquoted Biblical reference, that "*(the love of) money is the root of all evil*". I recently came across some research results which clearly demonstrated that the degree of materialistic consumerist behaviour is strongly correlated with feelings of lack of self-worth or of inferiority. What does that say about us as we reflect on the consumer boom of the last few years? Many years ago, I worked with a colleague who was fond of saying that "*money isn't everything but it'll have to do until everything comes along*". OK, that was perhaps a cynical perspective, but it has a grain of truth in it in recognising that wealth or income is not the true or most important measure of a person.
2. My second proposition follows on from the first one and is that the time is right to accept that **"the current market model for equities and currencies is seriously flawed and has outlived its usefulness"** and look at how we might seek alternatives
- We can recall that the joint stock company evolved in the 18th century as a method of allowing multiple people to pool resources for a particular business objective – in itself quite a laudable objective. (The early joint-stock companies had I believe more in common with today's publicly quoted companies than with modern privately held businesses). But in reflecting on the origins of this model we can also recall that almost at once we saw the first down-side of this in the famous South Sea Bubble scandal. This joint-stock model, with only relatively minor adjustments, has continued as the main means of raising capital for business up to the present but also has indeed the parallel development of scandals and scams from abusing this model. It seems to me that there has been relatively little effort put in to critically examine the basic model itself, even though some relatively minor level of regulation has gradually evolved
 - I would stress here that I am primarily addressing the question of publicly traded equities and related matters. I don't see the same level of difficulties with private limited companies (or whatever they are called in other places) which are not openly traded, and thus are inherently owned by those with a more direct involvement in the particular enterprise.
 - My key point here is to question whether it is either desirable or indeed ethical that shares or other financial instruments are traded as in essence self contained entities, with perhaps in many cases only limited contact with the companies concerned. For example, looking at the market at present, while there are some serious problems in relation to certain banks and other companies, nevertheless I can't help wondering whether the current low market value of many companies is related in any meaningful way to their worth, or instead just to the investment potential as perceived by the speculators. Have we crossed the line between sensible investment mechanisms on the one hand, and speculation verging on gambling on the other hand? And how do we protect the public who are being sold related products?
 - I am arguing that we need to urgently regulate this market, and attempt to bring it more in line with legitimate business needs. Some of the area which need to be examined in this regard would include:-

- Many countries have initiated a ban or restriction on short-selling, but I can't help wondering why it was ever permitted in the first place. I suggest a world wide permanent ban would be appropriate.
- Also we need other measures to outlaw the more outlandish mechanisms which have been developed in recent years –securitisation of risky loan books comes to mind as a topical example
- In general we need actions to seriously curb the speculative / gambling aspects of the equity and currency markets. For example, we need to seriously examine the idea of instituting the so-called Tobin Tax or something along those lines.
- I consider that the events of the recent past have highlighted the fact that western capitalism is seriously flawed, perhaps even broken, and therefore needs to be fixed or perhaps rather remade? Perhaps we have now reached (as a recent article in The Times of London put it) *“the demise of the post-1989 fundamentalist faith in market forces as the solution to all social problems”*. That article went on to suggest that we now need *“much more pragmatic thinking around the world about when market mechanisms are useful and when they are useless, about the right balance between the profit motive and social objectives, and about the relative efficiency of private and public enterprises”*² While this was written in the context of the inauguration of President Obama in the US, nevertheless the points made have global validity.
- As well stated by Oliver Maloney³ in a recent issue of “The Furrow” in relation to what he terms the empty political slogans of free-market economics – *“In the real world there is no such thing as a totally free market. Markets everywhere and always are unfree, to a greater or lesser extent. The totally free market is a theoretical construct used by academics to better understand the movement of economic variables. The key issue for politicians and policymakers should be the extent of the constraints operating in particular market situations, and whether or if, those constraints should be adjusted”*. I believe that this is entirely in keeping with the view of early proponents of the free market, but also that most so-called free market situations today would not meet the criteria originally proposed by such people (e.g. very large number of equal players all with full information). Where are the “Rules of the Road” for the financial markets? What should they be? How do we keep them current and relevant?
- Let's face it – markets are not always appropriate, and are certainly not always right. Are we in the faith communities complicit in the problem by uncritically accepting the market model? Do we need to move beyond consideration of ethical investments to query the ethics of the whole system? It is clear to me that both pure communism and pure capitalism have now been shown to fail, even though both had positive aspects, so what is the alternative – presumably some active form of social market, although not in the somewhat simplistic form it is often articulated (as a free market with the rough edges taken off). Rather we need to re-invent and re-articulate a true social market. Or I would prefer to term it a social economy, where meeting social and community needs and respecting personal integrity and value are as important as economic and monetary gain – indeed an economy where economic and monetary gains are not an end in themselves, but rather serve primarily to meet social and community needs.

Have we as faith communities a role in helping to develop and to promote such a model? This implies serious analysis, but equally serious action.

3. My third proposition is that the time is right to acknowledge that **“Corporate Responsibility is too often a smokescreen for un-ethical behaviour or perhaps just a cynical PR exercise”**
- Corporate Responsibility is all the rage these days. I am sure almost all CEOs of major corporations will espouse it, and it will be reflected in their advertising and their glossy corporate brochures. Climate Change is the latest craze for CR. Perhaps I’m being too cynical, but I suspect these trends are less to do with corporations ‘seeing the light’ and more to do with their perceptions that this is good for business and another way to increase their profits. Maybe we can live with what might be termed ‘enlightened self-interest’ on their part, if that’s all it was. But some commentators⁴ are starting to pose the question – is the problem not that they don’t go far enough, but that they are going in the wrong direction. Is it just their way of continuing ‘business as normal’ under the smokescreen of CR, while using it to avoid regulation by governments.
 - Further, I suggest that we, perhaps unknowingly and unintentionally, facilitated sections of the business community playing what someone has called ‘casino capitalism’ with vast sums of money, often ours? Did we neglect to read the signals?
 - Robert Reich, in his book “Supercapitalism”, suggests that modern capitalism, especially as evident in the USA, is increasingly at variance with democracy. He suggests that *“If we think that we can just treat companies as moral beings and yell at them ... for not being more socially responsible ... we are diverting our attention from the hard work of democracy — of making laws and rules that reflect our real values.”*⁵ This arises particularly from the rapid increase in globalization, and the concomitant rise in global corporations. Thus we need to ensure that politicians globally change the rules for all companies. Is, increasingly, a focus on Corporate Responsibility issues, while laudable in itself, in danger of deflecting attention from the real problem?
 - An important aspect of this issue was well summed up by the Lutheran World Federation recently, in reflecting on the global financial crisis, when they declared that *“As always, it is the poor and vulnerable who will bear the greatest burden. While banks and financial institutions benefit from unprecedented rescue packages, humanitarian aid and development budgets are likely to be placed under greater pressure. We find it painful to note how quickly massive financial resources could be mobilized to prop up the financial markets and institutions in this moment of crisis, when in much better economic times a fraction of those resources could not be found to eliminate extreme poverty around the world.”*⁶ And, I might add, has all this ignored the need for real reform and change in how the international financial system is operated and controlled.
[As an aside, here in Ireland, we have been cutting educational, health and equality/human rights funding – what does that say about us as a society]
4. My final proposition is that the time is right to recognise that **“The Churches should be providing a moral and ethical leadership on these matters but may be constrained in doing so effectively because their position is compromised by their actions, or their inaction”**
- Are any churches other than the Religious Society of Friends really known by the general public for their strong ethical stance on financial matters? Is this because it is not ingrained in their ethos, and theology, and rather is just something that may or may not be done behind the scenes by those responsible for handling the churches finances. Churches must realise that not taking a strong ethical stance in relation to their investments may be itself unethical, immoral and un-Christian.

- Do we need to go beyond ethical screening (whether negative, or better, positive screening)? Or even engagement with companies as shareholders? These are all excellent and essential activities given the current financial market structures, but are they sufficient, given the points I have made earlier. Do we need to reflect more radically about whether investing in traded equities is in itself ethical at all? Have we been accomplices to a form of free-market capitalism which has led to the mess we are in at present? I might have said the churches should be setting the moral & ethical tone for society, but how can they unless they get their own house in order first
- A few years ago, the fairly successful Jubilee campaign was launched with significant input and emphasis by Churches and faith communities working alongside others concerned from different perspectives to address the question of ensuring world debt relief. Do we now need something similar to address the whole question of the way the world's finances are managed? Some people have been calling for what has been termed a new set of structures equivalent to the original "Bretton Woods" type arrangements after the Second World War. Do we as churches need to get stuck into that debate and bring our perspective, along with those outside the faith communities, and help move the debate along towards a desirable conclusion. Globalisation, and in particular the financial dimension of that, arises from political decisions (or indeed sometimes lack of decision) – therefore political decisions can change it. Churches should, in my view, play a role in working for that change
- In the Gospels, we read the parable that Jesus told about the dangers of building on sand rather than on a firm foundation of rock. I think that story can resonate with us today, as we reflect on the strong evidence from the last few months that many aspects of our financial and business structure have been build on 'sand' so to speak, and haven't been able to withstand the winds of change.

So, in making these four propositions this morning, I have been suggesting that the time is right for a radical re-examination of some core aspects of today's (financial) world, but fundamentally I believe that the time is right for us, as individuals or as churches or faith based organizations, in the words of the Mahatma Gandhi to "*become the change we want to see.*"

The time is certainly right for that.

¹ Will Hutton, The Observer, 26 August 2007

² Anatole Kaletsky, "A new form of capitalism can remake broken country", The Times, 22 January 2009

³ Oliver Maloney, "Secularism and the current economic crisis", The Furrow, January 2009

⁴ See for example New Internationalist magazine, December 2007

⁵ "Supercapitalism", Robert B. Reich, 2007, ISBN 9780307265616.

⁶ Pastoral message concerning the Global Financial Crisis, issued by the Executive Committee on the Lutheran World Federation, 24-26 October 2008, Helsinki, Finland.