

## **Why Crises and What Next? Taking Morality and Religion Seriously (Wroxton)**

### Introduction.

1. In the midst of this great crisis, effective reconstruction needs to be informed by adequate analysis and vision.
2. That was the lesson of the darkest early years of World War 2, when Beveridge worked on the welfare state.
3. What most secular commentators then omit (including Halpern's latest book-out of his experience as a lead thinker in Blair's No. 10 Strategy Unit) is the contribution of William Temple as strategic, moral and religious complement to Beveridge's vision.
4. This note will seek to rectify that deficiency with regard to engaging the present crisis by exploring a possible shape of a robust moral and religious contribution to it ( using current research across disciplines, including religious: there is a brief recent bibliography at the end).

NB. In terms of crisis analysis, this assumes a reasonable consensus interpretation of it, acknowledging the global interlocking of financial and economic systems, over reaching of credit and risk assessments, linked to global imbalances between major surplus economies of the East and indebted West- trends generating and in turn fuelled by increasingly complex financial instruments and speculation, and development of extra traditional banking systems, including massive investment conglomerates, private equity and hedge funds- generating excessive rewards for a few, contributing to extreme inequalities, and unaccountable political influences. Importantly, this current crisis needs to be located in a long history of recurring economic excess and explosions, and a history of questioning mainstream economic theory with its undue reliance on narrow interpretations of rationality and technical-scientific perspectives, to the neglect of other disciplines and interpretations. Much of this material is included in a longitudinal quantitative and historical analysis of economic and financial crises, particularly since 1800- and its development of a banking, currency, debt(sovereign and national), and inflation crisis index( BCDI index, Reinhart and Rogoff) for calculating more accurately likely emerging crises.

### **Part 1.The Contribution of Morality.**

[These brief notes on morality and religion begin with the contemporary situation, and then examine their strength in historical and contemporary depth. It would be equally acceptable to begin with the historical depth.]

#### A. Morality and Economy/ Finance: the Current State of Play:

##### 1.Morality's role in the critique of financial capitalism/economics

Two areas of relevance:

First, within economics, as more background information, note the increasing contribution of psychology (Nobel economic prize winner Kahneman) including as behavioural economics- as wider than the narrow interpretations focussing on rationality and equilibria.This emerging interest also

includes links to wellbeing studies( including economics and psychology- the latter including the work of Haidt, both linking economics and wellbeing to moral and religious systems, and to moral judgements as more intuitive than cognitive).

Second, current critical analysis of the crisis includes recognising its breaching of: moral values and codes of fairness (excessive rewards for the few, yet public pay for mistakes; damage particularly hits most vulnerable, etc.); truth telling, including as transparency(major deviations emerging, including in accounting and legal services); and trust(major decline in trust in financial and political leaders, institutions- including in government, and economists).

NB. This erosion of the essential moral fabric of political economy(increasing transaction costs, not least through increasing regulation) is likely to be linked to the major erosion of social capital(see later).

## 2.Morality's role in reconstruction visions

1. Recent statements on the crisis and its solutions include: President Sarkozy's call for a 'new form of capitalism based on moral values'; Robert Peston's ( BBC Business Correspondent) argues for a ' new more humane capitalism'; the economist Sen argues for an economic system that is ' based on social values that we can defend ethically'; and the psychologist Oliver James' promotion of 'unselfish capitalism'.

2. These judgements are confirmed by concepts from recent literatures, now connectable to the present crisis, including:' moral economy, moral entrepreneurs, moral globalisation, moral growth, moral citizenry, moral education, and moral impact audits'.

3. To illustrate how these relate to developing a more ethically adequate political economy, note Stiglitz's definition of a moral economy(Nobel economic laureate):'In short, the debate should not be centred on whether one is in favour of growth or against it. The question should be, are there policies that can promote what might be called moral growth- growth that is sustainable, that increases living standards not just today but for future generations as well, and that leads to a more tolerant society? Also, what could be done to ensure that the benefits of growth are shared equitably, creating a society with more social justice and solidarity than one with deep rifts and cleavages of the kind that became apparent in New Orleans in the aftermath of Hurricane Katrina.'

## B. The Reengagement of Morality with Economy/Finance.

Despite the current re-entry of morality into debates on economy/ finance, these essentially lack depth and substance in terms, for example, of a robust transcribing of values and codes into institutional forms and behaviour, including personal, so we are even more likely to return to 'business as usual' and further economic crises- because of the marginalisation of morality(and religion) from economic thought and practice certainly from the 20th century onwards. Much recent research in economics and related disciplines is now reversing that trend, including reengagement with and development of significant traditions in promoting *the wellbeing of communities and individuals*(including as character and virtue) and as ethical economics. For example:

1. There is a growing recognition of morality as an integral part of human behaviour for groups and

society (and individuals in them)- that humans are likely to be hard wired in relation to such behaviour( instinct as well as cognitive) at least from the hunter gatherer stage of history(shared across cultures-Seligman and Haidt - as hard wired, yet also then informed by different cultures)- including as promoting cooperative behaviour, reciprocity, fairness - and as rejecting deviance from this, including as free riders.

2. In current literature (especially related to wellbeing studies, and including philosophy and sociology) – morality is recognised as a significant and indispensable player, with the following key features:

- Community – relationship – network oriented (morality not essentially a private matter): links to family life, neighbourliness, volunteering, etc.
- Values: reflecting and reinforcing the moral life of community (and the individuals comprising it) – as expectations shared by the group, as the moral life of community as shared values, including fairness (justice), truth telling, trust (as ‘non-material’ values, with deep impact on social behaviour, institutions, including economy).
- Codes: for example, do unto others as you would be done by – and sanctions, to support such behaviour, and to reject deviations from it (punishments and rewards).

3. In current literatures, there is a rich and robust connection between wellbeing studies (Kenny’s morality as community, values and codes) and social capital – what Halpern usefully calls ‘the hidden wealth of nations’ as networks, norms and values, and sanctions – in families, neighbourhoods, communities and nations – as essentially the bedrock of a good society. Significantly, recent research points to a major decline in such social capital from the 1960s to the present (and, conversely, a major increase in crime, family breakdowns – as divorce, one parent families, teenage pregnancies - the lack of trust within communities and between people and authorities, including political. This is described by Fukuyama as ‘the great disruption’. Note its coinciding with a major decline in religion in Europe (not USA); and with Arrighi’s fourth stage of the current economic cycle/financial crisis – which moves from wealth creating through production to wealth creating through financial instruments; and with the current crowding out of morality from political economy.

4. Decline of ethical economics, and its crowding out by ‘positive’ or engineering (or scientific) economics: the rise of modern economics in the later 18<sup>th</sup> and early 19<sup>th</sup> centuries was located in the tradition of moral philosophy (Adam Smith produced his seminal *Theory of Moral Sentiments* in 1759 as essential compliment and balance to his *Wealth of Nations*, 1776 – as professor of moral philosophy), and until the early 20<sup>th</sup> century this continued to be a significant dimension of economics (through Malthus, J S Mill, Alfred Marshall) but further into the 20<sup>th</sup> century ,the more positive – scientific dimension of economics crowded out this tradition of ethical economics, from Robbins in the UK to Friedman in the USA. Importantly, there has been a recent resurgence of interest in ethical as well as engineering economics – for example, Sen (his recent *The Idea of Justice*) and Stiglitz, Fogel, Kahneman – all Nobel Prize Winners in economics. I have identified seven features of this tradition of ethical economics (which can also relate clearly to current economic

analysis and reconstruction):

- Importance of inductive, evidence based approach in contrast to inductive theory based (of theory generated financial instruments – in contrast to the robust BCDI index). See also importance of new science of behavioural economics/psychology and wellbeing studies.
- Richer, wider view of the human – Sen’s ‘what is it like if human being’ – versus the narrow economic man/rational view of mainstream economics.
- Emerging focus on wellbeing – as personal and social reality and good, including social as well as economic indicators (see growing interest in deploying it in policy making, and in constructing accurate and robust accounts of wellbeing – including traditional GDP but also other essential economic and social contributions to national and personal wellbeing).
- Concern for poor and marginalised (given UN’s Millennium Goals and how poor hit most by crisis).
- Growing significance of sustainable economies – in contemporary and intergenerational endeavours.
- Centrality of justice theory and practice (as major critique of current financial, personal and institutional, theory and practice).
- Recognition of religion’s nature and role in development of ethical economics (including in promoting character and its accompanying virtues, justice, concern for the vulnerable, promotion of wellbeing, commitment to sustainability, etc).

## **Part 2. Why and what religious contribution to economic analysis and reconstruction**

### *In Today’s World*

1. Increasing recognition of the growing global resurgence of religion – from the USA, Africa, South America, Asia,(including China):as Islam-but particularly as Christianity(led by Evangelicalism-including Pentecostalism but also as Roman Catholicism).See, for example, *God is Back.How the Global rise of Faith is Changing the World* (Micklethwait and Wooldridge-the former is editor of *The Economist*, of particular importance given its lukewarm treatment of Christianity).This resurgence contradicts the powerful secularisation thesis(prominent in academia, media and government)-that the more modern secular and globalised the world is, the more religion will be displaced from it and in the end disappear. Interestingly, secular philosophers like Habermas now recognise the need to take religion seriously in the public square(and its supportive relationship to morality, for example),.

NB. Although the mainstream churches have suffered recent decline in Europe in the Great Disruption (suggesting a possible important link between the decline of social capital and the decline of religious affiliation), interestingly, particularly since 1997, they are now regularly consulted and involved by government in the UK, given the ability of faith based organisations to contribute to

greater wellbeing especially in more deprived communities (see NWRDA's two reports *Faith in England's Northwest*, describing in detail and costing religious contributions to communal wellbeing).

2. Increasing recognition in secular research of the measurable contribution of religion to human wellbeing – for example, the most recent publication in this field, *The Science of Subjective Wellbeing*, has a chapter on 'Religion and Human Flourishing' by Myers, confirming research on social capital, that involvement in religion leads to greater wellbeing (as health – greater longevity, resistance to disease – volunteering, trust, charitable giving, moral behaviours, and less crime). The William Temple Foundation's latest research identifies two aspects of this religious involvement: as religious capital (what religious people and churches do practically in local communities) and as spiritual capital (what drives or energises them to do this – as worship; beliefs in God; bringing up children; comforting beliefs (generating positive emotions, including forgiveness, hope, transformation; the regulation of lifestyle and behaviour – restricting alcohol and drug intake, acquisition of life skills, including participation in society and coping skills for illness, stress, loss, and for better health, especially mental health; social support and networks; all sustained by and in turn generating a philosophy of life including as a common good. These seven features of religious contributions are identified and given serious recognition in secular literatures, including in economics, psychology and sociology (although the secular – *National Accounts of Wellbeing* sadly omits the first three). All seven have been strongly confirmed by Christian tradition through research into congregations in England and Sweden.

NB. Central to this religious contribution to the wellbeing of individuals and communities (including as social capital) is a contribution to the formation of character and accompanying virtues – with a strong relationship to economic life including the financial conduct of individuals and institutions. Erode or diminish this at your peril! Sustain and cherish it if you want flourishing societies and relationships (there is much evidence to support this, including as economic added value, and the WTF's development of a tool to measure spiritual capital – spiritual capital added value index – SCAVI).

3. The growing interest in the distinctive contribution of faith based organisations to economic wellbeing, including:

- Engagement with poorest nation's un-payable debt – Christian origin, developing an interfaith character as the *Jubilee 2000* campaign.
- Involvement in Fair Trade, reviving the tradition of just prices for goods and services from poorer economies, and therefore as just wages for producers – as further recognition that market mechanisms not sufficient economically and ethically.
- Increasing development of Islamic finance, including as Muslim Interest Free Banking.
- Plethora of local credit unions, welfare education and health delivery – from Australia to East Africa, Indian, South America, USA, UK, etc (including contribution to what secular historians, economists and sociologists have described as an *economy of regard* – 'myriads of ways which help, show affection, care for and support each other in everyday life' – from nurture of children, care of sick and elderly, volunteering, alternative local payment systems,

cooperatives, social enterprises, not for profit organisations, etc).

### Economics as religious tradition today

There is a growing recognition that the development of character and virtue is best achieved through the medium of tradition, including religious, rather than the state. This confirms the intimate connection between morality and religion, including growing recognition that humans are hardwired for both, as shared across cultures, and yet then also informed in particular ways by culture. Particular features of this experience of religious traditions in economic life include:

1. Abrahamic faiths (Jewish, Christian, Muslim) regarded economics as integral part of wider religious world views. In Christianity's case this was quite explicitly and institutionally organised by church and society until the 16/17<sup>th</sup> centuries – with theology deeply informing economic thought and practice including as: restrictions on finance deployed as of marketable value in itself – so condemnation of usury, or lending at interest; and as promoting a just price and wage.
2. Even in the 18 -19<sup>th</sup> centuries economics was clearly located within the wider discipline of moral philosophy, and this developed into the important tradition of ethical economics (noted above).
3. In late 18 – 19<sup>th</sup> centuries, as Keynes noted, there emerged an important tradition of interacting Christianity with the emerging new discipline of political economy (as Christian political economy).
4. From the late 19<sup>th</sup> to the early 21<sup>st</sup> centuries there emerged the important tradition of Catholic Social Teaching, from the Papal social encyclical, *Rerum Novarum* ( the condition of labour, Leo X111, 1891), to the latest, *Caritas in Veritate*,( Charity in Truth, 2010, Benedict XV1). This tradition stands alongside the growth of Protestant and Ecumenical involvement with economic thought and practice. Both are linked to a promotion of the common good (RC religious affairs commentator Clifford Longley – drafted RC Bishops in England and Wales *The Common Good and the Catholic Church's Social Teaching*, 1996, and the ecumenical Churches Together in Britain and Ireland, 2005, report *Prosperity with a Purpose*). This importantly also overlaps with secular literatures on wellbeing, for example the common good features prominently in the economist Layard's *Happiness. Lessons from a New Science*(2005) – and the importance of the contribution of character and virtues in supporting and shaping it.

NB. Our Happiness and Religion research project (Research Council funded) clearly notes the distinctive contribution of religion to economic and social wellbeing (from within disciplines of religion) but also of the even greater importance of the engagement of that religious contribution in the promotion of greater human wellbeing – as essentially a profound religious sharing in an interdisciplinary contribution (with other disciplines, practices, beliefs) to what is essentially a profoundly multidisciplinary project – the promotion of greater human wellbeing.

### Reinforcing such ethical and religious contributions to greater economic wellbeing

This could include:

1. Major convergences in support for nurturing and promoting greater social capital (and the contribution of religious and spiritual capital to it)- in neighbourhoods, communities and societies – there are a variety of detailed proposals in Philip Blond’s *Red Tory* and Halpern’s *The Hidden Wealth of Nations*, with interestingly some overlaps between them.
2. Developing global and national monitoring system, identify emerging financial and economic crises: see Rogoff and Reinhardt’s BCDI index. Such a system, certainly at least partly, would be dependant on government but equally needs to be independent of it (see conflict over scientific advice to Home Office).
3. Developing more accurate national measurement of economic and social wellbeing, for example, as in *National Accounts of Wellbeing*, including recognition of convergences with some key religious understandings (as noted above).
4. Developing a financial ethics commission – as in medical/health services – as recognition and policy of the ethical dimension in any adequate financial system (including institutional – professional standards).
5. Developing the political dimension – as in Blond and Halpern, and its necessary development of more participatory democratic instruments – including with regard to giving formal support to future tax payer bail outs.

#### Reading since January

1. The Science of Subjective Wellbeing (eds. M. Eid and R. Larson, Guildford Press).
2. Moral Clarity. A Guide for Grown-up Idealists, S. Neiman (2001), Bodley Head.
3. The Faith Instinct. How Religion Evolved and Why It Endures, N. Wade, 2009, Penguin.
4. A Grammar of the Common Good. Speaking of Globalisation, P Riordan, Continuum, 2008.
5. Christianity and Contemporary Politics, L. Bretherton, 2010, Wiley-Blackwell
6. The Politics of Discipleship Becoming Postmaterial Citizens, Baker Academic, G. Ward, 2009.
7. God and Community Cohesion. Help or Hindrance, A. Billings, 2009, SPCK.
8. Catholic Social Teaching 1891 – present. A Historical, Theological and Ethical Analysis, C. Curran, 2002, Georgetown University Press.
9. Caritas in Veritate, Charity in Truth, Benedict XVI, 2009, Veritas.
10. Enough is Plenty. Public and Private Policies for the 21<sup>st</sup> century, A. Ryan, 2009, O-Books.
11. Against Usury. Resolving the Economic, Ecological and Welfare Crisis, R. Van de Weyer, 2010, SPCK.

12. This Time is Different. Eight Centuries of Financial Folly, C. Reinhart and K. Rogoff, 2009.
13. A Sen's Introduction to Adam Smith's Theory of Moral Sentiments, 2010, Penguin. Sen on Capitalism Beyond the Crisis, 14<sup>th</sup> March, The Guardian 2009.
14. Citizen Ethics in a Time of Crisis, Rowntree Trust, 2010.
15. The Real Third Way. For a New Metanarrative of Capital, 2009, J Millbank.
16. Arts Development in Community Health. A Social Tonic, M. White, Radcliffe Publishing, 2009.
17. God is Back. How the Global Rise of Faith is Changing the World, J. Micklethwait and A. Wooldridge, Penguin, 2009.
18. Red Tory. How Left and Right Have Broken Britain and How we can Fix it. Philip Blond, 2010, Faber and Faber.
19. The Hidden Wealth of Nations, David Halpern, 2010, Polity.
20. The Practices of Happiness: Political Economy, Religion and Wellbeing, J. Atherton, E. Graham and I. Steedman (eds), Routledge, 2010.