

# THE GLOBAL ECONOMIC CRISIS

Address by Fr Peter McVerry SJ

The most defining context for most peoples lives in Ireland during the past fifteen years has been the phenomenal economic growth that we call the Celtic Tiger, and in the past eighteen months, the recession. During the Celtic Tiger, many peoples' lives were transformed by the wealth being created, and in recent months, some of those same lives have been devastated by the collapse of the economy, losing their jobs, and possibly losing their home. What I would like to ask today is: where was the Church when all this was happening, had the Church anything to say, should it have had anything to say. The answer to that question is: there was a defining silence.

Why such silence? Maybe the Church felt that the economic context of peoples' lives was little or no concern of the Church; that the Church's concern is with their spiritual lives and the world hereafter. If so, then why should we be surprised if people increasingly feel the Church is irrelevant. Or maybe the answer is even more ominous: maybe the Church was compromised by the Celtic Tiger, as it found the value of its own land and properties increasing dramatically, donations easier to come by and the lifestyle of its own clergy sharing in the upward rise enjoyed by the wider population.

I want to argue here that, given the radical Church Social Teaching on the economy which has grown over the past hundred or more years, and given the Gospel values that the Church upholds, the Church should have had a lot to say but failed to say it and in failing to challenge what was happening, became complicit in supporting an immoral economy. Given the theme of this conference, *Between Memory and Hope*, it would seem appropriate to me to ask how the Church forgot its radical roots in the Gospels and Social Teaching, and to suggest that hope for the future, both for our world and our Church, depends on recovering those values that the Church stands for.

The economic tsunami that has swept over the world has changed the economic landscape, hopefully for ever. It began with the collapse of a small segment of the US housing market, the sub-prime market; within months, it had created a global banking crisis, which in turn created a global economic crisis – and has the potential, in time, to create a global political crisis.

As Ireland now finds itself mired in a severe economic recession, most commentators and politicians are asking how long will it last, can we get the technical adjustments and the regulatory system right which will allow us to return to business as usual, as we have known it during the Celtic Tiger years. However, we should not, and I hope will not, return there. Not that the Celtic Tiger was a bad thing for Ireland; on the contrary, it gave, for a short while, almost full employment, lifted many people out of poverty and gave many people hope that their children would enjoy a life free of financial worries.

However, the current economic crisis has revealed two fatal flaws in the global economic model which brought us the Celtic Tiger, flaws that should have been of concern to the Church.

## The Flaws in the Economic Model

First, that economic model was *incapable, both at home and globally, of giving everyone a decent standard of living:*

- *At home*, while some came to experience a lifestyle way beyond anything their parents could have dreamt of, others remained locked in poverty, homelessness and hopelessness. During the Celtic Tiger years:
  - the number of homeless people increased from 2,500 in 1996 to over 5,000 in 2008;

- the number of households on social housing waiting lists more than doubled from 27,400 in 1996 to 56,249 in 2008;
- our prisons became more overcrowded than ever before in the history of the State;
- one in nine children still remained in consistent poverty in 2008;
- thousands of poor families and homeless people live in slum conditions in private rented accommodation which is unfit for human habitation.
- people continue to die prematurely because of poverty and to suffer unnecessarily from lack of access to appropriate medical services, such as cancer services, maternity services, cystic fibrosis services, services for stroke victims, psychiatric services.
- *Globally*, the economic model we have known has given millions of people in the Western world a standard of living which fulfilled all their dreams but it cannot – as it did for us - lift the billions of people who still live on the edge of destitution out of their poverty without destroying our planet with greenhouse gases and polluting our water sources to the point of being unusable.

Secondly, that economic model was *unsustainable*. It depended on us buying more and more, but the money was limited, the planet's resources were finite, so the bubble eventually had to burst. People – not just developers, but most of us - bought with borrowed money, getting into a debt that was expanding, and eventually the loans were called in and many now cannot pay. That economic model was based on a belief in “infinite growth capitalism”, the myth that a consumption-led economy can keep on growing indefinitely. Someone described the Celtic Tiger as a time when “we were buying things we did not need, with money we did not have, using resources we cannot renew.” An unending consumption-led capitalism must either implode, or destroy the planet.

So we are now left with a planet that needs urgent healing and a debt that will sink many households. Some of those who enjoyed a very comfortable standard of living for many years now find themselves out of work, up to their tonsils in debt which they cannot repay and in danger of losing their home. Of course it was foreseeable, but we were all deluded by the good times into burying our heads in the sand, not asking too many questions and hoping it would never end.

### **The Moral Flaw in the Economic Model**

The economic model that we pursued and that has now crashed was not just bad economics - it was morally flawed. That model had, as its sole objective, the pursuit of maximum profit for one sector in the economy, namely shareholders in the banking and corporate business world. Everyone else was simply a means to that end.

- Employees had no value in themselves; their value was dependent on their ability to create profits for shareholders; when they were no longer necessary (eg: replaced by technology or considered too expensive), then the employees were dispensable – as per Irish Ferries, where workers were laid off and replaced immediately by workers from Eastern Europe who were willing to work for less wages in harsher conditions; as per Hibernian, Dell and others, who simply upped and moved to lower cost countries, in the process discarding workers some of whom had given long service to the company.
- Nor did customers have any value beyond making profits for the shareholders: some low-cost airlines show almost contempt for their passengers except in so far as they are a source generating money for the company; some large international retailers failed to pass on the euro-sterling difference, because they believed they could extract more money from the customers; banks appear to almost resent having to deal with customers face to face.

In the pursuit of maximum profit for shareholders, capital migrated to low wage, low tax countries where labour laws are weak or ignored and the absence of environmental concerns allowed profits to be maximised.

Also, in that pursuit of maximum profits for shareholders, the key stakeholders pursued for themselves the goal of maximum personal gain, as evidenced by revelations of obscene salaries, bonuses, expenses, pensions, golden parachutes and “exceptional payments”.

In such an economic system, the basic inequality is not the inequality of wealth but the inequality of power. Those who have the power can accumulate to themselves a disproportionate share of the wealth created. Those who have the skills that are needed by the economy or by the population at large can make excessive demands on the wealth created. Thus, company directors, lawyers and other professionals whose skills are needed for the functioning of the economic system, can demand obscene payments. Hospital consultants whose skills are necessary for the health of the population can demand excessive salaries, although it might be argued that others are far more important to the health of the nation, such as refuse collectors - but their skills are not confined to a select few.

Thus, an economic system, driven by the desire to benefit one sector of the population, devaluing everyone else in the process; which allowed those who had the power to derail or sabotage that system to make exorbitant demands on the wealth which everyone (shareholders, employees and customers) contributed to creating, had within it the seeds of its own destruction. We don't need to go back there, we should not want to go back there. Waiting for the recession to end, so that we can return to the economic model that was so successful for some, is to fail to identify and therefore to remedy the inherent flaws in that model. If we were to succeed, we would only be setting ourselves up for yet another – and bigger – economic crisis in the decades to come.

This economic model had exactly the same moral flaw as that which caused communism to implode. Communism sought to remedy

legitimate grievances at the way society was organised and at the economic model which underpinned society. But its failure to respect the value of each individual in society, seeing them only as a cog in the collective machine, led to the political crisis which caused communism to eventually collapse.

The economic model, that some of us have enjoyed, equally fails to respect the value of each individual in society, seeing them only as a source of profit for the shareholders.

Of course there are companies, and company directors, who do try to treat customers and employees with the dignity which is their right, but the economic model we have adopted creates huge ethical problems for such individuals, as their concern may place their companies at a competitive disadvantage within the system and they may have to struggle with their consciences – and almost certainly lose.

### **Forgetfulness – The Church's Social Teaching**

The collapse of the Celtic Tiger has taught us that a merely political freedom means little within a totalitarian economy. The lives of all of us were determined by the aspirations and economic control of a few – the more powerful and affluent who were single-mindedly pursuing profit. Given the Church's social teaching, from *Rerum Novarum* in 1891, which defended the rights of workers in the face of massive exploitation by those who controlled capital, up to *On Human Work* in 1981, by Pope John Paul II, in which the Church affirmed “the principle of the priority of labour over capital”, why did the Church not stand up and shout stop?

*Rerum Novarum* was a radical document in its day. It's insistence that workers had a right to a wage that was adequate for a decent, humane life for themselves and their families brought down the ire of employers and financial institutions, who argued that the Church was interfering in the free bargaining process between employers and employees. It further brought down the ire of many bishops and the faithful who argued that the Church had no business interfering in economic matters that were of no concern to the Church, which should

return to saying Mass and administering the sacraments.

In 1931, when the world was in a deep depression, with many similarities to our current crisis, *Quadragesimo Anno* showed the same sense of moral outrage at the suffering of the poor which was imposed on them by the economic system. Pius XI had this to say:

*“it is obvious that not only is wealth concentrated in our times, but an immense power and despotic economic dictatorship is consolidated in the hands of a few” (No. 105)*

and again:

*“Free competition has destroyed itself; economic dictatorship has supplanted the free market; unbridled ambition for power has likewise succeeded greed for gain; all economic life has become tragically hard, inexorable, and cruel”. (No. 109)*

In 1961, *Mater et Magistra* warned against the growing inequalities which accompanied the reconstruction of Europe after World War II.

*“In view of the rapid expansion of national economies, particularly since the war, there is one very important social principle to which We would draw your attention. It is this: Economic progress must be accompanied by a corresponding social progress, so that all classes of citizens can participate in the increased productivity. The utmost vigilance and effort is needed to ensure that social inequalities, so far from increasing, are reduced to a minimum”. (No. 73)*

John XXIII’s support for the welfare state model of society, which was under attack from employers and some politicians led to his encyclical being labelled ‘marxist’ by the right wing press.

Later, in 1967, Paul VI, in *Populorum Progressio*, challenged the fundamental principles on which the economic system, as it had developed, was based.

*“It is unfortunate that on these new conditions of society a system has been constructed which considers profit as the key motive for economic progress, competition as the supreme law of economics, and private ownership of the means of production as an absolute right that has no limits and carries no corresponding social obligation. This unchecked liberalism leads to dictatorship rightly denounced by Pius XI as producing “the international imperialism of money”. One cannot condemn such abuses too strongly by solemnly recalling once again that the economy is at the service of man” (No. 26)*

Again, it earned the label ‘marxist’ from those who were critical of its position.

John Paul II’s *On Human Work*, - in my view the most radical document ever to come out of Rome – is a trenchant criticism of the capitalist economic model, and indeed its principle of “the priority of labour over capital” turns the capitalist economic model upside down.

For over 100 years, the Church has reflected on the economic model of both the capitalist and socialist political systems and found both equally wanting: both denying the dignity of workers, both disregarding human rights, socialism in the pursuit of a political dream by a small controlling elite, capitalism in the pursuit of money by an equally small, controlling elite. Our current economic system has not made those historical criticisms irrelevant; on the contrary, the development of the world economy in this era of globalisation makes those criticisms more valid than ever before.

### **Forgetfulness – Gospel Values**

A consumer-led economic model that pursues, with ruthless single-mindedness, this pursuit of profit for one sector of the world’s population must convince everyone that it is in *their* interest to participate in this process. This economic model is not value-less; it must actually promote certain values in order to succeed. I would identify three dominant values in that model:

1. First, to keep the economy going, everyone must be persuaded to buy more and more, and more and more often. But as our real needs are limited, what we purchased and consumed had less and less relationship to what we actually needed. Hence a consumer-led economic model had to convince us to *want* more and more, by persuading us that our fulfilment and happiness lay in consuming goods and services. “More is better” is the mantra of such an economic model, with its variations such as “bigger is better” or “newer is better”. It must, therefore, persuade us that our needs can be fulfilled *independently* of other people. Indeed to ensure continued satisfaction and fulfilment in our lives, we must protect our consumer goods from other people, we must keep them out, or at least, we must control whom we let in – otherwise our fulfilment may be jeopardised. It must furthermore seek to promote the belief that everyone's value is dependent on their ability and willingness to purchase more, and bigger and newer – the large house, the new brand-name car, the latest gadgets, more foreign holidays.
2. Secondly, to ensure the continued expansion of the economic system we must be persuaded *that our security is to be found in what we possess*. We have to work hard, within the system, in order to obtain more so that we can cushion ourselves and our families from the uncertainties of the future. Purchasing our own home, building up our bank balance, expanding our share holdings are essential to escape from the insecurity which the future threatens us with. They are essential, above all, for the security of our children. As the goods and services of this world are limited, then the race to find security in economic terms pushes us into a competitive struggle with other human beings, who become, not the source of the fulfilment of our needs, but a threat to that fulfilment.

Again, the current economic recession has shown that to be a false security. The collapse in the property market and share values has seen many families, who had lived very comfortable lives, plunged into debt and possible homelessness.

The irony is, of course, that having persuaded us to purchase goods and services in the pursuit of happiness, it is necessary that we become, fairly quickly, dissatisfied with what we have just purchased so that we are driven to go out and purchase yet again. We are running up an escalator that is travelling in the opposite direction, in the unachievable aim of arriving at the top.

In the Christian vision, our security must be based on something that is unchanging and unchangable. Otherwise it is built on sand. It can never, therefore, be based on economic assets. The Christian vision places our security firmly on the infinite, unconditional and unchanging love of God. Our security is founded only on the knowledge that we are loved infinitely and unconditionally by God.

In the Christian vision, our fulfilment and happiness are to be found, not in *getting*, but in *giving*. It is in giving life and love to others that we find fulfilment. Two adolescents, madly in love, locked in an embrace they wish would never end, would not swap that love for all the wealth in the world. In the Christian vision, what we have is not our own. It is given to us to be used for the good of others. The satisfaction we get from buying a new car, or acquiring a new toy soon fades, and cannot compare with the satisfaction we get from meeting the needs of others – be it our children, our families, our friends, our neighbours or strangers we have never met.

All the gifts that God has given to each of us have to be given back. “Letting go” is the spirituality that meets the essence of our existence as human beings, destined to grow old and die. We give back to God what God has already given to us. We come into the world with nothing, we leave the world with nothing. In that journey, we give back to God the gift of parents, the gift of health, the gift of material possessions, and ultimately the gift of life itself. The only gift we have been given that we get to keep for ever, the only

gift we do not have to return to God, is the gift of the unconditional love of God.

The love of God for us is mediated through the love of others for us. Hence our true security is only to be found in community. It is in the solidarity with each other in community that our needs find fulfilment. Our security is to be found in the knowledge that there are those who love us, who will be in solidarity with us in good times and in bad. In community, we will, in good times, share with those who have little, while, in bad times, others will share with us. Our security is to be found in building community, not bank balances – the wealth we create is for sharing, not for hoarding. Our giving back to God what God has already given to us is also mediated through community. It is in giving to others what we possess, our goods, our time, our talents, our skills and, as the Cross symbolises, giving ourselves that we find fulfilment. Our solidarity with others impels us to share and to share radically. In that sharing, we find both fulfilment and security.

3. Thirdly, this economic model necessarily promoted an excessive individualism. We are all pushed into a competitive struggle with other human beings to accumulate the material benefits which, we are promised, guarantee our security and happiness. Others become, not the source of our fulfilment, but a threat to that fulfilment. Community becomes an optional extra, for those who feel so inclined, as we rush to find security and fulfilment in what we, as individuals, can accumulate. Margaret Thatcher's famous "There is no such thing as society" is the logical consequence of such a model.

In the Christian vision, we are not isolated individuals but we exist in solidarity with all other human beings. Promoting solidarity is the antidote to excessive individualism.

So where should we be going from here, given the Gospel values and social teaching that we promote? An economic model based on the myth of "infinite growth capitalism" must give way to an economic model based on "limited but sustainable growth". We must consider seriously

the limits of growth and search for sustainable models of growth. The mantra of the old economic model "more is better" must give way to "moderation and restraint". We *can* return to full employment but not at the current standard of living which was available to some. We *can* give all those living in poverty a decent quality of life, but not while we enjoy the standard of living which we had come to take for granted. The ethical base of such a model must not be identified with stricter regulation, nor with rule compliance: how often have we heard bankers justify what they did by saying that they had done nothing "illegal", that there was no "impropriety" in their actions. The ethics of a new model must be based on the inherent value of each individual, and must involve not only a more just sharing of the wealth created, but a more just sharing of power.

Of course, for the global economy to revive, there must be a real demand for new goods and services, a demand that will create investment opportunities – but not a demand for superfluous goods and services like Gucci handbags and foreign holidays, which creates an economy that primarily benefits a few. No, the goods and services that create a new demand, which can fuel a new economic model, must be goods and services that are necessary and enduring, goods and services which can lift everyone out of poverty and marginalisation. Where the old economic model emphasised the individual, the new economic model must ensure that everyone benefits, it must therefore be built on the value of solidarity. Perhaps the only times in history when such a solidarity existed, within and between nations, were those times when war was waged or threatened. At such times, there was a common purpose, a common commitment and a universal willingness to sacrifice self-interest for the greater good.

Today, to move into a new era, an era that promises a better life for all, and a real hope for a better future, we need a new war: a war on poverty and climate change. A war on poverty, both at home and abroad, would create a demand for investment in producing basic needs for all, housing, food, medicines, infrastructure, health and education. A war on climate change would create a demand for non fossil-fuelled

transport, for clean energy, for public transport. Such a war requires a solidarity that, unfortunately, no longer exists in Ireland, or indeed elsewhere; it was almost destroyed by the Celtic Tiger. It requires a sacrifice of self-interested short-term gains, which, on the national level, is willing to put future generations and the poor in first place, and, on the international level, is willing to dismantle barriers to free trade set up by rich countries to protect their own interests, to dismantle barriers to the free movement of labour with the same enthusiasm as they dismantled barriers to the free movement of capital, and to pursue the Millennium Development Goals. Such an economic model considers justice, compassion, community, and ecological responsibility as points of departure for economic life, not as afterthoughts. Such an economic model will seriously reduce the living standards of most of us in the economically-developed world, but will allow those now living in poverty, both at home and abroad, to find a better quality of life, and will bequeath a world to future generations that they can live in. Such a vision is anathema to the vision which the Celtic Tiger so successfully built; solidarity instead of individuality, putting others first instead of self-interest, living simply instead of an endless pursuit of yet higher and higher living standards. Christianity, when it is lived properly, can be a powerful force in terms of shifting a culture to a vision and values that are subversive of a complacent status quo. In that Christian vision, we are stewards of the earth, not masters who can do what we want; we are all brothers and sisters, not individuals competing for scarce resources; we find our security in our togetherness in community, not in accumulating material goods; we find our happiness in giving, not in getting; we do not exist to serve the economy, but the economy exists to serve human beings - all human beings. Such an economic model may seem like an unrealisable pipedream, but it is actually essential for the survival of the planet. To continue with the same model, with the same values, will destroy the human race, either through the destruction of the planet or through social conflict.

We cannot build a new economic model on an old political model. A transformed economic model requires a transformed political model, a transformation of leadership: political leadership which does not bow to powerful vested interest groups, which does not seek their own good at the expense of the good of others; which is not self-serving but seeks to serve the common good; which gives rightful place to other values beyond mere economic growth, values such as solidarity, community, respect for others. Such a transformed political leadership seeks to build security for our country and our world, not through unsustainable economic growth but through building sustainable community.

The Christian vision, as expressed in the values of the Gospel, and applied to our world and its economic systems in the Church's Social Teaching, has a major contribution to make, not just to the building of a fair and just world, but to the very survival of the world. We cannot continue to remain silent, seduced by the comfortable lifestyle which this economic model has made available to us, but which cannot become available to billions of others in our world. The prophetic voice of the Church, challenging the status quo, will ensure attack and persecution, ridicule and contempt, from people who are respectable and respected, both within and outside the Church, who have too much to lose. Many who belong to the Church will walk away. So be it.