

# **Faiths for the City**

**Making a difference**

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## **Religion and Economics**

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## Religion & Economics

**Rara temporum felicitas, ubi sentire, quam velis;  
& quae sentias, dicere licet**

Ladies & Gentlemen,

### My Objectives

Marius Felderhof once told me that Plato valued oral discussion above what was written down.<sup>1</sup> So tonight, I will aim, not to present firm conclusions, but to raise important issues which are on the interface between religion and economics.

First, I will discuss types of thought and their associated languages and methods of communication - emphasizing the differences between the system of thought and language that powered the scientific revolution and other systems of thought, language and understanding, including religion.

Next, I will turn to the overlaps between systems of thought, including that underlying economics, and, with due diffidence, that related to religion.

I will then apply this to two contemporary issues: the credit crunch: and global warming.

Finally, I will try to draw some threads together.

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<sup>1</sup> The closing sections of his dialogue, Phaedrus,275ff., specifically:

Socrates: He who thinks, then, that he has left behind him any art in writing, and he who receives it in the belief that anything in writing will be clear and certain, would be an utterly simple person...if he thinks written words are of any use except to remind him who knows the matter about which they are written. Phaedrus: very true.

Socrates: Writing, Phaedrus, has this strange quality, and is very like painting; for the creatures of painting stand like living beings, but if one asks them a question, they preserve a solemn silence. And so it is with written words; you might think they spoke as if they had intelligence, but if you question them, wishing to know about their sayings, they always say only one and the same thing. And every word, when once it is written, is bandied about, alike among those who understand and those who have no interest in it, and it knows not to whom to speak or not to speak; when ill-treated or unjustly reviled it always needs its father to help it; for it has no power to protect or help itself

## Conceptualization and Language

Religion and economics involve different systems of thought. They are both abstractions, that can help or hinder our understanding and our behaviour; they are both arranged in particular categories of language.<sup>2</sup>

In the last 250 years or so, we have accumulated a large and rapidly growing stock of a particular kind of knowledge; such growth has been exponential; and promises to continue; “wider yet and wider” one might sing.

This huge increase in the stock of knowledge has been concentrated in the sciences, and so it seems natural to talk in that language. David Hume put it dramatically in the 18<sup>th</sup> century:-<sup>3</sup>

“If we take in our hand any volume; of divinity or school metaphysics, for instance; let us ask, does it contain any abstract reasoning concerning quantity or number? No. Does it contain any experimental reasoning, concerning matters of fact and existence? No. Commit it then to the flames: for it can contain nothing but sophistry and illusion.”

Such reasoning has been revolutionary in its impact, enabling our standards of living to rise beyond what medieval or even Roman man could have imagined. Despite a huge expansion of the world’s population there has been a doubling of the span of human life, with more to come: massive increases in living standards and reductions in poverty: and a whole set of arrangements that have enabled great concentrations of human beings to live together on a global scale. We human beings have not only taken over the world, but, in some sense, even the process of evolution.

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<sup>2</sup> Not forgetting the French Statesman Talleyrand, who once said "that speech is given to man to disguise his thoughts" and Voltaire “[Men] use thought only to justify their injustices and speech only to conceal their thoughts”.

<sup>3</sup> David Hume *An Enquiry Concerning Human Understanding* 1748

But does this way of thinking apply universally, and can all issues be solved through its use? Is all other knowledge, and the experience behind it, to be cast into the fire?

## The Exclusiveness of Scientific Logic?

Let us turn to the discussions between the Cambridge don, Bertrand Russell, and the Austrian engineer, Ludwig Wittgenstein, in the early years of the last century. Russell wanted philosophy to break from its Aristotelian past and become a science, like mathematics, and saw Wittgenstein as the man who could do this.<sup>4</sup> In the event Wittgenstein disappointed Russell - but in doing so developed a fruitful distinction between “saying” and “showing” – between what can be said and what cannot be said, but instead has to be shown. Initially, Wittgenstein was applying this distinction to logic; its extension to ethics, aesthetics and the meaning of life occurred to him while fighting for the Austrian army on the Russian front in the First World War.<sup>5</sup>

Wittgenstein believed that philosophers [such as Russell], intoxicated by the success of science, had forgotten that there was another kind of understanding. “People nowadays think that scientists exist to instruct them, poets, musicians, etc., to give them pleasure. The idea that these have something to teach them – that does not occur to them.”

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<sup>4</sup> Ludwig Wittgenstein, had come to England from Austria to study engineering in Manchester and had then gone to Cambridge to listen to Russell. In 1911 Russell says in a letter to Ottoline Morrel “It has long been one of my dreams to found a great school of mathematically minded philosophers ...Wittgenstein of course is exactly my dream”. But 8 years later, when Wittgenstein had finished the Tractatus, and when he and Russell had gone through it line by line, Russell was shocked to “find a flavour of mysticism”. Wittgenstein was concerned to “distinguish between what can be said and what can be shown”. In answering Russell’s questions on the Tractatus two years before it was published, Wittgenstein wrote: - “The main point is the theory of what can be expressed by prop[osition]s – i.e. by language (and which comes to the same, what can be thought) and what cannot be expressed by prop[osition]s but only *shown*” In the Tractatus itself, Wittgenstein says “What *can* be shown *cannot* be said.” He seems to have believed that one could *show* deep truths, either by remaining silent about them or by saying things that, strictly speaking, were nonsensical. Towards the end of the Tractatus, he writes: “There is indeed the inexpressible. This shows itself; it is the mystical.”

<sup>5</sup> In these areas, Wittgenstein appears to believe, there are indeed truths, but that none of these truths can be expressed in language; they all have to be shown, not said.

## Other languages

Let us extend Wittgenstein's line of argument. "Showing" relates well to art, theatre and to ethics (e.g. let us follow the example of good people rather than trying to define some abstract idea of goodness). In the case of music, we probably need another word than "showing". In the case of religion there is the language of prayer, which is both linguistic and ritualistic, about thinking and about theatre.<sup>6</sup> And there is the importance of silence.

"Feeling" is also important. Rousseau assigns a supremely important role to the properly directed contemplation of nature – "pour le voir, il faut le sentir".<sup>7</sup> Wordsworth in Tintern Abbey writes "...[Nature] can so inform the mind that is within us, so impress with quietness and beauty, and so feed with lofty thoughts,..." Goethe's Faust is seeking to escape from the stifling confinement of lifeless learning into the "living nature into which God created man".<sup>8</sup>

The relationship between God and Nature can also be found in St Thomas Aquinas, who argued we can know *about* God through his creation, although only in an analogous manner.<sup>9</sup>

Yet the New Testament Gospels are taken, correctly(?) to be empirical facts, although recollections of events have been carefully edited. The factual basis of Jewish stories in the Old Testament is controversial; e.g. the arguments about the Creation continue unabated.

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<sup>6</sup> Indeed, what can be communicated is always more than what can be said. We are told that what people receive from a TV interview is 2/3rds body language, a quarter tone of voice, and the rest what is said. In the normal situation of human contact the body dominates the words.

<sup>7</sup> *Emile* 1762

<sup>8</sup> See W. R. Rutland *The Becoming of God* Oxford 1971

<sup>9</sup> Aquinas developed notion of Analogy, when a descriptor changes some but not all of its meaning, i.e. the word "healthy" is analogical in that it applies both to a healthy person or animal (those that enjoy of good health) and to some food or drink (if it is good for the health). Analogy, St Thomas argues, is necessary when talking about God, for some of the aspects of the divine nature are hidden and others revealed to finite human minds.

The stories of Greek and Roman religion and of the interactions between gods and men are not best thought of as facts. But they mattered. Aeneas's destiny is religious; he regularly sacrifices to the gods while Juno, still furious with Paris's award of the apple, tries to prevent him getting to Italy.

But even when religious language appears to be factual, its power does not derive from its empirical content. Christ's teaching as recorded in the New Testament, is often by parable. (Are the stories about Him also parables?) Whether there ever was a Good Samaritan, who helped the man mugged on the road to Jericho, is beside the point.

I go further and argue that empirical verification of what is recorded as fact in the New Testament may be of interest to scholars, and possibly to theologians, but need not concern lay-people. Enoch Powell concluded that much of the drafting of St. Matthew's Gospel was designed to smooth over the divergent approaches of Jewish and Gentile Christians. He went so far as to question the whole story of the crucifixion and to argue that Jesus died by stoning at the hands of the Jewish Church.<sup>10</sup> This will shock some; but, I submit, the exact method of His death was not critical to His purposes.

Both Ovid<sup>11</sup> and Voltaire<sup>12</sup> remind us that god or gods were necessary to man, even if imagined. To be cynical is not to be wrong. Throughout the ages, mankind has needed gods more than they have worried about whether they passed some empirical test.

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<sup>10</sup> Enoch Powel *The Evolution of the Gospel* New Haven & London 1994

<sup>11</sup> "Expedit esse deos,et, ut expedit , esse putemus *Ars Amatoria Bk 1*

<sup>12</sup>" Si Dieu n'existait pas, il faudrait l'inventer" *Epitres # 96 A l'Auteur du livre des trios imposteurs*

## The Languages of Economics

Turning to economics, we find a mixture of scientific and other languages. Adam Smith, himself a professor of moral philosophy, stressed the importance of “interest”, the rational side of mankind, in economic life.

The notion of “interest” developed in the 18<sup>th</sup> century, contrasted with the earlier notion of “the passions” as the key motivator of human beings<sup>13</sup> - shifting towards emphasis on commerce and economic development - and narrowing the focus of human life.<sup>14</sup> But that did not mean uncontrolled “interest”. Adam Smith told us the “It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest.”<sup>15</sup> He also told us that “people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.”<sup>16</sup>

In the 19<sup>th</sup> century, the Utilitarians developed the narrower objective of maximising “utility” – and at a social level, the greatest happiness of the greatest number. Utilitarianism has proved to be a very powerful, concentrated driver behind economics. It is particularly well suited to thinking about a non-hierarchical world and able to guide thinking at both a national and a global level.<sup>17</sup> But it does not embrace the full range of human perception and human experience; neither religion nor art fall easily within it. Nor is it clear how the “utility” or happiness of different individuals could be aggregated – in the family, in the community, in the nation, or in the world.

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<sup>13</sup> “Reason is, and ought only to be the slave of the passions, and can never pretend to any other office than to serve and obey them.” David Hume *A Treatise upon Human Nature* 1739 bk. 2, pt. 3. Henry Playford, in *Orpheus Britannicus*, (1698) described Purcell as having “a peculiar Genius to express the energy of English Words, whereby he mov’d the Passions of all his Auditors”.

<sup>14</sup> Albert O. Hirschman *The Passions & the Interests* 1977

<sup>15</sup> *Wealth of Nations* 1778 bk 1, ch 2

<sup>16</sup> *Ibid* ch 10

<sup>17</sup> “The greatest happiness of the greatest number is the foundation of morals and legislation” Jeremy

Bentham *The Commonplace Book* in J.Bowring (ed) *Works Vol 10* 1843.

Utilitarianism shifted our focus from “interest” to “self-interest” - although John Stuart Mill qualified/undermined it by writing that “It is better to be a human being dissatisfied than a pig satisfied; better to be Socrates dissatisfied than a fool satisfied.”<sup>18</sup>

Utilitarianism may be insufficient, but Garry Gekko’s comment that “greed is good” is a distortion - if an understandable one.

“Scientific” economics has gone further in developing an edifice built on utilitarian self-interest, and from the middle of the 20<sup>th</sup> century, expressed utility largely in the form of aggregated measured income, particularly Gross National Product – despite wide appreciation of the narrowness of the measure.<sup>19</sup>

Yet the immense effort put into building up economics in this way has proved to be consistently disappointing. Macro-economic models have failed to predict what we most want to predict, the turning points in our economies. Worse still they have led people, who should have known better, to think that the kind of turbulence that we have seen in the last two years could not happen.

Not all economists or schools of economic thought have gone down this narrow road. Rather this illustrates the same illusion as that which afflicted Bertrand Russell. It is not the abstraction that is wrong, but pushing one language too far and excluding other ways of thinking. The recent reaction in the profession has been to want to incorporate non-economic elements

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<sup>18</sup> *Utilitarianism* 1863

<sup>19</sup> It has also added to it, the belief that rationality includes assessments of all the evidence relevant to a situation – knowledge that must include information about the future, including the (rational) expectations of others, achieving, formally, the presumption that human beings are both perfectly selfish and perfectly knowledgeable. This tradition of neo-classical economics began with Leon Walras in the latter part of the 19<sup>th</sup> Century and has been systematically developed by mathematically inclined economists culminating in the theories of rational expectations and efficient capital markets that materially influenced perceptions of the build up to the credit crunch. Yet, as the mathematician Henri Poincare wrote to Walras when sent the manuscript of his work, while the first may be a reasonable first approximation to reality, the second requires some careful questioning – a questioning subsequently carried out notably, by Frank Knight, L.G.S.Shackle, George Richardson and Joseph Stiglitz, but a questioning that has not been fully incorporated into economic modelling and still requires to be emphasised. In the “Austrian” tradition, uncertainty occupies a central role.

in a piece of analysis, often in an historical setting in order to achieve greater relevance in our analysis.<sup>20</sup>

## **Overlapping and Non-overlapping *Magisteria***

The rapid expansion of knowledge, has made an increasing degree of specialization inevitable. In Rome, priests of the gods were often the same men as those who conducted the political business of the city.<sup>21</sup> This largely continued in medieval times. Since then, the *magisterium*, traditionally the teaching of the Catholic Church, has fragmented as new subjects, each with its own authority, have arisen. Many are now purely secular; each has its own language.

The Harvard biologist, Stephen Jay Gould, developed the idea of non-overlapping *magisteria*, to give authority to both Church and Science, particularly in relation to the contentious issue of creation & evolution. I want also to talk about overlapping *magisteria*, the space where different authorities are dealing with common ground.

As knowledge becomes more specialised and new strands of thinking and new methods of analysis develop, and as the ties between church and state have weakened, the Church finds itself with an increasingly narrow area of authority, while emphasising the wholeness of humanity.

Economics, like many of the social sciences/studies, is a relatively new and growing area of study, effectively born in the 18<sup>th</sup> century, with David Hume and Adam Smith as key figures. Its boundaries continue to expand –

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<sup>20</sup> Links with politics have been explored in the Public Choice school of economics. See also Timothy Besley *Principled Agents; the political economy of Good Government*, Oxford 2006

<sup>21</sup> As Cicero, who was himself both a political leader and a priest, put it “Among the many things ...that our ancestors created and established under divine inspiration, nothing is more renowned than their decision to entrust the worship of the gods and the highest interests of state to the same men.” Mary Beard *Pompeii; the life of a roman town* London 2008

economics as a set of techniques of analysis has spread to education, crime and punishment, the environment, and who knows where next?

How can we understand what is going on in other areas of expertise and relate them to our own? One route, which seems to have worked in physics and engineering, is to develop large computable models. But such work in the human field has not been so happy. Forty years ago, I took part in discussions on the application of the mathematical techniques that had been so successful in getting men to the moon and back, to social and economic problems. Unfortunately, building uncertain relationships into increasingly complex models has not increased the reliability of the answers.<sup>22</sup> Rather it has given an air of scientific certainty to areas where understanding *uncertainty* is the essence of the issue.

Uncertainty is a crucial issue in economics because economic life is about unexpected events and the discovery of ways to deal with them. The practical application of economics always involves consideration of (uncertain) alternatives; subjectivity can never be ruled out.<sup>23</sup>

Let me now try to illustrate the relationships between economics and religion, by looking first at the credit crunch of 2007-09, and secondly at the issue of man-made global warming.

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<sup>22</sup> Indeed it can hide the uncertainty, and hence the range of answers that are possible, by the difficulty in knowing just what is going on inside the model. Physicists and engineers may be able to assemble deterministic relationships into an operationally useful computer model although meteorologists have not been so successful in predicting the weather despite the use of extremely powerful supercomputers. Social scientists, dealing with complex variables human beings – whose responses may differ in different circumstances, may have an impossible task – if they insist in relying on such tools.

<sup>23</sup> See Stephen Littlechild *The Fallacy of the Mixed Economy; an "Austrian" Critique of Recent Economic Thinking and Policy*, 2<sup>nd</sup> Edition 2009 for an excellent exposition of a stream of thinking in economics that stresses the importance of change rather than "equilibrium". See also Timothy Williamson "Armchair Philosophy" *Oxford Philosophy* Summer 2009 "The armchair skill that philosophy cultivates in judging potential counterexamples is firmly rooted in our capacity to gain knowledge of the world through perceptual experience."

## **The Credit crunch 2007-09**

First, the story.<sup>24</sup> Economic life is subject to booms and recessions, varying in size and periodicity, often linked to innovations. Because of the links in the global economy these are increasingly world-wide. The world economy had been booming since the mid 1990s, having gone through the dot-com boom at the turn of the millennium. A recession seemed to be looming in 2001-04, but was put off by the combination of an easy monetary policy in the West and the capital inflows from Asia, mainly China, that matched their trade surpluses.

Meanwhile, from the 1980s, there was rapid innovation in financial markets. New people came into the sector, full of new techniques, aggressively pursuing new practices. Banks, which had hitherto kept away from securities markets, began to develop a bewildering range of derivatives - a range that bewildered their managers, their regulators, and even themselves, as well as the rest of us. Given the relaxed monetary stance, particularly in the US and the UK, an asset bubble duly built up and duly broke, leaving some very big players, for example, Lehman Bros, horribly exposed.

Politicians, especially in the US and the UK, who had encouraged the new lending practices, especially in the housing market, predictably panicked when the bubble burst. It will be interesting to reflect on the different experience of the British and American economies compared with those of continental Europe and elsewhere; and on whether we will next see a resurgence of inflation?

The UK is not out of the wood yet. The IMF argues<sup>25</sup> that we face a bigger “financing gap” than either the US or the Eurozone.<sup>26</sup> The chief executive

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<sup>24</sup> Accounts of what happened and why, and what to do, are multiplying. For a concise, well thought out and well-written account see David Simpson *The Recession; Causes and cures* London 2009

<sup>25</sup> September Global Financial Stability Report, Daily Telegraph 1<sup>st</sup> October 2009

of HSBC, the bank that survived, believes that there will be a second downturn and plans to delay expansion.<sup>27</sup> And only yesterday the UK government provided another £37billion for Lloyds and the Royal Bank of Scotland.

A credit card crunch may follow the banking crunch. The British have been binging on plastic and, as unemployment rises, many people will not be able to pay for their debts - while the problems of demographic change and inadequate pension provision build up.

These events raise moral issues. "At its heart, the credit crunch was about the lenders loading more and more debt on to people who could not afford it and then hiding all the dodgy loans in complex securities spread throughout the financial system".<sup>28</sup> The bankers and their regulators are in the political firing line but a thorough moral analysis would cast the net more widely to everyone who *desperately* strives for financial gain, including home-owners searching for capital gains and consumers who *systematically* spend more than they earn.<sup>29</sup>

Financial greed is our form of both covetousness and gluttony: believing that boom and bust can be abolished - and this belief goes wider than the Prime Minister - shows pride: regulatory inaction reveals sloth: seeking unrealistically high mortgages indicates envy. And there was doubtless

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<sup>26</sup> It indicated that the UK would have to persevere with its Quantitative Easing (ie printing money) programme for a long time in order to compensate for the debt famine. The IMF measures the financing gap as the difference between what people need to borrow to keep the economy in good health and what they can actually lay their hands on. For the UK, this is put at 15% of Gdp, compared with 2.4% in the US and 3% in the Eurozone. There are, however, signs of recovery in the service sector of the UK economy.

<sup>27</sup> "Is this a V recovery or a W?" Mr Geoghegan asked in an interview with the FT. "[I think] it's the latter. [If I'm right], we have to be very careful we don't grow the balance sheet so far before the recovery has come only to write it back into the impairment line later on. I'm cautious about growing too fast." *Financial Times* 5<sup>th</sup> October 2009

<sup>28</sup> Matthew Lynn *Credit card debt: the crunch yet to come* *The Spectator* 26<sup>th</sup> September 2009

<sup>29</sup> Jurgen Stark, former vice-president of the Bundesbank and now head of economics at the European Central Bank (ECB) argues for a disciplined approach that emphasises thrift, caution and a strict focus on combating inflation. He also believes that central bankers, like Caesar's wife, should be above suspicion. *Financial Times* 17/18 October 2009.

plenty of lust and anger to add extra spice. Against this, Thomas Aquinas defined the four cardinal virtues as prudence, temperance, justice and fortitude, revealed in nature, and binding on everyone.<sup>30</sup>

Religious leaders have a natural platform. But it is easy to get it wrong, and ignorance is no defence. The Archbishop of Westminster got it right by stressing the widespread moral responsibilities involved: the Archbishops of Canterbury and York got it wrong by sounding off against a particular practice, namely short-selling.<sup>31</sup>

“Caveat emptor” is a key characteristic of a market economy. But it only works when a fair description of the product or service is available. Trust is an essential ingredient in the functioning of a successful market economy.<sup>32</sup> Many of those selling complex derivatives seem not

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<sup>30</sup> Martin Weale, Director of the National Institute for Economic and social Research, argues that the present generation has lived as though GDP was 5 percent higher than it was.

<sup>31</sup> At the height of the financial crisis last September, Dr Williams said it was right to ban short selling, while Dr Sentamu called traders who cashed in on falling prices “bank robbers and asset strippers”. But there has now been a reassessment. The Church Commissioners have commented on an EU Draft Directive, urging caution in intensifying regulation. “Maximising the returns on our investment portfolios is an essential part of delivering our foundations’ missions, for the benefit of society,” said the letter. “The draft directive, while well-intentioned, threatens this goal.” *Financial Times* 7<sup>th</sup> October 2009

<sup>32</sup> “The economic sphere is neither ethically neutral, nor inherently inhuman and opposed to society. It is part and parcel of human activity and precisely because it is human, it must be structured and governed in an ethical manner.” & “Striving to meet the deepest moral needs of the person also has important and beneficial repercussions at the level of economics. *The economy needs ethics in order to function correctly* — not any ethics whatsoever, but an ethics which is people-centred. Today we hear much talk of ethics in the world of economy, finance and business. Research centres and seminars in business ethics are on the rise; the system of ethical certification is spreading throughout the developed world as part of the movement of ideas associated with the responsibilities of business towards society. Banks are proposing “ethical” accounts and investment funds. “Ethical financing” is being developed, especially through micro-credit and, more generally, micro-finance. These processes are praiseworthy and deserve much support. Their positive effects are also being felt in the less developed areas of the world. It would be advisable, however, to develop a sound criterion of discernment, since the adjective “ethical” can be abused. When the word is used generically, it can lend itself to any number of interpretations, even to the point where it includes decisions and choices contrary to justice and authentic human welfare.” *Caritas in Veritate* Rome 2009

themselves to have understood what they involved.<sup>33</sup> But that did not curb aggressive behaviour.<sup>34</sup> And evidence of misrepresentation is emerging.<sup>35</sup>

Most of the people involved were, however, clever people, trying to do a good, and profitable, but nevertheless useful, job. Few were completely warped by greed. The trouble was that they were infected by the herd instinct. They lacked the wisdom to stand back and realise what was really happening.<sup>36</sup> Wisdom, of course, must include an ethical stance.<sup>37, 38</sup>

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<sup>33</sup> See comments by Jean-Claude Trichet, President of the ECB at a conference in Frankfurt “Looking back on the years before the crisis erupted, we can see that there was a dramatic shift in focus in large parts of the financial sector – away from facilitating business, trade and real investment towards unfettered speculation and financial gambling...Looking forward the financial sector will have to return to its traditional role of providing a service to the real economy. This above all requires a change in mentality within the financial industry itself...Our fellow citizens will not tolerate a relapse into excessive risk-taking at the expense of taxpayers” *Financial Times* 15 October 2009

<sup>34</sup> See Michael Lewis *Liar’s Poker* for an account of life in Salomon Bros in New York in the 1980s.

<sup>35</sup> Using data from 444 due diligence reports commissioned by investors between 2003 and 2008, researchers at New York University’s Stern School of Business analysed the extent to which hedge fund managers’ representations about their funds differed from reality. They identified “noted verification problems” – characterised as “misrepresentations or inconsistencies” in 42% of due diligence reports. “Hedge funds misrepresent facts, says research” *Financial Times* 13 October 2009. US Federal prosecutors have also alleged that two former Bear Stearns hedge fund managers misled investors to save their bonuses and reputations. “Ex-Bear Stearns officials “misled investors”” *Financial Times* 15 October 2009

<sup>36</sup> Gillian Tett *Fools Gold* 2009

<sup>37</sup> “Once profit becomes the exclusive goal, if it is produced by improper means and without the common good as its ultimate end, it risks destroying wealth and creating poverty.” *Caritas in Veritate* Rome 2009

<sup>38</sup> I do not, however, want to argue in favour of Corporate Social Responsibility (CSR), which raises some specific issues of its own.

## Global warming

First, the story.<sup>39</sup> It is both complicated and controversial and I will try to set out the bare bones in an objective manner.

The climate has always been changing, so climate change in general is business as usual.<sup>40</sup> But average global temperature has risen since the mini-ice age of the 16/17<sup>th</sup> centuries, when the Thames regularly froze over, that followed the medieval warm period. Warming continued in the 20<sup>th</sup> century, averaging less than one degree centigrade a century.

It is argued by some that we are living through a radical departure from past experience – the notion of a temperature “hockey stick” – with a *broadly* flat temperature pattern suddenly changing at the end of the 20<sup>th</sup> century. This was used to dramatic effect in the UK government’s White Paper on energy policy in 2003. But further work questioned the existence of such a hockey stick, and it is now widely discredited.<sup>41</sup>

While there is evidence that emissions of carbon dioxide and other greenhouse gases are responsible for raising temperatures, the speed and future extent of this effect is both uncertain and controversial. The United Nations Panel on Climate Change (IPCC) has issued assessments in the form of demographic, climatic and economic scenarios. These scenarios – they are not forecasts - indicate that there could be a significant acceleration in global warming in future centuries.

Yet a systematic divergence is emerging between these scenarios and the recorded evidence on global temperatures. The model runs indicate increases in temperature of between 0.2 and 0.5 degrees centigrade per

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<sup>39</sup> See Nicholas Stern *The Economics of Climate Change; The Stern Review* Cambridge 2007 and Nigel Lawson *An Appeal to Reason; a cool look at Global Warming* London 2008 for two polar positions.

<sup>40</sup> “Climate change” has become a platform for alarmism. “When people overstate happenings that aren’t necessarily climate change-related, or set up as almost certainties things that are difficult to establish scientifically, it distracts from the science we do understand. The danger is they can be accused of scaremongering. Also, we can all become described as kind of left-wing greens. --Sir David King, The Times, 30 October 2009

<sup>41</sup> See <http://ross.mckitrick.googlepages.com> click Hockey Stick for full account

decade, compared with the past of less than one degree per century. Meanwhile, the records of the last ten years show no upward trend.<sup>42</sup>

The social and economic consequences of global warming are even more uncertain than is the climate science. Various studies, such as the Stern Review, commissioned by the British government, build on IPCC scenarios to predict many adverse effects, such as disease, flooding and desertification, speculating on the economic costs that could arise. All these highly uncertain relationships were put into a large economic model employing a highly controversial rate of discounting the future.<sup>43</sup>

Despite drawing attention to the many uncertainties, the Stern Review concludes in purple prose, pointing to the urgent need to prevent a disaster greater than two world wars. Other studies, however, using much the same basic material, for example those by William Nordhaus,<sup>44</sup> argue for only modest action now, in the form of a carbon tax, followed by policy escalation - depending on what actually happens.

Such analysis is only part of the story. As the Lunar Society debate at the Town Hall last year showed, many are calling for immediate and drastic action on moral grounds. Uncertainty has become certainty, bolstered by a particular interpretation of the "precautionary principle".<sup>45</sup>

World leaders have signed up for action; although forthcoming Copenhagen conference seems unlikely to conclude with more than aspirations.<sup>46</sup> Parliament has legislated on carbon reduction; but no one

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<sup>42</sup> This divergence is showing in both tropospheric and ground measures

<sup>43</sup> A particular characteristic of the Stern Review was the use of a very low and widely criticized discount rate, chosen for ethical rather than economic reasons. This has the effect of exaggerating, for example, adverse consequences that could arise in the 22<sup>nd</sup> Century. Mainstream economic opinion believes that the discount rate used by Stern is much too low, but differs on the precise number or numbers to be used.

<sup>44</sup> William Nordhaus *A Question of Balance; weighing the options on Global Warning Policies* Yale 2008

<sup>45</sup> See David Spiegelhalter, Winston Professor of the Understanding of Risk at Cambridge "An uncertain scientists guide to taking risks." *The Times* 4<sup>th</sup> November 2009

<sup>46</sup> Part of this may be because another "crisis", a global recession, has emerged: part may be because huge tension has arisen about who should take action; should the more developed countries, who, it is said, caused the problem in the first place, compensate the less developed ones who can't afford to do anything about it.

has specified a credible programme for achieving it.<sup>47</sup> Prayers are offered in churches and now Canterbury want us to “dig for climate victory” by growing our own beans rather than buying them from the Kenyans.<sup>48</sup>

The scientist Lord May has recently appealed to religion, which “may have helped to protect human society from itself in the past, and may be needed again.” No country, he said, was prepared to take the lead and a “punisher” was needed to make sure that the rules of cooperation were not broken.” Religious groups could use their influence to motivate believers into reducing the environmental impact of their lives.<sup>49 50</sup>

Scientific analysis, involving a range of disciplines from meteorology to economics and from demography to medicine produces results which are eminently worthy of serious discussion and further analysis.<sup>51</sup> Yet the debate becomes locked in certainty, and the language shifts to that of punishment and global salvation.

The environment, sustainability, and our response to global warming have a religious aspect, but this should, to the extent possible, be related to our inevitably imperfect understanding of the issues.<sup>52</sup> Religious discussions should take full account of the complexities in the situations we face, and of the reliability of the stories that we hear and tell each other.

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<sup>47</sup> The UK Climate Change Act mandates a reduction of 80% in carbon emissions by 2050. The Scottish Act is even more ambitious.

<sup>48</sup> Defending his position against those who might argue that trade could help health education and material standards of living in Kenya, Dr Williams argues “I don’t want to create an instant crisis in those economies...[but] you want to ask what it is doing to a Kenyan economy that becomes dependent on what are effectively cash crops for export.” *Shades of 18<sup>th</sup> Century Birmingham?*

<sup>49</sup> See Richard Alleyne. *Daily Telegraph* and Ian Sample *The Guardian*, both 7<sup>th</sup> September 2009

<sup>50</sup> On a similar note, Clive Hamilton, a professor of public ethics at the Australian National University, claims that the majority of people in Britain are in denial about the risk of global warming. Comparing the situation to the psychology of the British & German populations before the second world war he says that the only way to make people change their behaviour is to “ramp up the fear factor”. *Daily Telegraph* 3 October 2009

<sup>51</sup> In an employment case before the Court of Appeal, Mr Justice Burton said “If a person can establish he holds a philosophical belief base on science as opposed, for example, to religion, then there is no reason to disqualify it from protection.” *The Scotsman* 4<sup>th</sup> November 2009.

<sup>52</sup> John Broome “Why Climate Change Calls for Philosophy” *Oxford Philosophy* Summer 2009, reminds us that discounting of the future and the possibility of the extinction of the human race are issues involving philosophy. See his *Counting the Cost of Global Warming* 1992, *Weighting Goods* 1991 and *Weighing Lives* 2004

It may be that a new form of religion is emerging – or is religion mutating – that comprises a combination of the “natural” romanticism of Rousseau, Wordsworth and Goethe, our urban sense of alienation from the natural world, the greater sense of responsibility that arises from the perception that our scientific, social and economic progress has put the world at our mercy, and our confidence that we can transform events. But if such a new *magisterium* is arising, it must take proper account of other knowledge and other perceptions.<sup>53</sup>

To be convincing, religious utterances must avoid the rigidity of thought often associated with religion. Unlike the Galileo episode, the rigidity of thought this time comes from the scientists themselves who seem to want to freeze out dissenters – or in current terminology, “deniers”. Lord May should know better. It is unfortunate that some Church leaders seem ready to follow him uncritically.

On this subject, I want to leave the last word with Elinor Ostrom, a devoted environmentalist, the first woman to win a Nobel Prize in economics. She has argued that, although many basic conservation strategies are sound, their application is too simplistic and rigid, in which local customs and politics are ignored. “If we keep it too simple” she says, “we lose an understanding of what is going on out there.”

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<sup>53</sup> Note the Catholic position as set out in *Caritas in Veritate* “But it should also be stressed that it is contrary to authentic development to view nature as something more important than the human person. This position leads to attitudes of neo-paganism or a new pantheism — human salvation cannot come from nature alone, understood in a purely naturalistic sense. This having been said, it is also necessary to reject the opposite position, which aims at total technical dominion over nature, because the natural environment is more than raw material to be manipulated at our pleasure; it is a wondrous work of the Creator containing a “grammar” which sets forth ends and criteria for its wise use, not its reckless exploitation.”

## Implications for Practice

What does all this tell us about what we ought to do? “Whatever is simple is wrong”, Paul Valery tells us, but “whatever is complex is useless”. And, I would add, different people, and different groups of people, have different objectives – what the 18<sup>th</sup> century would describe as different passions and different interests.

In thinking about this I have found Pope Benedict’s encyclical *CARITAS IN VERITATE* helpful, in particular its emphasis on the concept of the truth, *within which* charity functions.<sup>54</sup> It also recognises that “the Church does not have technical solutions to offer”<sup>55</sup> Yet “*the truth*” is not an easy concept.<sup>56</sup>

## Openness & order

I suggest two complementary routes – openness and order – both to be examined in two dimensions, one private and one collective.

Openness at the personal level involves intellectual and moral openness; at a global level, being ready to listen and to understand diverse views and

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<sup>54</sup>“Fidelity to man requires fidelity to the truth, which alone is the guarantee of freedom (cf. Jn 8:32) and of the possibility of integral human development. For this reason the Church searches for truth, proclaims it tirelessly and recognizes it wherever it is manifested. This mission of truth is something that the Church can never renounce. Her social doctrine is a particular dimension of this proclamation: it is a service to the truth which sets us free. Open to the truth, from whichever branch of knowledge it comes, the Church's social doctrine receives it, assembles into a unity the fragments in which it is often found, and mediates it within the constantly changing life-patterns of the society of peoples and nations.”

Introduction paragraph 9 *CARITAS IN VERITATE* Rome, 29 June 2009

<sup>55</sup> *Caritas in Veritate* p18

<sup>56</sup> “Integral human development presupposes the *responsible freedom* of the individual and of peoples: no structure can guarantee this development over and above human responsibility.” , “Besides requiring freedom, *integral human development as a vocation also demands respect for its truth.*”& “should prompt us to liberate ourselves from ideologies, which often oversimplify reality in artificial ways, and it should lead us to examine objectively the full human dimension of the problems.” *ibid*

diverse approaches.<sup>57</sup> It also implies looking widely at life, going beyond a Utilitarian approach, striving for wisdom and fulfilment rather than simply wealth and happiness.<sup>58</sup>

Openness at the collective level involves the design of institutions that facilitate entry. An example from economic life would be institutions such as anti-trust, designed to counter the “conspiracy against the public” noted by Adam Smith. On the vexed issues of migration and immigration, openness goes beyond border controls to include social cohesion and cultural alignment, tolerance and understanding.

Order at the personal level involves consideration of the ethical aspects of most of what we do. That could include, for example, judging our actions against Aquinas’s cardinal virtues.

Order at the collective level would, in the economic field, involve effective arrangements for making markets work better, for example regulation where there is monopoly provision or where there are specific issues involving public protection. In the case of banking, for example, it has been argued that it would be sensible to regulate banks who took deposits from the public but not wider financial institutions.<sup>59</sup> Others argue for wider regulation of all banks, but in a more sophisticated way than so far achieved.

There are many issues for debate here.<sup>60</sup> Perhaps we in the Anglo Saxon world should go further in the direction of the German ordnungspolitick,

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<sup>57</sup> “charity in its turn needs to be understood, confirmed and practised in the light of truth” *Caritas in Veritate*” We all need help with this and I can only appeal to those in the different *magisteria* to communicate in terms that are widely comprehensible.

<sup>58</sup> “authentic human development concerns the whole of the person in every single dimension” & “integral human development is primarily a vocation, and therefore it involves a free assumption of responsibility in solidarity on the part of everyone” *Caritas in Veritate*

<sup>59</sup> John Kay, for example, in *NARROW BANKING: The Reform of Banking Regulation* September 2009 This approach has also been floated by the Governor of the Bank Of England, but seems unlikely to be taken up by the present administration.

<sup>60</sup> See *Caritas in Veritate* “Financiers must rediscover the genuinely ethical foundation of their activity, so as not to abuse the sophisticated instruments which can serve to betray the interests of savers. Right

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which allows markets to operate freely, but within clear rules and limits.<sup>61</sup> Perhaps, but it would be fatal to constrain innovation and adaptation to new circumstances.<sup>62</sup>

In doing this we should try always to widen our discourse, avoiding literalism and dogma. Seeking after truth is not the same as finding it. And truth is in the plural.<sup>63</sup> The key issue is how we can best select the key variables, often from different *magisteria* and relate them to each other.<sup>64</sup>

Unlike Pope Benedict, I don't want to go back to metaphysics. I would like to finish where I began - with David Hume. Truth is too complex, too multi-faceted, and, above all, too context-specific, to be encapsulated in simple ideas. Those who claim to have done so are often do more harm than good. We should always question received wisdom, always test whatever we are told, especially by those in authority.

Then, in all seriousness, we must make up our own minds and do what we think to be right, while remembering that to be a sceptic is not the same as to be a denier.

Thank you for listening to me. We can now turn to discussion.

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intention, transparency, and the search for positive results are mutually compatible and must never be detached from one another." & "Both professional competence and moral consistency are necessary."

<sup>61</sup> See Ralph Atkins Profile of Jurgen Stark *FT.com/ Magazine* October 17/18 2009

<sup>62</sup> We may regret the merger of HBOS and Lloyds, but there are encouraging rumours that Tesco & Virgin are interested in buying some Lloyds branches. Since writing this we have learned of the EU breakup of Lloyds and RBS arising from consideration of State Aid.

<sup>63</sup> "All kinds of circumstances contribute to the formation of a world view, and ...all phenomena are due to an inexhaustible multiplicity of causes." P.339, Leszek Kolakowski, *Main Currents of Marxism, Volume III: The Breakdown* Oxford 1978

<sup>64</sup> The key difficulty as seen by Pope Benedict is that "The excessive segmentation of knowledge, the rejection of metaphysics by the human sciences, the difficulties encountered by dialogue between science and theology are damaging... because these things make it harder to see the integral good of man in its various dimensions."

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Ian Byatt