After Capitalism:

Rethinking Economic Relationships

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Foreword

It would be a great mistake to think that the worlds of faith and of economics are far apart, or as often believed, at opposite poles from each other. The reality is very different: the one is embodied in the other. Our present day market Capitalism is nothing more than a secularized offspring of Hebrew and Christian tradition, beliefs and hopes. Our belief in fairness, protecting the weaker from the stronger, our hope of a better future (even some prospect of 'heaven on earth'), our belief in human dignity, and in freedom and adherence to legal rules, all come from faith, rather than from science. The fact that both the Old and New Testaments are full of economic thinking and norms is something which we are re-learning today. Or at least it could be said that the spirit of our system has been born of these values, and the body - the instruments and institutions - has been added around it to form our present day system.

Arguably, what has gone wrong is that the body has been divorced from its spirit. We should not be surprised that we are angry at the system when it cannot comply with the beliefs associated with it. The proper question an economist (or any other person concerned with these issues) should ask is not 'does the economy work?' but rather 'does the economy work the way we *want it to work?*'. A body detached from the spirit becomes a zombie, i.e. something that *works* (and is very efficient at it), but not the way we would want it to work; it 'works' without compassion, tenderness, or understanding. Such a system becomes hard, inhuman and, eventually, self-devouring and devastating.

Perhaps this is the very reason why many feel uncomfortable with the working of today's system: the disjointedness of the body and soul. So 'Give a soul back to the body!' This is perhaps the best way to sum-up the loud demands that we hear today from almost every quarter.

This book is an attempt to reconnect the foundations of our system with its practicalities, to reconnect the spirit from whence the system gradually and over time arose with today's institutional body, which has in many cases become separated from the original intent. The biblical texts, being the foundation stone of our Western civilisation, not only can reawaken the soul, but also can provide some very practical guidelines for the institutions and markets that have gone awry without anybody really examining them.

This piece of work is as 'outside the box' and yet conservative as one can imagine. After a series of crises, the most paradigm-revoking being the financial-debt crisis which started in 2007, it is now clear to all that the system is neither perfect nor bullet proof, and that while it has many advantages, there are a number of things that in fact do not make sense at best, are mildly to moderately spooky, and even malicious at worst. They need to be re-examined and re-thought, and appropriate changes, which might require changes at the most fundamental and deeply rooted level, should be made. The problems of economics are not of a mathematical nature - and so cannot be cured by mathematics. It is the philosophy, the questions of the soul, that must be addressed. This book offers a fine immersion in exactly that.

Dr Tomas Sedlacek

Member of the Czech Republic's National Economic Council and former advisor to Vaclav Havel

1 Introduction

Paul Mills and Michael Schluter May 2012

The contemporary crisis

Europe faces one of its greatest peacetime crises. Its economies are struggling under a burden of excessive public and private debt just as governments' expensive welfare promises are due to be delivered to rapidly ageing (and sometimes shrinking) populations. Europe's banks depend for their survival on massive liquidity support from central banks, governments continue to borrow at levels only previously seen in wartime, and large companies are widely distrusted due to market dominance and vast differentials in pay with little seeming justification. But these severe shortcomings of the market system come only two decades after the fall of the Berlin Wall was prompted by the poverty and oppression engendered by the Communist alternative. The abject failures first of state-directed production in Eastern Europe, and now debt-fuelled Capitalism in Western Europe, mean that the field is wide open for a viable alternative – an economic model that tempers the innovation and prosperity of the market economy with human-scale values that place well-being and relationships above growth at all costs.

We believe that the principles of such an alternative exist, and they can be found from within the rich, longstanding Christian heritage that Europe once enjoyed but now largely ignores. For when rightly understood, the Bible presents such a radically different but practical paradigm for economic and financial life. Over the past two decades, through writing for Cambridge Papers and elsewhere, we have been privileged to have the opportunity to diagnose some of the problems of conventional economic analysis and how these can be addressed in the light of Scripture. In God's grace, Christians now have the chance to highlight the wisdom embodied in God's word as we seek the healing of the nations, both within and outside Europe.

How these papers came to be written

The Cambridge Papers Writing Group started life in Cambridge in the late 1980s as a think tank for the Jubilee Centre, a charity committed to Christian research and policy action.[1] By 1991, the Group decided to publish quarterly papers. The eclectic choice of issues addressed simply reflected the interests of the Writing Group who were drawn from a variety of academic disciplines.

The driving force behind the Writing Group's commitment and coherence was and is a belief that the serious application of biblical teaching to all areas of public and academic life had been neglected by the church for close to 100 years. The Writing Group has held the view that the Bible, and especially the Old Testament, reflects God's purpose and will for the ordering of society as much as for private life. So the goal has been to re-establish the credibility of the Bible as a source of inspiration and guidance for public policy, for the structure and working practices of public and private sector organisations, for the writing of constitutions and legal systems, and for a critique of literature, art, cinema and other areas of culture.

Both authors have been members of the Writing Group from the beginning. By the mid-1990s the Group was starting to address economic questions, not just as a critique of existing models but spelling out the foundations of a new system, built around the premise that all economic structures and financial transactions reflect, and in turn influence, the quality of human relationships, and that the primary concern of Christians should be the relational, rather than the financial, outcomes of economic activity.

Through these papers, the regular critique of the Writing Group, and other research going on in parallel through the associated charities in Jubilee House in Cambridge (Jubilee Centre, Relationships Foundation, Relationships Global),[2] a coherent picture began to emerge – including the flaws of Western Capitalism, and the outline of an alternative system built on entirely different foundations. This book aims to make both the critique of Capitalism and the outline of an alternative system available to a wider readership.

The theological framework

Rather than a general appeal to social conscience, our approach is to explore economic issues from within the framework of biblical revelation. This allows not only a critique of underlying principles or values, but also provides a plumb line for evaluation of economic institutions. The starting point for this evaluation is the startling revelation that God, as a relational being, prioritises not economic growth, but right relationships both between humanity and himself, and between human beings.[3] The economic aspects are only one part, albeit an important part, of human relationships. The Christian understanding is of God who is One, but also is a Trinity of three persons who were in relationship from all eternity, long before the physical world was brought into existence through his Word,[4] so that it is the relational rather than the material which is the key to understanding ultimate reality.

This relational focus is the overarching theme of the Old Testament (OT). The OT story is built on the theme of covenant − a long-term, committed and faithful relationship. When humans first sin in the Garden of Eden, God does not destroy them out of hand, as he might legitimately have done, but seeks a conversation, to find out what went wrong and only then pronounces judgement. The rest of the Old Testament is the story of how God chooses one family, which grows to become a people and a nation, and how his relationship with his people develops, changes and ultimately collapses. The Law which God gives to these people may be regarded as the instructions of a relational God as to how Israel can create and maintain a relational society, where the laws are given in a specific historical and geographical context. The key terms in this system of law, such as righteousness, sin and holiness, are all described in relational terms. Towards the end of the Old Testament God describes how much he has loved his people throughout their history in his message conveyed in poignant language through the prophet Hosea, 'When Israel was a child, I loved him … it was I who taught Ephraim to walk …'.[5]

In the New Testament (NT), the purpose of the incarnation is also described in relational terms; Jesus is Immanuel, 'God with us',[6] and Paul explains the meaning of the cross also in the relational language of reconciliation.[7] When Jesus lays down the overarching moral principles of 'love God and love your neighbour',[8] he is pointing to the priority of the relational over the material, for love is a quality of relationship.[9] The church is intended to be, above all else, a relational community.[10] As such, it is hard to find any passage in the epistles which is not concerned with relational issues – whether between believer and God, relations within the Godhead, relations among believers or relations between believers and wider society. Eternal life, too, will be relational, both in knowing the Father and Christ more deeply,[11] and in celebration together as a community.[12]

Quality of relationships is the basis of God's assessment of nations and ethnic groups,[13] as well as individuals.[14] Many biblical passages define what behaviour constitutes relating rightly, both generally and in the context of specific roles such as parent, child, husband, wife, employer, employee, and provider and user of capital. God has a particular concern for the relationally and financially disadvantaged such as widows, orphans and foreigners.[15]

In biblical law, in a specific geographical and historical context, God teaches his people how to ensure close, fair and lasting interpersonal relationships. In part this involves financial arrangements, organisational structures and working practices which, now as then, impact on the way people relate to God and each other.[16]

This relational approach to interpreting and applying the Bible challenges all cultures, but each is convicted at a different point. Arguably, for Europe and the United States, the challenge is primarily to the individualism which is both a cause and a consequence of Enlightenment thought. In the field of economics, the presumption of the rights of the individual, and the role of the individual as entrepreneur, lie at the heart of standard neoclassical economics. Thus, capital is often dissociated from the providers as it passes through several intermediaries before reaching the user, often far away geographically. And people are dislocated from place because under Capitalism the individuals are to be free to move anywhere at any time in search of improved work prospects regardless of family or social obligation. These are features foundational to the ideals of the Capitalist economic system.

Could the biblical model offer a viable alternative economic framework? The possibility has usually been dismissed on the supposed grounds that: the economic provisions of biblical law were designed to apply only to ancient Israel but not to later societies; technological changes make such teachings irrelevant; or that the law has been superseded by the coming of Christ. A fuller discussion of the case for using biblical law as a social 'paradigm' or model for contemporary application has been given elsewhere.[17] Suffice it to say, biblical law was devised to take into account 'the hardness of men's hearts';[18] the relational principles that should govern economic organisation (the ownership of capital, work incentives, finance, the monetary system, taxes and welfare) are not technology-specific; and the eternal relevance of biblical law was, if anything, re-affirmed by Christ.[19]

The disobedience of OT Israel meant that the law's economic institutions were rarely, if ever, implemented in full. But this does not mean that they were not designed to embody practical economic wisdom of universal validity. Indeed, it is striking that Israel's punishment through exile in Babylon is attributed specifically to the non-observance of the Sabbath year of rest for the land and, by implication, the Jubilee.[20] The wisdom literature, too, is replete with claims that the law of the Lord contains practical, and not just spiritual, wisdom, while the law itself claims that economic prosperity will result from obedience. Indeed, Deuteronomy 28 even promises a 'balance of payments surplus' if the law is adhered to. These promises are made because the economic wisdom of the model is assumed.

What many have failed to realise is that when taken as a whole the economic institutions of biblical law form a coherent framework that satisfies our concerns for fairness and efficiency more fully than the current economic consensus. The key to understanding the biblical model is that the production and sale of goods and services is almost entirely left to the unfettered operation of market forces, while the laws governing the use of labour, the allocation of land and the role of finance are tightly drawn so as to ensure a reasonable level of income and wealth for all. In economists' parlance, the model envisages product markets (for goods) that are relatively unconstrained, whereas markets for the factors of production (land, labour and finance) are tightly controlled or sometimes deliberately proscribed. The two recurring themes overarching this fundamental insight are that conditions conducive to the rough equality of wealth, income and opportunity are encouraged without the need for a large centralised state (in the form of a monarchy), and that the interests of 'finance' are made subservient to those of interpersonal relationships.

Biblical critique of contemporary Capitalism

Our various Cambridge Papers point out a number of ways in which contemporary economic and business models are consistent with the principles of biblical teaching on the economy. Of these, perhaps the most significant is the importance of economic activity being outside the direct control of politicians and bureaucrats, so that as far as possible, economic and political powers are separated. This imperative stems from the realisation that the sinful effects of fallen human nature are best limited by the wide dispersal of power as a check on tyranny. Secondly, the biblical vision for economic life welcomes trade, exchange and market activity for both their relational and economic benefits. Freedom to buy and sell, to build and invest, to develop and to enjoy the fruits of one's labour are all endorsed in biblical social teaching as outworkings of the Creation mandate.[21] The Prophets' ideal society is the 'property-owning democracy'.[22]

So where would the Bible challenge the Capitalist model of economic growth and development? Firstly, Capitalism has an entirely materialistic vision. The danger at a personal level is what Jesus refers to as the deceitfulness of wealth,[23] and the way our dependence on God shifts subtly to a dependence on our wealth so that money becomes an idol. At a national level, the danger is that 'development' is defined only in terms of growth in GDP or income per head, or (financial) poverty reduction, rather than as some broader definition of personal, or better still relational, well-being. Not only does a Capitalist system fail to value the relational foundations of society but it acts to undermine them in various ways (e.g. by encouraging labour mobility).

Secondly, the Capitalist economy – which as its name implies focuses on the 'efficient' deployment of capital – embraces debt finance, which is directly at odds with the biblical command not to charge interest, and the OT institutions of regular seven-year debt remission and the 50-year Jubilee provisions. The reasons for the interest ban are understandable in terms of the traditional Christian argument that lenders do nothing to deserve a reward as they have relinquished their ownership rights.

(a) as borrowers bear the risk of use and ownership of the money in the meantime, they are only under a moral obligation to return the principal of the loan. A profit-related return to the provider of finance would be a fairer basis of remuneration, where the lender shares with the borrower the risks of the investment.

(b) interest-based finance is based on presumption about the future, rather than recognising inevitable inherent uncertainty.[24]

(c) debt finance does not incentivise involvement of lender with borrower, as the return on the loan is fixed in advance, and thus money fails to perform its role of building relational bonds in society. Indeed, debt finance is inherently anti-relational as, in biblical terms, the borrower becomes in effect the slave of the lender.[25] Hence, interest is the lender's return from the debt-servitude of the borrower. There is 'relational distance' between lender and borrower which Jesus, in the parable of the talents,[26] appears to associate with the 'hard' (non-relational) person, and with a person reaping where he or she has not sown.

(d) debt finance takes no account of the risks and costs to third parties and wider society inherent in a system which requires fixed returns to lenders, especially in periods of severe recession.[27]

The consequences of a debt-based financial system are numerous. They include a more volatile economy as debt fuels consumption and investment on the upswing but tightens conditions in the downswing; a misallocation of funds to the safest rather than the most productive borrowers; a propensity to finance speculation in assets and property; an inherently unstable banking system which can only survive with government guarantees and bailouts; an inexorable need to inflate the price level to relieve debtors from the real burden of their debts in economic downturns; a tendency to short-termist investment strategies; the concentration of wealth in fewer and fewer hands; and disruptive flows of debt capital across regions and countries. Most importantly, debt acts in a relationally-damaging way to place borrowers in bondage, at the behest of creditors.[28] A similarly-damning relational critique can be applied to much equity finance in contemporary Capitalism. Aided by limited liability, the provider of funds through a financial intermediary, such as a pension fund, has little or no idea where or how its finance is used. So, too, the person who invests in the stock market and sells a few minutes or months later, having had no involvement at all with the company where the funds have been 'invested'. In biblical thought, to take risk is not sufficient to justify a return on capital; capital providers should exercise responsibility for how and where the funds are used.[29]

Thirdly, a combination of markets for the resources of capital and land, or property, combine to lead to high levels of mobility, both of individuals and nuclear families. The biblical teaching on rootedness appears at first to be ambiguous, with Christians in the New Testament being encouraged to hold lightly to place and seek their roots in Christ, so they are free to travel anywhere at any time, in obedience to the call to spread the good news of the Kingdom. However, when addressing the societal context, the Old Testament establishes a set of social institutions around property ownership which protect rootedness, probably because roots provide long-term and stable relationships which are crucial for personal identity, family solidarity, and social connectedness. Without strong and stable families and communities the responsibility for welfare falls onto national governments, and the resulting taxation contributes to making an economy less competitive in global markets. In addition, scattered families add significantly to environmental damage as members travel to meet up.

Fourthly, the institution of 'limited liability' introduced in the nineteenth century appeared to have many benefits as it encouraged people to invest in companies, by limiting their liability if the company became insolvent.

However, it has in practice led to many biblical principles of finance being set aside. For example, it is a fundamental principle of biblical teaching that all debts must be paid.[30] Indeed, it is the similarity of financial and spiritual debt which helps us understand why Jesus had to go the cross, rather than God simply being able to 'write off' our spiritual debts.[31] The provision of limited liability has facilitated, and thus encouraged, the avoidance of responsibility by providers of capital for the debts incurred by the companies in which they invest their funds, so that it is now considered generally a regulatory rather than an investor responsibility to hold directors accountable for their behaviour, whether the issue is levels of executive pay or environmental damage.

The consequence of limited liability has been relational distance between shareholders and directors, shareholders and employees, and between shareholders and unpaid creditors in case of insolvency.[32] There is often great injustice as a consequence, as in the case of the failure of US energy giant Enron in 2001 when many low-income employees lost their pensions while directors and some major shareholders were able to walk away with great wealth. Excessive risk-taking by banks is, at heart, a consequence of limited liability for bank shareholders. This skews the incentives of shareholders (and managers) to take ever greater risks on a smaller capital base, safe in the knowledge that they retain the excess returns while taxpayers pick up any catastrophic losses.[33] At a societal level, once again the lack of engagement between capital provider and capital user fails to provide the social glue which it seems that God intended it should.

Foundations for a relational economy

The foundations of an economic system have all sorts of implications. The 'institutions', or rules of 'behaviour', reflect what a society believes is right and wrong, and which people have the authority and power to do something about. They determine how resources like land and capital are distributed, and then the likely pattern of their future development and redistribution. They shape the role of central and local government in education, criminal justice and the economy. They play a major role in determining how vulnerable and isolated people get noticed and provided for, and who feels a responsibility to take on caring roles. Furthermore, they affect how widespread corruption becomes, and the impact this has on the economy, employment, welfare and public services. Institutions may change over time, but only slowly, so the foundational rules – often built into a country's constitution – are likely to become a major influence on long-term cultural and social change. In what follows, we pull together seven foundations of the 'divine economy' set out in biblical teaching which we have discussed in several of these Cambridge Papers.[34]

1. New measures of national progress

The current numerical standard used to measure national progress is growth of Gross Domestic Product (GDP), or national income, per head. However, in a 'relational society' such a measure is clearly inadequate, as income is only an indirect measure of well-being and the quality of relationships. Similarly, financial poverty is an insufficient indicator of relational poverty, although financial poverty is almost always a reflection of the poverty of relationship between the poor person and society as a whole. Equally, the words 'developing' and 'developed' as applied to nations need to be redefined so that they do not refer exclusively, or even primarily, to levels of wealth or income; the richest countries in the world are seldom the most relational.

Assessment of national progress could include measures of family formation (e.g. marriage and birth rates) and family solidarity (e.g. proportion of marriages intact); measures of loneliness; levels of crime, ethnic violence and incarceration; measures of rootedness or mobility; levels of strikes and absenteeism in the workplace; and changes to income or wealth inequality.[35]

So, too, rather than individualistic forms of assessment of progress, such as many of those adopted in the Millennium Development Goals, progress in a relational worldview would be assessed against relational criteria. To give but one example, percentages of children going to primary school and learning to read are important for opening up opportunities for a child but may impact negatively on family solidarity if parents receive no education at all. Vitally important as it is that children receive formal education, the proportion of children in primary school whose parents are literate would be a more desirable measure in low-income countries so as to encourage adult literacy programmes alongside increasing primary school enrolment.[36]

2. Free product markets

Apart from the ceremonial food laws and the observance of the Sabbath, the only constraints on trade in biblical law were the exhortations to merchants to maintain fair weights and eschew adulteration.[37] This recognised the need for a basic degree of confidence for consumers in what they were buying. However, there were no other constraints on trade and no notion that trading for profit was inherently 'wrong' (although profit from an artificial monopoly was condemned).[38] We can thus infer both the acceptance of competitive markets and the presumption that the 'just price' for a commodity is that which results from competition. There is also ample evidence that Israel participated in the international trading networks of the time.[39] However, 'factor markets', i.e. the markets for resources of land, capital and labour, were all constrained by rules to protect against the anti-relational consequences of concentrations of economic power when the allocation of these resources is left to the market.

3. Relational finance

The key institutions in establishing 'relational finance' in the OT law were a prohibition on interest and cancellation of debt every seventh year. Interest promotes debt, where the borrower in effect becomes a 'slave' to the lender.[40] They have given their 'bond' and so are in 'bondage'. Interest-based financial contracts disincentivise the lender from engaging with the borrower as the rate of return is fixed in advance: the risk of the enterprise is not shared between them.

Of course, the debt contract is often initially attractive to both the user and provider of finance. Abstracting from the tax advantages debt finance usually enjoys, borrowing money is often cheaper than raising equity or lease finance due to the simplicity of the contract and the lower transaction costs involved. The borrower does not relinquish ownership while the lender can usually take security to protect from credit risk. However, as the recent crisis has once again demonstrated, the 'cheapness' of debt is an illusion once the wider costs to the economy are factored in through bank bail-outs, property booms and busts, a more volatile economic cycle, compensating inflation, and the losses to ill-informed creditors of bankrupt firms (e.g. employees, pensioners, customers, taxpayers). This is not withstanding the direct costs of subsidising corporate (and sometimes mortgage) finance through the tax system. From this perspective, debt is 'toxic' with analogies to pollution – producers of pollution (and their customers) do not take into account the costs imposed on third parties by their actions. The Pentateuch contained a number of alternative financial arrangements. As well as detailing sophisticated leasehold arrangements, biblical law described a rental contract and careful rules for the treatment of different forms of security for a loan, including bonded servitude in the case of default. It also envisaged a vital role for interest-free lending between family and community members as a means of poverty relief.[41] Yet the model expressly prohibited all loans at interest, for both commercial and consumption purposes, at least within the Israelite community.[42] As a result, there was no place for a commercial loan market – a conclusion reinforced by the laws which prescribed the cancellation of all debts (and debt servitude) every seven years.[43]

Although the text is not explicit as to why interest is prohibited, the problems associated with a debt-based financial system are numerous and we are only now fully appreciating their extent.[44] Low-income country debt is but one aspect. In the context of the wider economic model, perhaps the most important implications of the prohibition of interest were that it encouraged both non-interest charitable lending and risk-sharing business finance (so distributing the profits or losses from commercial ventures more widely). Financial power could not be accumulated without sharing in the risks of enterprise, while no-one could be permanently enslaved in debt without the prospect of release.

Hence the biblical model had a strong underlying current of concern for the poor. Yet its approach to the distribution of wealth and income was radically different from the familiar approach of redistributive taxes and welfare benefits. Instead, the biblical model did not concern itself with differences in portable wealth or consumption. Indeed, the acquisition of wealth was often seen as a blessing from God and provided incentives to work hard. Rather, its aim was to ensure that everyone, even the poorest, was able to gain access at some time in his or her life to the means of production (in this case, land); that no-one was in debt or debt bondage for more than seven years; that the primary responsibility for care of the poor was the extended family and local community; and that no-one could entrench their wealth through simply lending money at interest, without involvement, work or risk.

4. Rootedness of extended families

When the Israelites first entered Canaan, the land was divided up on a relatively even per capita basis. It was allocated at random by tribe and then by clan and family. The inheritance and Jubilee laws then ensured that the roughly equal allocation of land between families was preserved. A limited-term leasehold market was envisaged in the law, so families in dire economic straits had access to the market value of their assets until the next Jubilee year (once every 50 years). This also allowed the temporary transfer of land to those best able to use it. However, a freehold market in agricultural land was prohibited. No family could sell its land in perpetuity. At the time of the next Jubilee, ownership and occupation had to revert to the traditional family owners, regardless of who had leased the land in the intervening period.[45]

The implications of this novel economic institution were numerous. The Jubilee ensured that the initial extended family structure was preserved and rooted in an ancestral locality. It prevented the accumulation of large estates by the wealthier families or by foreclosing moneylenders. It also meant that every family member, at least once in their lifetime and however poor, could gain access to work on the ancestral farm – the means of production at the time. Thus, the Jubilee stood as a bulwark against the development of permanently landless poor.

The Jubilee was structured to preserve the universal ownership of property and to return an extended family to its ancestral lands at least once every 50 years. This not only recognised the contribution of widespread property ownership to economic freedom, but it underlined the importance of rootedness and a sense of place.[46] It is only through the physical and prolonged proximity of extended family members and neighbours that society can deliver care of dependants without ever-greater reliance on the state or on purchased 'care' services. Yet current economic thinking encourages workers to be as geographically mobile as possible, leading to prolonged disparities in regional incomes (e.g. South-East England relative to Cornwall), and to family breakdown. Government policy should be more explicitly geared to encouraging regional rootedness and loyalty, given the economic and personal benefits that rootedness brings in terms of identity and community.

The rootedness and 'co-location' of extended families is a crucial precondition if they are to play their essential role in job creation and welfare provision, i.e. relatives must live close enough to work together and provide physical as well as emotional support. Although mobility of labour maximises individual productivity by matching skills to job requirements, mobility often imposes costs on third parties which are not taken into account in public policy, and certainly not fully paid for by employers. These costs include care of elderly relatives left behind, and stress on family relationships during and following a house move.[47] Hence, encouraging co-location of relatives is a legitimate objective of public policy.[48]

5. A limited economic role for government

The intended structure of Israelite society did not include a privileged class to be supported through the labour of others. Nor did it envisage a princely 'court' or aristocracy. Even when a king was eventually appointed, the law sought to limit the size of the royal household, its wealth and military power.[49] This deliberate restraint on the scope and power of the monarchy was unique for the time. The absence of a rigid hierarchy meant that there were no incentives to forsake economic activity in favour of seeking concessions from the ruling class. Bribery was strongly condemned.

With regard to the wider economy, biblical law established property rights and made provision for debt collection which depended on universal national understanding and acceptance rather than relying on a centralised enforcement mechanism. Whilst property rights over land were restricted and debts were periodically cancelled (see above), there was nevertheless a well-defined code of property law and debt collection, including means for enforcement such as fines for theft and bonded labour for the repayment of debts. As is clear from the limited success in developing some former Communist economies, the absence of a predictable property code deters investment and promotes hoarding. Economists are now aware of how crucial the clear definition of property rights is to enable the rural poor to develop their land.[50]

The monetary system, and hence the price level, in Israel did not depend on a king's decision of how much money should be created, but was dependent on the supply of precious metals, first in the form of set weights of silver or gold and then coins. This ensured a rough stability of the price level in Israel over hundreds of years,[51] once again encouraging saving and trade by providing a stable store of value.

The combination of low taxes, a small state infrastructure, a stable price level and predictable property rights would have encouraged economic growth by maintaining incentives to work, save and invest. Given the right preconditions, free markets have generally proved better than bureaucratic mechanisms at processing information about the desired types of production, the most efficient technologies and in innovating around these. The biblical legal model contains what are now recognised as the prerequisites for a successful market-based economy.

To avoid the state having to play a major role in welfare provision, priority was given not just to co-location of relatives but also to other forms of poverty prevention. Each family was given land, and would have it restored every fiftieth year if it had been 'sold' (i.e. leased). Debt was written off every seventh year. Bonded service provided a way out of destitution and as a way to repay debt. Relatives and neighbours were under strict instructions to step in to prevent vulnerable households being forced through poverty to lose their access to land and move away.

Foreigners, widows and orphans, who were likely to lack relational support, are repeatedly singled out for special attention and help through the tithe and gleaning.[52] In contrast to Israel's neighbours, the king in Israel had almost no role, except to act as a final 'court of appeal' for those who believed they had been wronged at a local level. How such an emphasis can be applied in high-income societies today, where informal care networks have disintegrated in part as a result of state welfare, is explored briefly in chapter 8.

6. Private enterprise as the engine of the economy

If government is not to play a major role in the economy, then the responsibility for wealth creation must lie with families and groups of individuals who come together to create productive enterprises. This resonates with many passages of biblical teaching. Human beings, made in the image of a Creator God, are surely intended to be creative in fulfilling their mandate to steward the earth. In Jesus' teaching, the parable of the talents has been taken by most commentators to have application to everyday work, which involves use of capital to create additional wealth. In the early church, Paul implicitly endorses the business of Lydia – a dealer in purple cloth – by accepting her offer of hospitality, and making her home a centre for the young church in Philippi.

As we have seen, several constraints on the way capital and property can be deployed will shape how these enterprises are structured, in particular:

(a) limitations on debt finance, so that participation will be almost entirely through equity (shares).

(b) 'limited liability' only through remission of debt every seventh year, and the Jubilee laws governing return of property which has been leased out, so that investors are incentivised to be closely involved with the companies where they place their funds.

(c) the moral principle that ownership necessarily involves responsibility, and that a person or family should 'only reap where they have sown', so that those who invest in companies accept responsibility to society for what the company as a whole does and how it behaves towards its employees and other stakeholders.

(d) the requirement of transparency in a relational society, so that the names of those who own a significant proportion of shares (e.g. over one per cent) and thus are meant to accept responsibility for the company's operations are known to the wider community.

Companies operating under these constraints would be smaller, as investors are less likely to risk their assets in enterprises which are remote geographically and where it is hard to obtain information to ensure accountability of its executives.

These goals may seem to lie beyond what is practical in today's world. However, a number of intermediate steps could be taken to start the process of change along a relational path. They include companies paying bonus dividends to shareholders who hold on to their shares, and linking voting weight among shareholders to the length of time of holding; removal of tax breaks associated with corporate debt; and requiring shareholders to provide some additional capital if a company in which they hold shares becomes insolvent. A comprehensive approach to 'relationising' companies is set out in the Relational Business Charter, published by Relationships Global.[53]

7. The priority of relationality and rest

The greatest challenge in moving from a Capitalist to a relational economic system is how to shift the goalposts from pursuit of business profit and personal gain to a focus on good and right relationships with God and neighbour. This priority has to be reflected, first of all, in how people use their time, as time for many people is their scarcest resource; arguably, it is also the most important 'currency' of relationships. So the issue is this: how can society demonstrate to outsiders, and to itself, that its greatest priority is quality of relationships in its use of time?

The answer God gave to Israel, which is also reflected in the Creation narrative, was to ring-fence one day each week for relational priorities: commercial activity was prohibited. This was taught in the Ten Commandments,[54] and reinforced by prophetic teaching[55] and social reform.[56] The weekly rest day, providing special time and space for God, family and neighbour, has been the practice of the Christian church, wherever possible, since its inception, right across Europe.[57] To introduce a weekly shared day off does not require that the majority in the society are Christians; the physical, mental and relational health benefits of a weekly day off have been widely demonstrated.[58]

Conclusion

Every crisis presents an opportunity for foundational reassessment. The current profound crisis across Europe, brought about in large part by a sustained culture of debt and the associated practices of reward without responsibility, investment without involvement, and profit without participation, provides at the same time an immense opportunity to rethink economic relationships. For the presenting problems of economic failure and dysfunction conceal far deeper faultlines of family breakdown, corporate greed and spiritual complacency. Our vision of a relational economy, in the wider setting of a relational society, seeks to reconnect Europe with its spiritual roots, and provide a Christian framework for Europe's multifaceted societies that offers hope once again for economic well-being, financial stability and social cohesion.

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[1] See www.jubilee-centre.org

[2] See, for example, Jonathan Rushworth and Michael Schluter, *Transforming Capitalism from Within*, Relationships Global research report, November 2011. (www.relationshipsglobal.net)

[3] See chapter 5.

[4] John 1:1; Heb. 1:2–3.

[5] Hos. 11:1–4.

[6] Matt. 1:23.

[7] 2 Cor. 5:17–20.

[8] Matt. 22:34–40.

[9] E.g. see Luke 12:13–21.

[10] 1 Cor. 13:1–3; John 13:35.

[11] John 17:3.

[12] E.g. Isa. 25:6–9.

[13] E.g. Isa. chapters 13–23; Amos 1.

[14] E.g. Ps. 15; Ezek. 18; Matt. 5:43–48; Matt. 18:21–35.

[15] See, for example, Deut. 10:18; Jas. 1:27.

[16] Our willingness to use teaching from biblical law may raise concerns in some quarters. Many passages seem foreign, or even unjust, to a modern ear. These points have been answered in detail elsewhere. See *Jubilee Manifesto*, IVP, 2005; and Jonathan Burnside, *God, Justice and Society*, OUP, New York, 2010.

[17] See especially C. J. H. Wright, *Old Testament Ethics for the People of God*, IVP, 2004; and M. Schluter and R. Clements, 'Jubilee Institutional Norms', *Evangelical Quarterly*, Vol. 62, No. 1. 1990.

[18] E.g. Deut. 15:9; Matt. 19:8.

[19] E.g. Matt. 5:17–20. Jesus also reaffirmed that man shall live 'on every word that comes from the mouth of God' (Deut. 8:3; Matt 4:4).

[20] 2 Chr. 36:21. The Prophets foretell judgement on Israel because the economic institutions of the law were not upheld (e.g. 1 Kgs. 21:19; Jer. 25:8–11; 34:17; Ezek. 22:7, 12; Amos 2:6–8).

[21] Gen. 1:28; 2:15–16.

[22] Zech. 3:10; Mic. 4:4.

[23] Matt. 13:22.

[24] Jas. 4:13–16.

[25] Prov. 22:7.

[26] Matt. 25:14–30; Luke 19:11–27.

[27] See chapter 2.

[28] From 2009, the Greek crisis illustrated the ways in which the preconditions set by the creditor and the limitations of the debtor work to sour the relationship between the two parties.

[29] See chapter 3.

[30] Ps. 37:21 (c.f. Rom. 13:8).

[31] See Matt. 6:12; 18:21–35; Luke 7:39–50; Rom. 4:25; Col. 2:13–14.

[32] See chapter 10.

[33] See A. Haldane, Control rights (and wrongs), Wincott Annual Memorial Lecture, Westminster, London, 24th October 2011, http://www.bankofengland.co.uk/publications/speeches/2011/speech525.pdf; see also H.-W. Sinn, 2009, *Risk-taking, Limited Liability, and the Banking Crisis*, Ifo Institute, University of Munich, pp.33–57.

[34] See especially chapters 6, 7, 8 and 9.

[35] For a fuller list, see chapter 5.

[36] Lucy Hill, John Ashcroft and Michael Schluter, *Moving the Goalposts: Moving the family to the heart of development strategy*, A report for the Office of International Diplomacy by Relationships Global, Cambridge, May 2011.

[37] E.g. Lev. 19:35–36; Deut. 25:15–16.

[38] Prov. 11:26; Amos 8:4–6.

[39] E.g. Deut. 28:12; 1 Kgs. 10:14.

[40] Prov. 22:7.

[41] Deut. 15:7–11.

[42] Deut. 23:19, 20; cf. Psalm 15:5; Ezek. 18:13. Although contemporary legal codes (e.g. Babylon) limit rates of interest, the Pentateuch is again unique in prohibiting interest outright. The teachings of Jesus presuppose and, if anything, reinforce the prohibition of interest (Luke 6:32–35; 19:22, 23).

[43] Deut. 15:1–6.

[44] See chapter 11.

[45] See chapter 11.

[46] This is part of the rationale of the landowning legislation in Israelite society, where the importance of keeping relatives in the community is emphasised (Lev. 25:35–37).

[47] See chapters 8 and 11 for further discussion.

[48] For instance, Singapore and Hong Kong provide tax incentives for co-location and care of elderly parents.

[49] Deut. 17:14–20; 1 Sam. 8.

[50] See, for example, Gerald M. Meier, Leading Issues in Economic Development, OUP, New York, 1976, section 9.

[51] See chapter 7.

[52] E.g. Deut. 24:19–22.

[53] Jonathan Rushworth and Michael Schluter, Transforming Capitalism from Within: a Relational Approach to the Purpose, Performance and Assessment of Companies, Relationships Global, October 2011.

[54] E.g. Exod. 20:8–11.

[55] E.g. Amos 8:4–8; Isa. 58:13–14.

[56] E.g. Neh. 13:15–22.

[57] The first day of the week as the day of Christian gathering is implied in, for example, Acts 20:7; 1 Cor. 16:1–2.

[58] E.g. For the UK, see Clare Lyonette and Michael Clark, 'Unsocial Hours: Unsocial Families? Working Time and Family Wellbeing', Relationships Foundation, 2009.

2 The great financial crisis: A biblical diagnosis

Paul Mills March 2011

I believe banking institutions pose a greater threat to our liberties than standing armies.
Thomas Jefferson

Man is born free, and everywhere he is in debt.
Paul Mills (with apologies to Jean-Jacques Rousseau)

Summary
The self-destructive tendency of a debt-based financial system has been highlighted in earlier Cambridge Papers.[1] This lesson is being retaught with a vengeance by the current financial crisis. To diagnose our current plight, this paper expounds the biblical teaching on debt, interest, and finance; explains what is really going on from a relational perspective; and draws applications for the Christian, the church, and society.

Introduction

The financial crisis working its way through the US and Europe demonstrates once again the extreme danger that debt-based finance poses. The very self-government of supposedly free nations, such as Greece and Ireland, is being suborned. This paper sets out a biblically-based alternative to conventional financial thinking, stressing its relational aspects. This perspective is not radically new. Rather it reapplies the church's traditional stance on debt and interest that was upheld until the seventeenth century. Since then, Christians have elevated human reason above biblical revelation, meaning the church has had no prophetic voice when confronting a debt-induced financial crisis. It is time to break the silence.

The great financial crisis of 2007–20??

The world economy is passing through its most serious trial since the Great Depression. Governments are borrowing at 'wartime' levels without fighting a major war; central banks have cut interest rates to their lowest-ever levels and are purchasing vast quantities of assets by 'printing money'; and there is talk of 'currency war' as countries vie with each other to depreciate (mirroring the trade battles of the 1930s). The bailout of banks and imposition of fiscal austerity threatens social order in Europe. The financial crisis may well have triggered the onset of a low-growth period in high-income countries as demographic ageing sets in, following the precedent of Japan's anaemic recovery from its 1980s property bubble.

How could such a calamity have occurred when politicians boasted of 'the end of boom and bust'? Aside from humanity's unerring tendency to hubris and God's kindness in periodically puncturing our self-inflation, what occurred was the build-up of a property-backed debt bubble in many countries, its puncturing initially through the US subprime crisis, and the ensuing failures of, and loss of confidence in, financial institutions. The proximate causes of the crisis are likely to be debated for decades to come. Thus far, the 'prime suspects' responsible for the demise of financial stability are a combination of regulatory failings, the decline in mortgage lending standards in the US and elsewhere encouraged by the packaging of mortgages into securities, excessively loose US policy rates in 2003–06, and persistent trade surpluses maintained by China, Japan, and others, often sustained through currency intervention.

Once it became apparent that a significant crisis was underway in 2007–08, fiscal and monetary authorities reacted by relaxing bank regulations and accounting rules, injecting massive amounts of cash into money markets, providing banks with capital and guaranteeing their debts, while running huge deficits themselves to prevent the fragile 'house of cards' from collapsing. They were unwilling to risk the failure of even moderately-sized banks (such as Northern Rock and Bear Stearns) to protect creditors and depositors. When loss-sharing was eventually tried with the failure of Lehman Brothers, the global financial system went into cardiac arrest prompting the further bailouts of AIG, the ten largest US banks, General Motors and Chrysler, Royal Bank of Scotland and Lloyds Bank.

Hence, the financial system preaches 'free market' principles of loss for failure to others, but avoids having them applied to itself. Despite their industry's very existence depending on taxpayer bailouts and assistance, managers continue to remunerate themselves extremely well, seemingly oblivious to their wider social and moral obligations. Given such hypocrisy and evident injustice, it is no wonder that we are entering a turbulent political period in which even the future of market-based economies is open to question.

The biblical alternative for finance

There is a better way, but to follow it requires the courage to question the very foundations upon which finance has been built for the past four centuries. Rather than radical innovation, it means going back to how the church understood finance for the first three-quarters of its history.[2]

A short introduction to relational biblical ethics

Before this can be demonstrated, however, the approach to be taken to the biblical text needs to be explained. This is because the Bible's injunctions on debt and interest are rooted in Old Testament (OT) law. Although these teachings are reinforced and expanded in the prophets and gospels, too often their application is dismissed by Christians on the basis that they are part of OT law and have no lessons for a 'modern' economy. Whilst care is certainly needed in applying the texts, OT law has continuing relevance as the foundation for Christian social ethics and public policy, as has been established elsewhere.[3] Suffice it to say, the following discussion is based on seeing that:

- All are made in the image of a God who, within the Trinity, relates perfectly. All of life therefore is to be viewed through a relational prism, given the ultimate commands to love God and neighbour (Matthew 22:34–40), not money (Matthew 6:24). To simplify, 'I relate therefore I am.'

- The OT law is where this 'principle of love' is worked out practically and from where it is derived (Deuteronomy 6:5; Leviticus 19:18). It has eternal relevance because it foreshadows and points to Christ's work within social institutions and norms (Matthew 5:17–20).

- The law was revealed to embody God's wisdom so Israel could live as 'a light to the Gentiles' (Isaiah 42:6), so that they would come to worship him (Deuteronomy 4:6). The law was given for all peoples and not just Israel.

- The OT law is not idealistic and other-worldly. It is intended for the restraint of evil (1 Timothy 1:9–11) in the light of human hard-heartedness (Mark 10:5).

All this means that Christians need to approach what the Bible says about money and finance primarily from a relational perspective, but expecting to find practical guidance.

i) Debt

This perspective transforms how we understand the Bible's teaching on finances and illuminates what has really been going on in the financial crisis:

Lending ***freely*** *to the needy is an act of love and neighbourly kindness.* The text is replete with exhortations and promised blessings[4] for those who lend freely to those in need. Indeed, the interest-free loan seems to have been central to the OT welfare system. It was the duty of close relatives to lend to their kin in need, and redeem them from debt. Hence, being in debt per se was not wrong or sinful. It may have arisen from misfortune or ill-judgement. However, it was an opportunity of blessing for those who could help out, interest-free. Jesus made this duty even more radical for his disciples by exhorting them to lend, even to enemies, 'without expectation of return', meaning either not insisting on the return of the loan principal or a reciprocal favour (Luke 6:34–35).

Repayment of debt is a serious obligation. Security could legitimately be taken by the lender to enforce repayment[5] and subsequent failure to pay could result in servitude to make good the debt.[6] For borrowing entails a solemn promise to repay. Default is the equivalent of breaking one's oath or 'bond'. Hence, it is 'the wicked who borrow and do not repay' (Psalm 37:21) and Paul enjoins the Romans to 'leave no debt outstanding...' (Romans 13:8).

Being in debt is tantamount to servitude itself because of the solemn promise to repay. Hence, 'The rich rule over the poor and *the borrower is slave of the lender*' (Proverbs 22:7). This identity is highlighted in the English usage – by giving our 'bond' we have entered 'bondage'. It is the lender who dictates terms as the borrower sacrifices his or her financial liberty. Yet our financial system pretends that spending on credit expresses our personal freedom. As with all worldly dissimulations the reality is the opposite of the advertisement. Our society lauds individual liberty while simultaneously enslaving through debt.

God's ideal is for those made in his image to be free and clear of obligation so as to exercise independent stewardship over creation. Hence, the OT law instituted the periodic cancellation of debts and release of debt slaves every seven years[7] and obligates the nearest responsible male relative to act as 'kinsman-redeemer' to buy back the impoverished, or their land.[8] With the Jubilee (Leviticus 25), the Old Testament instituted a true 'ownership-society', where all had access to property and the means of production, debt-free, at least once during their adult lives (cf. Micah 4:4).

ii) Interest

Given the perspective of debt as 'slavery', it is no surprise that the Bible is clear that interest cannot legitimately be charged on a loan to a countryman, for such is to take advantage of the 'bondage' of another and an inherently unloving act. We know this instinctively from our own experience. If we lend to a neighbour or family member and seek to charge interest, we know we are demonstrating a tight fist, not a soft heart. In the OT law, interest[9] was prohibited within the Israelite community especially in the context of lending to the poor (Exodus 22:25; Leviticus 25:36, 37) but also between all fellow citizens (Deuteronomy 23:19). This prohibition is then upheld by David (Psalm 15:5), Ezekiel (18:8, 13, 17; 22:12) and Nehemiah (5:1–13). Charging interest is folly for it attracts God's retribution (Proverbs 28:8).

As we have seen, Jesus assumes the prevalence of interest-free lending within his society and then radicalises the OT teaching for his disciples (Luke 6:34, 35). Moreover, he further condemns the taking of interest in the Parables of the Talents (Matthew 25:14–30) and Ten Minas (Luke 19:11–17). Here, in contrast to the servants commended for taking investment risk with their master's resources, the wicked servant is judged for taking no chances. In the process, Jesus characterises taking interest from bank deposits as 'reaping where one hasn't sown' (and so inherently unjust and exploitative); it is what 'hard' men do. As such, it is antithetical to both love of God and neighbour.

iii) Equity, partnerships and rent

The corollary is that financial investments that explicitly share profit and loss through partnerships or equity[10] are positively encouraged, as long as any reasonable profit is fairly obtained. Such arrangements explicitly acknowledge that profit is uncertain and not presumed upon. In addition, a return from property can be derived from rents and leases. Exodus 22:14–15 describes a rental contract where hire charges act as compensation for the owner given that they retain the risk of ownership of the goods hired out. Leasehold contracts on land are also envisaged (Leviticus 25:14–16, 29–31).

Why is such a distinction made between interest on loans and a return from profit-sharing investments or rentals? The answer lies in the allocation of risk within the various forms of contract. In a loan, ownership of the item lent and its associated obligations are transferred to the borrower, whereas in a profit-share partnership or rental contract, ownership and ultimate risk remains with the supplier of finance, or owner of property. A return on financial investment is only justified if legal ownership is retained, with the concomitant risk of loss. In contrast to Marx's 'labour theory of value', the OT distinction rests on a 'risk and responsibility theory of capital' – financial investment must 'earn' its return by directly bearing the risks of ownership.

iv) An objection addressed

The most difficult issue for the church has been how to apply this teaching in the context of wider society. For the OT text itself contains an exception for lending at interest to those outside the community of Israel (Deuteronomy 23:20), as well as an exception to the seven-year cancellation of loans (Deuteronomy 15:3). Hence, if lending at interest is not inherently immoral, why should Christians not accept that this is 'the way the world works' and stop rocking the boat?

The response is two-fold. First, pragmatically, does a debt-based financial system 'work' in the sense of 'does it allocate resources effectively and is it robust to shocks without external assistance?' For if the law reveals God's wisdom for a society, then we should observe that its contradiction yields bad fruit. The rottenness we observe around us—a recurring feature of debt-based systems[11]—affirms the law's wisdom. Second, if we understand the priority of healthy relationships within public policy, we need to ask whether a debt-based financial system fosters them. It is to this question we now turn.

The relational critique of debt-based finance

In the context of the commands to love God and neighbour, how does debt finance fall short?

With regard to our relationship to God, we should remember that 'money' is a dangerous idol that seeks to replace God as the object of our worship (Matthew 6:24). In the context of interest, we confidently assert that 'time is money' and so believe that the borrower should pay the price for money over time. Yet the briefest reflection shows that, in practice, the mere passage of time builds nothing and benefits no-one in a fallen world. Rather, the Curse (and the second law of thermodynamics) mean that physical goods almost invariably deteriorate and decline in value with time's passing. Rather, it is the operation of human labour and stewardship within time that 'add value'. To charge just for the mere transfer of money over time is 'reaping where one has not sown'.

More pointedly in the context of the current crisis, interest-based finance embodies assumptions about the future. Borrowers hope they will have the wherewithal to repay while lenders believe that their security and the pooling of risk mean that the interest charged will cover any defaults. Essentially, debt finance is based on making working assumptions about the future and making promises based on those projections. This works well in calm times, but its inherent fragility becomes apparent when shocks occur, as they invariably do, and the debt system then works to amplify the crisis and its costs.[12] Instead, under God, we should take a humble attitude towards the future for only he knows it with certainty (Proverbs 27:1). Our boasting about future profit is 'evil' (James 4:13–16). If we arranged our financial system around equity contracts, that embody no such assumptions about future returns and act as shock absorbers rather than amplifiers, it would be far more robust.

But it is in our relationships to our neighbour that the problems with debt-based finance become most pointed. As we have noted, the strong obligation entailed in a debt means that, from the Bible's perspective, the borrower is effectively enslaved. To profit from the slavery of others is one of the worst of crimes, and yet that is effectively what happens with every interest-bearing loan once the layers of intermediation and obfuscation are stripped away. We may comfort ourselves by thinking that using a bank absolves us of such turpitude. Yet, from a relational perspective, this is even worse, for we then have no idea who the bank is enslaving on our behalf, how they are being treated, which families' houses are being repossessed, and which businesses are being made bankrupt in our name. We have reneged on our obligation of stewardship—of knowing how God's money in our care is being used. Surely, this is something 'hard' men do.

With regard to the wider economy, debt finance is simple, cheap, and seemingly 'efficient' because it reduces the information that needs to flow between supplier and user of finance. The problem is that, as we have learned again to our cost since 2007, the debt-based system and its banks only survive by holding the economy hostage and so pass the costs of their failures onto ill-informed or powerless third parties. These may be unpaid creditors in bankruptcy; taxpayers (through subsidising company indebtedness, bailing out and subsidising banks deemed 'too-big-to-fail', or lending to other countries threatening default); savers required to accept low, if not negative, rates of return to bail out borrowers further;

and holders of currency who see central banks 'printing money' to ensure inflation—all to stop the house of debt from collapsing. As such, the debt system institutionalises injustice and exploitation.

Indeed, a good case can be made for believing that we have a financial system dedicated to inflation[13] because a debt-based system cannot survive if prices fall for a sustained period (as occurred under the Great Depression). Central banks will now seemingly do anything to stop prices from falling in order to prevent the real value of debts from rising. Even though cheaper goods would normally be seen as a 'good thing', in our topsy-turvy, black-is-white, debt-based world, falling prices are a 'bad thing'.[14] However, if finance were arranged on a non-interest basis, the return on capital could absorb fluctuations in the price level without doing wider damage. There would still be economic fluctuations, no doubt, but they would not be amplified by the debt cycle, and the system could survive with a stable price level in the long run.[15]

The Bible consistently condemns taking interest on a loan, but ultimately the text doesn't give a reason for its prohibition. Now we can see once again, in the light of bitter experience, that it does so for sound economic and financial reasons. By severing the relationship between lender and borrower, the debt-based system economises on costs in the short-term only to impose them on innocent third parties in the long run.

Applications

How should we now apply the Bible's radical alternative for finance in today's world? It has far-reaching implications for our personal money management, church finances, and public policy.

i) Personal finances

On an individual or family level, these biblical injunctions most clearly point to the desirability of being debt-free. While, in some cases, indebtedness may be unavoidable and not sinful per se, it places the borrower in 'bondage' with a strong moral obligation to repay. High debt levels and the resulting money worries constrain our service of God through career choice, often force both spouses to work, and can lead to marital pressures and divorce. God's clear intention is for his children to enjoy the freedom that comes with their salvation and not to be enslaved by, or yoked to, unbelievers.[16] Hence, we should limit consumption in order to give (Ephesians 4:28), and save to be debt-free as soon as feasible. If occupying a house, seek alternatives to avoid a mortgage or minimise its size (be that renting, using lease-to-buy arrangements,[17] or raising equity stakes from family members or friends).

Then, use money to foster loving relationships rather than maximise financial return. Lend interest-free to help others get out of debt faster; take a stake in a relative's home so that they can minimise their mortgage; or invest in a local or family business to sustain jobs and the local economy. Of course, all these desirable actions need to be tempered with prudence and wisdom, benefiting from the advice of others. But we shouldn't let reverence of Mammon deprive us of the blessings promised to those who lend interest-free.

When considering where to invest one's money, try to use the principles set out above to guide the choices.[18] Attempt to avoid taking interest (through banks or bonds), own property or equities, and know in what you have invested God's resources. This is unlikely to yield the best financial returns but it will embody relationally-positive principles in monetary form.[19]

ii) Church finances

Most of these applications apply similarly to a church's finances, but should be implemented with, if anything, greater scrupulousness for the sake of the conscience of 'the weaker brother'. Hence, churches and congregations should not themselves be indebted, and thus 'yoked to unbelievers'. Congregations could consider raising funds for interest-free loan funds in addition to grants to those in need. Members could be trained to provide debt counselling within the church and community. Any essential longer-term savings held by the church should be held principally in property or equity with a close knowledge of the economic ends to which such resources are put. If their church or congregation cannot follow these principles, Christians should seek governance reforms until they can.

iii) Public policy

As demonstrated, the case for taking the Bible seriously on interest and debt rests not only in a belief that it embodies God's will for his people, but also on its practical wisdom. Societies ignore it at their peril. The overarching goal embodied in the biblical-based financial system is to move to a society with minimal long-term debt and investment channelled through interest-free, rental, or equity-type contracts. This radical objective touches almost every area of financial policy. Here are a few suggestions:

• Companies: reform the corporate tax system to remove the tax subsidy given to debt finance. This would stop rewarding banks and companies for risk-taking through debt-based speculation; it would dampen the business cycle in debt-financed sectors (principally commercial property); it would put a brake on the artificial growth in company size (through debt-assisted takeovers); and it would eliminate much of the tax subsidy given to private equity firms.

• Banks: make banks safe so they can be allowed to fail. As envisaged in regulatory reforms now under way, banks need to be so well-capitalised and safely structured that any losses fall on shareholders (and 'bailed-in' creditors) not taxpayers. Banks need to be simple enough to be capable of closure in a crisis with larger institutions forcibly broken up or penalised so heavily for size that they want to shrink. Any for-profit institution that is 'too-big-to-fail' is 'too-big-to-exist' and its very survival eats away at the moral basis of a market-based economy. However, such reforms would only go some of the way to weaning us off the illusion that we can save in a bank, expect a return in good times, but be protected from losses in the bad. Fully to address this problem would mean splitting a commercial bank into a guaranteed payments utility that runs current accounts, and an investment arm taking mutual fund-type savings rewarded with a dividend rather than interest.[20]

• Households: encourage non-debt forms of housing finance (notably lease-to-buy) through removing any remaining tax subsidies to mortgages and facilitation by regulators. To address the early financial servitude of the young, we need to develop alternatives to student debt—be that through grants, endowment scholarships, tax breaks for parental contributions, or graduate tax surcharges.

• Government: prevent the growing indebtedness of future generations through fiscal reforms. These could take the form of constitutional or legislative commitments to a falling government debt-to-GDP ratio, with independent monitoring to ensure accruing liabilities are fully accounted for. We should also reform development finance (and other international capital flows) to move to an equity or rent-share basis rather than debt. Equity-type investments would do far more to encourage sound institutional development while sharing risk more equitably.

The transition to a debt-free financial system would be fraught with costs and difficulties, and may not ultimately be achievable. Indeed, there are practical steps along the way (such as credit unions and microfinance) that can ameliorate many of the evils of debt while still charging interest. But if society doesn't have the ideal of freedom from debt as the compass bearing to guide our path, it will remain trapped in the quagmire of pragmatism, vainly believing that a system that repeatedly demonstrates its inherent contradictions and self-destructive tendencies can be reformed.

Conclusion

God's intention is for those made in his image to enjoy freedom and stewardship. Instead, we indebt ourselves and others, inverting our moral and common sensibilities in the process and repeating the same mistakes of debt-fuelled booms and busts time and again. But God's intention was not just our financial liberation. Rather, his ultimate purpose was to embody the gospel principle of debts forgiven and debt-slaves redeemed.[21] Christ cancelled our certificate of debt on the Cross (Colossians 2:13–14). Christians should seek a debt-free future for themselves, their churches, and their society, to point to the exuberance and liberty of the truly redeemed life.

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1 See especially Mills, P.S., 'The Ban on Interest: Dead Letter or Radical Solution?', *Cambridge Papers*, 1993, Vol.1, No.4; and 'The Divine Economy', *Cambridge Papers*, 2000, Vol.9, No.4.

2 Space constraints mean that this paper takes an unequivocal approach to the texts and their application. More nuanced arguments can be found in the Cambridge Papers referenced.

3 See Wright, C.J.H., *Old Testament Ethics for the People of God*, IVP, 2004; Schluter, M., and Ashcroft, J., (eds.), *Jubilee Manifesto*, IVP, 2005; Keller, T., *Generous Justice*, Hodder & Stoughton, 2010, p.25f.

4 Lev. 25:35, 36; Deut. 15:7–11; Pss. 37:26; 112:5; cf. Prov. 28:8.

5 Exod. 22:26–27; Deut. 24:10–13.

6 2 Kgs. 4:1f; 6:5; Matt. 18:23–35.

7 Exod. 21:2–4; Deut. 15:1–3, 12–15; cf. Neh. 10:31.

8 Lev. 25:25, 47–48; cf. Ruth 4.

9 In Hebrew, there is no distinction between moderate interest and excessive 'usury' or exploitative interest. The words *neshek* ('snakebite') and *tarbith* ('increase') contain no connotation of an extortionate rate, and this has been the traditional Jewish and Christian understanding of the texts. Bible versions that resort to 'excessive' interest are mistranslations at this point.

[10] 'Equity' or share capital entails investment in a company or business where the shareholders exercise ownership responsibilities and enjoy profits and suffer losses from the enterprise.

[11] Reinhart, C.M., and Rogoff, K.S., *This Time Is Different: Eight Centuries of Financial Folly*, Princeton, NJ: Princeton University Press, 2009.

[12] See Mills, 1993, *op. cit.*

[13] Since the UK left the Gold Standard in 1914, prices have risen around 7300%. Although central banks are charged with keeping low and stable inflation, in practice this means keeping inflation around 2% p.a. Not only is the goal to halve thereby the real value of currency over 35 years, but central banks also tend to accommodate upward inflation shocks thereby introducing a further inflationary bias.

[14] Another example of debt-induced reverse morality is the cultural attitude to house prices. With most houses bought with debt, buyers make a higher return the more prices increase. Hence, the unquestioned assumption of politicians and journalists is that rising house prices are a 'good thing'. Yet housing is one of the necessities of life. How can it be beneficial for its cost to rise, especially for those on low incomes?

[15] Some Christians argue for the return of metallic-backed money to counter inflation. However, we must be careful for what we wish for, since returning to a gold standard without weaning the system off debt first risks a repetition of the 1930s. The OT model is far too intricate and sophisticated to think we can select just the elements that fit our preconceptions.

[16] Rom. 8:21; Gal. 5:1; 1 Cor. 7:23; cf. 2 Cor. 6:14.

[17] Although not yet widely available in the UK, 'lease-to-buy' arrangements are an alternative to a mortgage debt where the occupier gradually accumulates ownership in a property and rents the remainder from the financier.

[18] For a more detailed discussion see Mills, P.S., 'Investing as a Christian', *Cambridge Papers*, 1996, Vol.5, No.2.

[19] Luke 16:9; 1 Tim. 6:18–19.

[20] Mills, P.S., and Presley, J., *Islamic Banking: Theory and Practice*, MacMillan, 1999.

[21] Matt. 6:12; 18:23–35; Luke 7:41–43.

3 Is Capitalism morally bankrupt? Five moral flaws and their social consequences

Michael Schluter September 2009

I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. Corporations have been enthroned, an era of corruption in high places will follow, and the money-power of the country will endeavor to prolong its reign by working upon the prejudices of the people until the wealth is aggregated in a few hands and the Republic is destroyed.
Attributed to Abraham Lincoln[1]

A whole world of new and stronger policies is needed – measures that strengthen our families and our communities, address the breakdown of social connectedness, and favor rootedness over mobility …
James Gustav Speth[2]

Summary
Many Christians accept Capitalism as broadly in line with biblical teaching. Its economic success appears to vindicate attribution of its origins to Christian theology.[3] This confidence in Capitalism as the best available economic system has meant that Christians have failed to recognise that it is one of the main drivers of social and moral breakdown in Western societies. This paper will highlight five failings in the philosophical foundations and institutions of Corporate Capitalism, pointing to their devastating impact on families and communities, and how they bring about the growth of giant corporations and centralised state power. Christians need to search urgently for a new economic order based on biblical revelation. One such alternative will be set out in a future issue of *Cambridge Papers*.

Does Capitalism have a case to answer?
The economic benefits of Corporate Capitalism are obvious to all of us. Paul Collier suggests that a billion people have been lifted out of poverty in the last 30 years by the incorporation of their economies into the Capitalist-inspired global trading system.[4] Many of us in Britain enjoy the experiences offered by air travel, computers, iPods and mobile phones,

all made possible by the efficiency of Capitalist corporations. When someone close to us contracts a serious illness or has an accident, which of us is not grateful for modern drugs and technology, again the products of mega-corporations?

In terms of political benefits, Capitalism has led in many countries to the replacement of feudal aristocracies with meritocracies, and arguably there is a close link between Capitalism and democracy. As Novak suggests, 'political democracy is compatible in practice only with a market economy'.[5] Of course, Capitalism is not the only form of market economy imaginable, but it is the only one with which most people are familiar. For many, daily life in a Capitalist society appears highly desirable, and millions from former Communist countries aspire to achieve it.

While there is much concern about the activities of the modern corporation, especially in terms of exploitation of the workforce and impact on the environment, its critics can exaggerate. Some large companies take good care of their staff, providing training and career progression without regard to gender, class or race. They encourage good citizenship, give generously to charities and increasingly are adopting measures to protect the environment, all in the name of corporate social responsibility.

Moreover Capitalism, it is argued, rests largely on Christian values. According to its early proponents like Adam Smith, it takes account of the sinfulness of the human heart. So rather than rely on the State to allocate resources and fix prices where human greed can too easily play a part, impersonal markets determine these outcomes, with each player in the market pursuing their own self-interest. The greed of any individual is constrained, in effect, by the enterprise of others through the mechanism of the market. In the words of a leading left-wing thinker, 'The free market remains, all in all, a factor promoting socialisation, a means of connecting human beings, even of creating fraternity or, in any case, mutual recognition. Hence, it is the opposite of corruption.'[6] Indeed, biblical teaching assumes free markets for exchange of goods and services, providing only that the conduct of markets is just and fair[7] and that traders do not hoard food in periods of shortage.[8]

In addition, for human beings to reflect fully the image of their Maker, they must have the opportunity to exercise responsibility, to make choices, to experience 'liberty'. This liberty only flourishes where economic decisions and exchange are not constrained by powerful political or social interests. Hence, biblical teaching warns against excessive state power in both Old and New Testaments.[9] Traditionally, it has been those in favour of Capitalism who have argued most vigorously for limits on the power of central government.

With clear evidence of the economic benefits of Capitalism, and of its roots in a Christian understanding of the world, why should any Christian question its legitimacy? As shown below, the failings of Capitalism arise substantially from corporations which developed as its primary engine. So it is important to separate out the moral failings which are intrinsic to Capitalism itself, and those attributable to Corporate Capitalism, i.e. to the legal form of its institutions.

The theological framework

Rather than a general appeal to conscience, the *Cambridge Papers* approach is to explore issues from within the framework of biblical revelation. This allows not only a critique of principles or values, but also provides a plumb line for evaluation of 'institutions', which Douglass North has defined as 'the rules, formal and informal, which govern the behaviour of organisations and individuals'.[10]

The starting point for evaluation of economic and social 'institutions' is the fact that God is a relational being, and that his priority is not economic growth, but right relationships both between humanity and himself, and between human beings.[11] This relational focus is the theme of both Old and New Testaments. When Jesus lays down the overarching moral principles of 'love God and love your neighbour',[12] he is pointing to the priority of relational over financial wealth, for love is a quality of relationships.

A more controversial aspect of the methodology employed here is the derivation of moral norms from the economic and social rules governing Old Testament Israel. While these need to be understood in the light of New Testament teaching, and interpreted carefully in their historical context, they provide a key source of biblical ethical reflection, and are explicitly endorsed in the teaching of Christ,[13] and subsequently also by Paul.[14] The risen Christ is Lord over all that is, which includes every aspect of human life.[15] By reflecting on how the social and economic laws of the Hebrew Scriptures expressed God's relational character, Christians today can learn what principles should govern the contemporary economic and financial system, and thus what Christ's Lordship over that system would require. The approach taken here is set out in detail in *Jubilee Manifesto*.[16]

Five moral flaws of Corporate Capitalism

Capitalism sets out a framework within which individuals, and society at large, make decisions governing their business and financial affairs. It will be analysed here in terms of its contemporary manifestations, including the corporation as its main actor and engine, and with national governments and international agencies intervening to set many of the rules in a manner which often promotes scale and 'leverage'. This paper will focus on the Anglo-American model as its most extreme manifestation, although the failings are evidenced to some degree across all Capitalist economies.

The points at which the morality of an economic system can be evaluated are threefold:

It is not sufficient to examine only outcomes of an economic system; the causes of those outcomes, i.e. the social philosophy and 'institutions', need to be examined as well. We shall consider one major way in which the underlying philosophy of Capitalism conflicts with biblical ethics, and four ways in which the institutions of Capitalism do so, and then analyse two of the destructive social consequences of these five moral flaws in Capitalism.

i) An exclusively materialistic vision

As generally understood, Capitalism is concerned with the deployment and use of capital, although it has highly significant social 'side effects'. Capitalism rests unashamedly on the pursuit of business profit and personal gain: it promotes the idolisation of money, which Jesus refers to as 'Mammon'.[17] The moral dangers of Corporate Capitalism are similar because the modern corporation is driven primarily by shareholder materialistic self-interest. Adam Smith provided a moral framework for this pursuit of wealth by pointing out that as each person pursued personal gain, the outcome was, miraculously, the collective economic good. But pursuit of self-interest is a far cry from the biblical focus on 'love',[18] requiring other-person-centredness. People are regarded by companies as a resource, or as a cost in the profit and loss account, devoid of relational or environmental context. So Capitalism constantly has to be restrained from destroying the social capital on which it depends for its future existence.

This focus on capital lends itself to the idolatry of wealth at a personal level, and the idolatry of economic growth at a corporate and national level. It invites Mammon to supersede God as the focus of human loyalty and thus to break the first and most foundational of the Ten Commandments.[19] Shareholders pursue personal wealth with little knowledge of how it is generated, and senior management with scant regard for pay structures at lower levels of the company, while customers are persuaded by corporate advertising to pursue self-gratification in its many forms. At a systemic level, under Capitalism companies seek to expand current consumption beyond satisfied appetite, in order to generate supranormal returns for current suppliers of capital; they seek to generate this additional consumption through advertising, built-in obsolescence and expansion of debt. This is not a malign 'conspiracy', but how the system operates. However, the consequence is not just to undermine individuals' pursuit of spiritual realities, and to cause misery in many low-income households, but to create huge and growing income differentials with negative consequences for social cohesion. For example, the inflation-adjusted income of the highest-paid fifth of US earners has risen by 100 per cent since 1970, while it has fallen by 10 per cent for the rest.[20]

ii) Reward without responsibility

Economists argue that capital markets ensure money is allocated to those in society who can pay most for it, i.e. to those who will use it most efficiently and increase society's wealth fastest. Capital providers are to be rewarded just for allowing their capital to be used by somebody else. However, Jesus seems to understand the basis for rewards differently. In the parable of the talents, Jesus puts into the mouth of the Master, when addressing the lazy/fearful servant, that 'earning' money through interest on a loan is 'reaping where you haven't sown',[21] i.e. as contrary to natural justice. Investors lending at interest may be accepting some small element of risk; they are not accepting any responsibility for how or where the money is used. In contrast, Jesus seems to focus on the relational implications of how money is used; this includes the impact on a person's relationship with God and on his or her relationship with neighbour.[22] Debt finance generally results in relational distance rather than relational 'proximity' because the lender generally has no incentive to remain engaged with, or even in regular contact with, the borrower.

The relational distance between capital provider and user created by debt finance today, and also by much equity finance, can be readily seen in the workings of large corporations. Providers of capital generally have little or no say in corporate decision-making, except perhaps in cases of insolvency. Most investors provide equity finance through a financial intermediary (e.g. a pension fund); often they do not even know (or care) in which companies they hold shares. Seldom do individual shareholders attend the annual general meeting of the company; even financial intermediaries generally do little to influence company policy, preferring to 'exit' if things go badly, because less cost is incurred, rather than seeking to influence a company's decisions. Trading of derivatives similarly involves no responsibility for the actions of the targeted company.

Because purchasing shares through the stock market provides no additional funds to the chosen company, it is hard to distinguish from placing bets on horses. The intention of the investor is not to aid company growth but to make a short-term profit; they do not apply any skill or effort to help company performance. The only way purchase of shares aids a company's performance is in the context of raising new capital, and possibly takeover situations. Just as putting money in the bank led to Jesus' warning that it constitutes 'reaping where you have not sown',[23] so surely would most stock market transactions today. Jesus appears to question whether it is legitimate for a person to sit at home with their feet on the desk, as it were, and be rewarded in the same way as the person who actively trades goods, or works all day on the factory floor. Much as the American revolutionaries took as their slogan, 'no taxation without representation', should we today adopt the slogan, 'no reward without responsibility, no profit without participation'?

iii) Limited liability of shareholders

The corporation, which had only the smallest of roles in early Capitalism, is today the chief engine of economic growth. In the mid-nineteenth century, companies were permitted to become legal persons, separate from their shareholders; they own their assets and have many of the legal rights and privileges of an individual 'person'. If they register as limited liability companies, shareholders have no liability beyond the amount of capital they have subscribed or paid for their shares.

Limiting liability is contrary to biblical teaching because, exceptionally in the law of contract, it allows debts to be left unpaid in cases of insolvency. This contradicts a fundamental moral obligation.[24] Worse still, the unpaid creditors, as has been conspicuous in the last decade, are often employees, consumers, and smaller companies supplying goods and services who have little or no knowledge of a larger company's financial circumstances, and may be relatively financially illiterate, while those best able to protect their position are often banks and highly paid executives: there is often great injustice. Examples include the bankruptcies of Enron, WorldCom and XL.[25]

While proponents of Capitalism would point to the way limited liability has resulted in a massive mobilisation of capital for productive enterprise, which perhaps would not otherwise have occurred, it has also had many negative, unintended consequences. Because the downside risks of borrowing are capped, while the upside risks are not, management – backed by shareholders – have been willing to borrow huge sums relative to the firm's equity base and thus grow firms at a frantic pace. These giant corporations have enormous market power which can too easily crush smaller competitors. In the financial sector, incentive schemes often reward risk-taking excessively on the upside with no downside penalties, reflecting the risk position of shareholders. Consequent mega-losses have to be financed by taxpayers to limit wider economic and political fall-out.

iv) People disconnected from place

In the Old Testament, the Jubilee laws required that all rural property was returned to its original family owners every fiftieth year, free of charge. This ensured long-term rootedness for every extended family in a particular place,[26] strengthened loyalty to God and contributed to family solidarity. These goals are highlighted by their antithesis in the story of Naboth's vineyard.[27] An important by-product of the Jubilee land laws was to ensure a measure of equity in the distribution and ownership of property which ensured a broad distribution of political power.

In contrast, Capitalism regards land and property as assets without relational significance. The effects of ignoring the role of land in family identity and solidarity can be seen historically in the enclosure movement where low-income families were dispossessed of their traditional land rights by powerful local landowners, resulting in mass migration to the cities.[28] Today, there is little protection against repossession of homes when wage-earners lose their jobs and cannot meet interest payments on their mortgages. This contributes to many families' loss of rootedness and also impacts on the distribution of income, given the importance of property as a form of wealth.

The benefit of breaking this people–place connection, economists would argue, is to increase productivity of labour, and national economic growth, because people can move more easily to where their productivity (and hence their wages) are highest. However, as extended family members move away from one another, and communities become more transient, they can no longer fulfil welfare roles. For example, grandparents can no longer help look after grandchildren, and responsibility for care of older people and those with disabilities falls on the state, with the costs having to be met from tax revenues. Economists have constantly ignored the economic and relational 'externalities' of mobility, i.e. the costs to wider family and society as a whole when an individual or nuclear family moves from one area to another.

v) Inadequate social safeguards

The legal framework within which Corporate Capitalism operates is the result of prevailing economic and political philosophies, and the power of opposing interest groups. However, Capitalism does not itself have any concept of protecting the vulnerable through constraints on the market. Consumers are assumed to be able to look after themselves, so the focus is on a person's freedom to produce or consume what they like without state interference. The belief is that with market deregulation, companies will operate with greater efficiency, so that greater wealth and welfare will result. This perspective is in the interests of the corporate sector, so that given their huge lobbying resources, and the relative weakness of religious or trade union opposition, their view has prevailed.

Deregulation assumes there are minimal constraints on availability and promotion of consumer credit, although the devastating consequences of debt for personal health and family relationships are well known.[29] In contrast, biblical law provides that interest cannot be charged on loans,[30] and all loans are to be written off every seventh year.[31] Deregulation ensures labour is available for hire 24/7, whereas biblical law protects one day in seven for non-work priorities including rest, worship and family.[32]

In recent years in Britain, deregulation has resulted in removal of limits on pub opening hours, and removal of safeguards relating to consumer credit, and to betting and gaming. However, there is abundant evidence that a significant proportion of the population are ill-equipped to handle such 'freedoms' – for reasons such as mental incapacity, poor parenting, lack of education, character weakness and other factors. The negative consequences impact not just the individuals who make choices which harm them, but also impact on spouses, children, relatives, friends, and others who live in close proximity who are financially or emotionally harmed by these decisions.[33]

Two consequences of Corporate Capitalism's moral failings

i) Family and community breakdown

Does the breakdown of family and community caused by Capitalism, noted above, really matter? Can't people live in the modern day quite happily and healthily without the relational support of family and community? The evidence suggests not. The effects of family breakdown are often devastating and well documented. They include child abuse (especially in step families), domestic violence, ill-health, poorer education and employment outcomes, and greater likelihood of criminal offences and taking drugs.[34] Other consequences include difficulty in sustaining long-term marriages for those whose parents divorced, greater likelihood of loneliness in old age, and mental illness, including depression.[35] The greater wealth of some sections of society in Capitalist nations has to be set against the greater 'relational poverty' which extends to an ever greater proportion of the population. The danger is that over time these relational problems become self-reinforcing and self-replicating. Indeed, a leading think-tank believes relational breakdown in Britain in terms of divorce and single parenthood has reached a point where it is irreversible.[36]

The effects of family and community breakdown run even more deeply and widely than this evidence indicates. Lack of stability in relationships threatens many people's sense of identity, leading to profound restlessness and unhappiness. It impacts, too, on their capacity for intimacy. At a national level, families play a crucial role in the transmission of culture; to protect families is to ensure there continues to be rich cultural and linguistic diversity among peoples which contributes so much to human creativity and wellbeing.

ii) Giant government and giant corporates

A second consequence of Capitalism's failings over the longer term is a massive growth in government expenditure. As the number of damaged households increases inexorably, so does the size of the state bureaucracy. Government spending on welfare has reached a level which many regard as unsustainable; yet without it, many vulnerable people would have little or no physical or emotional support. Secondly, as corporates have grown to be giant organisations, the scale and power of the agencies of government required to regulate them have also increased so that the state can ensure a source of countervailing power.

Does the size and power of the state matter? There are a number of reasons why, in the long term, a powerful, centralised state is a threat to personal liberty, to the stability of families and local communities, and to the institutions of civil society. As state agencies take over many of the roles of family and local community, they undermine the reasons why these institutions exist and thus lower further people's loyalty and commitment to them. For example, if a relative is unemployed, sick or in poverty, it is no longer the family's responsibility to provide support. Removal of personal responsibility at a household level may well be a factor in lower levels of political engagement, expressed in lower turnouts in local and national elections. There is also a danger of collusion between leaders of government and business to their mutual financial advantage, making government a poor watchdog over activities of companies. The ultimate danger, then, is that corporates grow beyond the possibility of effective regulation, and government is loosed from its democratic moorings, so that business and government become arrogant and oppressive. Abraham Lincoln may well have foreseen this possibility.[37]

Conclusion

So is Capitalism morally bankrupt? Only people can be 'morally bankrupt' for it is people, not economic systems, who have a relationship with God. And at a personal level, regardless of the economic system, 'all have sinned and fall short of the glory of God'.[38] Economic systems, however, can be a cause of people's sin, and Jesus warns how serious a charge that is.[39] While all political and economic systems will have moral failings to some degree, few would argue that all systems are equally flawed. So how flawed is Capitalism? To what extent does Capitalism contribute to a nation becoming morally bankrupt?

Imagine a world where human beings did not need family and community for attachment, maturation and relational support, or where all humans were born into stable families with a strong sense of personal responsibility towards one another, and care of the planet; where we could discover God through the pursuit of money rather than by actively seeking after the meaning of life. Then arguably Corporate Capitalism could avoid the charge of being morally bankrupt, or even morally 'bankrupting'. But the world is not like that.

If Corporate Capitalism is contributing significantly to the moral bankruptcy of Western societies, can Christians nevertheless accept it as part of their cultural context and concentrate just on personal evangelism and meeting individual need? The prophets thought it was necessary for God's people to tackle the causes, not just the symptoms, of social breakdown and injustice.[40] So did Jesus himself.[41] How, then, can

Christians avoid the urgent call to reform Capitalism radically? How can we start the reform process, and what might an alternative system look like? This will be the subject of a future issue of *Cambridge Papers*.

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[1] www.de-fact-o.com/fact_read.php?id=110

[2] James Gustav Speth, *The Bridge at the End of the World: Capitalism, the Environment and Crossing from Crisis to Sustainability*, Yale University Press, 2008, p.145.

[3] The so-called 'Weber-Tawney hypothesis'. See especially R. H. Tawney, *Religion and the Rise of Capitalism* (1926), Read Books, 2006.

[4] Paul Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done About It*, Oxford University Press, 2007.

[5] Michael Novak, *The Spirit of Democratic Capitalism,* The IEA Health and Welfare Unit, 1991, p.14.

[6] Bernard-Henri Lévy, 'Does the free market corrode moral character?', on-line at www.templeton.org/market, Autumn 2008.

[7] E.g. Deut. 25:13–16 and Mic. 6:10–11.

[8] Prov. 11:26.

[9] E.g. Deut. 17:14–20; 1 Sam. 8; 1 Kgs. 21; Rev. 13, etc.

[10] Douglass C. North, *Institutions, Institutional Change and Economic Performance*, CUP, 1990.

[11] This point is argued in Michael Schluter, 'What Charter for Humanity?', *Cambridge Papers*, Vol. 15, No. 3, 2006.

[12] Matt. 22:34–40.

[13] E.g. Matt. 4:4; Matt. 5:11–20; Mark 7:9–13.

[14] E.g. 1 Tim. 1:8; 2 Tim. 3:16.

[15] Col. 1:15–20.

[16] Michael Schluter and John Ashcroft, *Jubilee Manifesto: a framework, agenda and strategy for Christian social reform*, IVP, 2005. See especially chapters 11 and 12 by Paul Mills.

[17] Matt. 6:24.

[18] Matt. 22:34–40.

[19] Ex. 20:2–3. Also, note Jesus' warning in Luke 12:13–21.

[20] Cited in Ben Runnell, 'Debt is Capitalism's dirty little secret', Financial Times, 30 June, 2009.

[21] Matt. 25:26–27; Luke 19:22–23. For the legitimacy of taking economics lessons from the

parables, see Christopher Townsend and Michael Schluter, *Economics in the Parables of Jesus*, Jubilee Centre working paper, 1985.

[22] E.g. Matt. 20:1–16; Luke 16:9; Mark 12:41–44.

[23] Matt 25: 26–27.

[24] Ps. 37:21. The argument is set out in more detail in *Cambridge Papers*, Vol. 9, No. 2, 2000.

[25] For the history of Enron see the film, *Enron: The Smartest Guys in the Room*, 2005.

[26] See Lev. 25:8–11.

[27] 1 Kgs. 21. For an examination of these issues, see Michael Schluter, 'Roots: Biblical norm or cultural anachronism?', *Cambridge Papers*, Vol. 4, No. 4, 1995.

[28] See Helen Hayward, *Attitudes to the Ownership and Distribution of Land in Britain 1500–1930*, Jubilee Centre, Cambridge, October 1991.

[29] For example, see Raymond Lang et al., *Families in Debt*, Jubilee Centre, Cambridge, 1988.

[30] E.g. Deut. 23:19–20; Lev. 25:35–38.

[31] E.g. Deut. 15:1–6; 31:10; Neh. 10:31.

[32] E.g. Gen. 2:2–3; Ex. 20:8–11; Isa. 58:13–14; Mark 2:28. Protection of the vulnerable was clearly one goal of the Sabbath laws (see Deut. 5:12–15).

[33] An example is the decision to allow shops to open on Sundays, so that almost 1.5 million families with dependent children had a parent who regularly worked on a Sunday in 2002. See Matt Barnes and Caroline Bryson, *Keep Time For Children: The Incidence of Weekend Working*, National Centre for Social Research, London, 2004.

[34] Social Justice Policy Group, *Breakdown Britain: Interim Report on the State of the Nation*, Centre for Social Justice, London, 2006; and J. Margo and M. Dixon, *Freedom's Orphans: Raising Youth in a Changing World*, Institute for Public Policy Research, London, 2006.

[35] Rebecca O'Neill, *Experiments in Living: The Fatherless Family*, Civitas, London, September 2002.

[36] Margo and Dixon, op. cit. p.95.

[37] See quote at the start of this paper.

[38] Rom. 3:23.

[39] Matt. 18:7.

[40] See Isa. ch. 58, especially v.6.

[41] See Matt. 18:7; Matt. 5:11–20, especially v.13.

4 Relationism: pursuing a biblical vision for society

Michael Schluter December 1997

It is now axiomatic that the big idea is an anachronistic concept. The central theme the think tanks share is that society has become too diverse and fragmented to be reduced to simple organising concepts such as the market or socialism.
Richard Cockett, *The Times*, 8 August 1994

Summary
This paper tells the story of my search over the last twenty years to find an alternative social paradigm which is closer to biblical norms than democratic capitalism or market socialism. Biblical teaching on this issue is found in Old Testament law, where God provides a normative framework for Israelite society. Jesus says that biblical law hangs on the twin commands to love God and love neighbour. Love is not a term of economics or finance, but the language of relationships. Hence the term Relationism. The principles of biblical law, interpreted in relational terms, provide a coherent basis for public policy and personal lifestyle decisions. So Relationism holds great promise for broad-based reform of society, provided it is not severed from its roots in biblical revelation.

Do we still need the 'big idea'?
The fall of the Berlin Wall marked a watershed. The day of high principle in politics is now over. What is good is what works. Policy should be assessed only on pragmatic criteria - if it works, use it; if it doesn't, dump it. This is a period of single-issue politics, when a plural society must live with multiple visions of what is socially desirable.

However, the pragmatic approach has problems. It takes a long time to observe the full effects of policy, so even by its own criteria pragmatism is experimentally hazardous. More fundamentally, policies are seldom if ever value-neutral. Pension provision, for example, involves a choice between individual, family and state responsibility. The tax and benefit system may support marriage, or make cohabitation more financially attractive. A policy platform built on a case-by-case approach is likely to be full of internal contradictions.

Since Margaret Thatcher's commitment to market economics, there have been few attempts to outline a coherent social vision. The Communitarian movement demands greater attention be given to issues of citizenship and community, but fails to address the causes of growing individualism. The Green movement has gained a place on the national agenda, but is peripheral to many central political concerns such as urban unemployment and the future of the NHS.

Some look back with nostalgia to the Utopian dreams of the Christian past. The Reformation vision of the 'Christian commonwealth' might appeal, but how do we first restore widespread belief in God strong enough to shape personal behaviour? Likewise, the Christian Socialist ideal looks fatally flawed when state control of the economy is reduced to an occasional nervous tug at a corporate sleeve.

Seeking an alternative to capitalism, Marxism and socialism

My search for an alternative social vision built on biblical foundations stretches back over twenty years. The story begins in East Africa in the 1970s. Kenya was then at the centre of ideological debate. In neighbouring Tanzania, Nyerere was implementing '*ujamaa* socialism', which included forcibly removing peasants from traditional homesteads into villages. To the north, the autarchic rule of Hailé Selassie was about to be replaced by a repressive Marxist regime. In Kenya itself, barely restrained capitalism was introducing extreme income inequalities. African Christian leaders were seeking a biblical response to these regimes.

Contemporary Christian reflection in Britain centred on identifying biblical principles to critique public policy. The Left stressed justice; the Right stressed stewardship. However, such general principles were inadequate to evaluate compulsory villagisation in Tanzania. The story circulated that the bishops in Tanzania had been asked by Nyerere to critique his policies. When they had nothing to say, he asked for their public support. Was there really no biblical basis for critical evaluation?

My discussions with Roy Clements, then pastor at Nairobi Baptist Church, pointed towards a fresh look at Old Testament law as an ethical foundation for public life. New Testament ethics were given largely to Christians; they assume the indwelling power of the Holy Spirit and were given to guide individuals and the church rather than societal behaviour. So the command by Jesus to 'turn the other cheek' is not an appropriate basis for sentencing armed robbers in a law court. Jesus himself points to OT law as the God-given source of ethical teaching when urging his disciples to act as salt and light in society, in the tradition of the prophets (Matthew 5:11-20). He underlines that biblical law continues to be God's standard for unregenerate society (Matthew 5:17-19), given in part as an accommodation to the hardness of the human heart (Matthew 19:8).

From the summer of 1975 we undertook a careful and systematic study of the political, economic and social system contained in the Law of Moses. This proved a rich and rewarding enterprise. Although the laws appeared at first sight to be a random collection, closer study revealed remarkable internal consistency. The interlocking themes which emerged are considered later. Suffice to say, here was a coherent pattern of political economy which had self-evident relevance to the questions we had been seeking to answer in East Africa.

Overcoming the objections

Having 'discovered' biblical law, we were confronted with a host of reasons why we should not seek to apply it to life today. Each had to be worked through. Four of the more important objections were:

i) 'Biblical law has no continuing role in the New Testament'

A superficial reading of the New Testament makes it appear that OT law has been abolished by the coming of Jesus. Paul, for example, says that 'Christ is the end [or goal] of the Law' (Romans 10:4). But Jesus insists that he has not come to abolish the Law (Matthew 5:17) and Paul elsewhere says that 'the Law is good if one uses it properly' (1 Timothy 1:8). Fortunately, Chris Wright's doctoral thesis helped to clarify the role of OT law for the Christian. He found three levels of fulfilment or application: typological, eschatological and paradigmatic.[1] The last of these, that Israel's distinctive social organisation was part of its calling to be 'a light to the Gentiles' (Isaiah 42:6), had immediate relevance for our work.

ii) 'There is no mandate for Christians to promote biblical law in society today'

The immediate answer lies in the incentive offered by Jesus, 'anyone who practises and teaches these commands will be great in the kingdom' (Matthew 5:19). There is some intrinsic link between law and kingdom. As Paul says, the law was put in charge to bring us to Christ (Galatians 3:24). However, if the kingdom is only where the rule of Christ is acknowledged in people's hearts, what is Christ's relationship with the rest of humanity? The New Testament claims that Christ's *reign* is over all humanity, both as creator and as redeemer, whether people recognise it or not (Matthew 28:20). So Christians have the God-given authority to address society with both law and gospel.

iii) 'Biblical law upholds a society based on patriarchy and slavery'

The gender issue in OT law is complex and some allowance must be made for cultural context. However, agricultural societies cannot allow land inheritance to pass down through both sons and daughters or plots become even more quickly subdivided and scattered. This was clearly an issue in Israel (Numbers chapters 27 and 36). The law chooses the patriarchal route, consistent with the Genesis account. With respect to slavery, Israel's institution was a far cry from life in ancient Greece or Rome. Slaves in Israel were allowed to run away (Deuteronomy 23:15-16), and were released every seventh year (Deuteronomy 15:12-15). Indeed, OT slavery is more like a domestic service contract, albeit giving considerable power to the house-holder. It was in effect punishment in the community for a thief or a person in debt (Exodus 22:3), and was probably more humane than the social exclusion and enforced inactivity of a modern prison.

iv) 'It is not clear which parts of biblical law should be applied today'

While many of the laws and their penalties are part of Israel's ceremonial law, and thus are fulfilled in Christ and no longer binding on the Christian (e.g. the food laws), Jesus insists no part of the Law can be entirely dismissed on grounds of cultural irrelevance (Matthew 5:17). The reformers' categories of moral, civil and ceremonial law are helpful if seen to describe different purposes rather than different types of law. One specific command, to keep the Sabbath holy, for example, may be regarded simultaneously as having moral, civil and ceremonial functions. It is the moral-civil function of the Law, not its role as a sign of the OT covenant (Exodus 31:13), which is relevant to the ordering of society today.

There were many other objections we faced in the early years of pursuing this approach. It seemed that Christians had found many reasons over the last 300 years not to study the application of biblical law to contemporary society.

What principles for political economy?

The next step was to ascertain which principles of biblical law could be applied today, in a largely secular context. We identified, among others, these:

• The foundation of the state should be a covenant or promise between regions or sections of society which binds the parties together for good or ill, as in a marriage, so that there is commitment to resolving disputes rather than resorting to force or withdrawal.

• The Family (extended family) should be given as great a role as possible to ensure its long-term cohesion. This should include economic and welfare functions as well as provision of emotional support, and nurture and education of children.

• All Families should have geographic roots in a physical location and some permanent stake in property. This helps to ensure proximity in Families and stable local communities, and also some equality in social relationships while allowing differences of wealth.[2]

• Surplus money should be channelled as far as possible within Families and communities where returns are non-pecuniary, or provided as equity capital to business so that risk is shared fairly between suppliers and users of capital.[3]

• Crime should be regarded not as the individual breaking the rules of the state, but as a breakdown of relationship between offender and victim, and between offender and local/national community.

• The power of central government should be restrained to ensure participation of people in decisions governing their lives. 'Subsidiarity' encourages direct political involvement and helps develop relationships within the local community.

• National unity is to be built not on military or executive centralisation, but on a national system of law, education and medicine informed by shared values and aspirations.

These principles were found to be mutually reinforcing; they form a pattern of political and economic organisation.

Identifying the 'big idea' of biblical law

By 1981 much of the groundwork had been completed. We had studied the economic and social implications of the Jubilee laws for land; implications of the interest ban, and why it did not extend to foreigners; political structures; the role of the Levites; welfare arrangements and military organisation. But one issue still troubled us: what held all these laws together? In brief, capitalism was concerned primarily with the deployment and growth of capital, while socialism focused on the role and organisation of the collective, and advocated community ownership and control of the means of production. What was the central theme of the pattern found in biblical law?

The answer was found to be as simple as it was profound. After replying to a slightly different question from a lawyer, Jesus went on to address directly the question I was asking:

'Teacher, which is the greatest commandment in the Law?' Jesus replied: ' "Love the Lord your God with all your heart and with all your soul and with all your mind." This is the first and greatest commandment. And the second is like it: "Love your neighbour as yourself." All the Law and the Prophets hang on these two commandments.' Matthew 22:36-40

Love, of course, is not the language of finance or economics: it is the language of relationships. God measures a society, Jesus says, not by the size of its GNP or by the efficiency of its markets, but by the quality of its relationships.

Such a finding is hardly surprising. Christianity is a relational religion. John points out that God is not an isolated individual living in a silent universe. Rather, 'In the beginning was the Word, and the Word was with God, and the Word was God' (John 1:1). As John Zizioulas has observed: *'The chief lesson is that if God is essentially relational, then all being shares in relation: there is, that is to say, a relational content built into the nature of being. To be is to exist in relation to other beings.'* [4]

Other aspects of Christian doctrine are equally focused on relationships. The central term 'covenant' is a promise which establishes and shapes a relationship. The atonement is explained by Paul as bringing about reconciliation (2 Corinthians 5:18-19), the restoration of a broken relationship. Eternal life is a developing relationship (John 17:3). Paul teaches that spiritual gifts, knowledge and generosity to the poor are worth nothing without the right quality of relationships (1 Corinthians 13:1-3). Prom the moment of conversion, the individual is called to become part of a new community and not to live or act in isolation (e.g.

Ephesians 2:19). The language of relationships is pervasive in Christian doctrine and experience.

Relationships: what relevance to public policy?

After the insight in 1981 that relationships were the key to interpreting and applying biblical law today, there was a gap of ten years before the next steps were taken towards applying this insight consistently into public life. It was not immediately obvious how the focus on relationships could be used to develop new approaches to diverse areas such as economic policy, financial services, the NHS and the prison system.

In the meantime, in 1985, I was drawn into running the Keep Sunday Special Campaign. To have any chance of winning, a wide coalition of retailers and unions had to be brought together to work with the churches. As the spokesman for such a coalition, it was not possible to use explicitly Christian arguments. The case had to rest on family life, protection of low-paid shopworkers from pressure to work unsocial hours, and environmental factors. These are hinted at in Scripture as reasons for the Sabbath institution (e.g. Deuteronomy 5:15; Exodus 20:11). The approach was consistent with Christian teaching without being labelled Christian. This was to provide a model for the future in how to balance the need to involve the wider world in seeking social reform while remaining faithful to biblical ideals.

In 1991 David Lee began to work with me on a book to examine systematically the impact of public policy on people's relationships.[5] We developed the concept of 'relational proximity', incorporating five facets or dimensions of interpersonal relationship. The factors influencing the closeness of a relationship could be assessed in terms of:

- quality of communication (directness)
- frequency, regularity and amount of contact, and length of relationship (continuity)
- variety of context of meetings (multiplexity)
- mutual respect and fairness in the relationship (parity)
- shared goals, values and experience (commonality).

The opportunity to work with the Scottish Prison Service to assess the quality of relationships between prison officers and prisoners led to the development of a formal measurement tool based on relational proximity. This tool has since been applied in companies and homes for the elderly, and between organisations in the NHS. Although without explicit biblical foundation, relational proximity grew out of reflection on the reasons behind many biblical laws, the concept helped to identify the impact of much biblical law on the structure of neighbour relationships.

Many features of Western society today undermine relational proximity. High levels of mobility make it difficult for people to develop close relationships with neighbours. Modern communications have had the effect of dividing our time among more and more people, so that each contact tends to become more superficial; television and the music culture often inhibit conversation; urban planning norms and high-rise buildings have lessened opportunities for people to have frequent contact; the large size of companies, schools and hospitals today reduces frequency of interaction between colleagues.

The relational approach can be used to critique legislation and the structures and working practices of organisations. It offers an alternative ethos for sectors of public policy, for example 'relational justice' for the criminal justice system and 'relational healthcare' for the NHS. In these and other ways the relational approach, informed by biblical principles, can provide a reform agenda for public life.

Relational lifestyle

The relationships theme overcomes the artificial divide in much liberal thought between justice in public life and virtue in private life. Christians wishing to think and act relationally in their lives at work and at home will study the life of Jesus, who shows us how to relate to God and to other people perfectly, both by his life and in his teaching. This covers every area of life. '*Agape* love', which does not love 'because of' but 'in spite of', is the ultimate goal for the Christian (1 John 4:7-12).

The primary requirement of a relational lifestyle is the need for long-term, deep, committed relationships. These will generally be focused within the Family but also reach outside it. To achieve such relationships, roots are critical; this is why teaching about the Jubilee, which is primarily concerned with maintaining roots, is foundational to the social structure of OT law.[6]

Time is the currency of relationships. In society today, technology facilitates contact with greater numbers than ever before, but such wider contact is generally characterised by greater superficiality. To have a few close and deep friends, inside and outside the extended family, it is essential to prioritise relationships. Jesus sets relational priorities in his ministry after much prayer (e.g. Mark 3:13-17; 5:37). His relationship with his Father in heaven always takes priority over all other relationships (e.g. Mark 1:35-7).

Close friendship, however, is more than a commitment to roots and prioritising of relationships. It involves sacrificial *(agape)* love, a willingness always to forgive, and an ability to expose one's innermost thoughts and feelings to another person. Such self-exposure is often painful, always risky. The experience of deep and painful relationships has enriched much of the greatest literature and art, including Goethe's poetry, Solzhenitsyn's novels and Rossetti's painting.

Relationism: secular ideology or Christian strategy?

Does Relationism have the ideological ambitions of capitalism and socialism? Such a suggestion immediately rings alarm bells for Christians. Ideologies smack of idolatry, solutions apart from salvation, and frameworks of political thought and action which do not acknowledge the Lordship of Christ. While Relationism could perhaps be regarded as an ideology in the sense of flowing from a worldview which is not shared by everybody, it should certainly not be regarded as an autonomous body of human thought.

Some would prefer to regard Relationism potentially as the basis for a Christian political party. This route presents serious difficulties. The Christian Democratic parties of continental Europe have demonstrated the dangers of baptising the politics of the Right (Germany) or the Left (Holland) with the name of Christ. While the *values* of political life can be drawn from the Bible, and as moral absolutes can be appropriately termed 'Christian', it is dangerous to attach the same label to the socio-economic means chosen for their implementation. In South Africa, for example, failure to distinguish between principled rejection of apartheid, and the specific policy of sanctions as a way of combating apartheid, unnecessarily alienated some from the church.

The Relationships Foundation (RF), which I helped to establish in 1993 as a catalyst to help make Britain into a more relational society, is based on Christian values, while not requiring any theological beliefs of its supporters.[7] Following the earlier model of the Keep Sunday Special Campaign, the RF simply states that it is founded on the ethical values of the Judaeo-Christian tradition. Thus its framework can be endorsed by any who recognise the central importance of good relationships for human well-being, and who are persuaded by rational argument or intuition that the under-lying principles are sound, regardless of their source.

So Relationism is less than a fully Christian framework of thinking.

By focusing on love for neighbour exclusively, it fails to require the first commandment: to love God. The absence of the vertical dimension of relationships means that the essential motivation for building strong social bonds and restoring broken relationships, even at personal cost, is missing. However, in seeking to influence a society where Christians are a minority, Christians cannot appeal to the first commandment, to love God, in the way that the OT prophets did. Such an appeal today is the task of evangelism. The most Christians can hope for in a pluralist society is to persuade people of the benefits of biblical social teaching, and thus to have national law based on Christian rather than secular values.

In addition, by focusing public policy and personal lifestyle on the issue of relationships, Relationism is speaking in the categories and language of Christianity. It has been termed a 'translation strategy', helping to express in contemporary terms many of the core concerns of biblical teaching.[8] If biblical law plays the role of a schoolmaster to bring people to Christ (Galatians 3:24), Relationism must occupy the middle ground between on the one hand setting out ethical standards which do not assume that people are already in a relationship with Christ, while on the other hand affirming the relational nature of all reality.

Promoting Relationism into the new millennium

For those who are convinced that it is possible to derive a biblically based agenda for political, economic and social reform using the relational approach, it is essential not just to analyse what is wrong in society but also to try and change it. Jesus called us not to be passive onlookers, but to be active as salt and light. The task is immense. Western societies are locked into an individualistic and materialistic worldview which is reinforced by the priorities of the mass media, especially commercial advertising, and by the preoccupation of political parties with economics and human rights. The centralisation of state power and individualisation of financial services (e.g. pensions, insurance, savings) provide further reinforcement. How can this stranglehold be broken?

The day of the think tanks is passing away; it is no longer sufficient simply to promote ideas at an intellectual level. Policy is made increasingly after practical experiment, pilot schemes and regional initiatives. If Relationism is accepted as a strategy for Christian political and personal engagement, we can expect widespread reform initiatives at national, regional and local levels based on relational thinking. Those in national and local politics, in business and financial services, in the professions and in caring roles will work to a fresh agenda.

Whether Relationism has a long-term impact on Western society will depend, I believe, primarily on whether it stays in touch with its biblical roots. Divorced from biblical teaching, it will lack the coherence and cutting edge derived from the wisdom of God's revelation in Scripture. It will also fail to attract and sustain the support of Christians who recognise explicitly or intuitively the truth and wisdom of its approach. If constantly renewed with the insights of biblical reflection, it may challenge successfully the dominant Western ideologies of global capitalism and market socialism.[9]

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[1] See Christopher J.H. Wright, *Living as the People of God* (IVP, Leicester, 1983).

[2] See essay entitled '*Disestablishment and the Church of England'* (Vol 3, No 4, Dec 94)

[3] See essay entitled *'The Biblical Ban on Interest'* (Vol 2, No 1, March 93)

[4] Report of the BCC Study Commission on Trinitarian Doctrine Today, *The Forgotten Trinity* (British Council of Churches, London, 1989), p. 16.

[5] Michael Schluter and David Lee, *The R Factor* (Hodder & Stoughton, London,1993).

[6] See essay entitled *'Disestablishment and the Church of England'* (Vol 3, No 4, Dec 94)

[7] The Relationships Foundation, 3 Hooper Street, Cambridge, CB1 2NZ. E-mail: rf@clara.net

[8] John Ashcroft and Christopher Townsend, *Political Christians in a Plural Society* (Jubilee Centre, Cambridge, 1994), p. 81.

[9] The Jubilee Centre, a sister charity of the Relationships Foundation, is based in the same building as the Relationships Foundation and is intended to provide an ongoing stream of biblical research and reflection to help develop Relationships Foundation initiatives and policy perspectives.

5 What charter for humanity? Defining the destination of development

Michael Schluter September 2006

[G]ross national product…measures neither the health of our children, the quality of their education, nor the joy of their play. It measures neither the beauty of our poetry, nor the strength of our marriages. It pays no heed to the intelligence of our public debate, or the integrity of our public officials. It measures neither our wisdom nor our learning, neither our wit nor our courage, neither our compassion nor our devotion to country. It measures everything, in short, except that which makes life worth living, and it can tell us everything about our country except those things that make us proud to be a part of it.
Robert Kennedy[1]

Seek the shalom (well-being and social harmony) of the city…
Jeremiah 29:7

Summary
The word 'development' describes a journey of economic and social change, but is often implicitly taken to define the destination as well. Economic growth is generally regarded as the purpose as well as the means of this social change. However, the biblical emphasis is on the quality of social, political, and economic relationships, which may be summarised as 'relational well-being' (RWB). National aspirations should not focus primarily on levels or distribution of income, nor on individual freedom and choice. Rather, Christians should re-examine policy and project goals in both high-income and low-income societies from a relational perspective, so as to tackle relational deprivation as well as material poverty.

What goals for 'development'?

Use of the term 'development' often begs the question, development for/towards what? It is possible to speak about 'developing' institutions such as schools, hospitals or companies so they deliver better on their stated objectives. But is it appropriate to use the term 'development' for whole nations? If so, is the implicit goal of government policy simply the production of wealth, or certain public services such as education or health? Or are these better described as intermediate goals, serving some greater purpose?

Since 1945 it has been assumed that low-income countries in Africa, Asia and Latin America could 'develop' to become wealthy and democratic, aspiring to the values and lifestyle of the 'developed' West. Initially, development was measured by economic growth, i.e. growth of Gross Domestic Product. In the 1970s this was broadened to include 'basic needs' (access to food, health, education, clean water). In the 1990s, the United Nations Development Programme (UNDP) introduced the 'Human Development Index', which focuses on three measurable aspects of quality of life: living a long and healthy life, being educated, and having a decent standard of living. 'Human development is first and foremost about allowing people to lead the kind of life they choose – and providing them with the tools and opportunities to make those choices.' [2]

Basu has proposed focusing on absolute income growth of the poorest 20 per cent of the population. He does not deny the importance of the larger aims of political and environmental stability, or a generally higher quality of human life. However, he argues that his indicator captures many of the other social indicators emphasised in broader notions of human development.[3]

Most governments today support an even wider set of objectives, the eight 'Millennium Development Goals' (target date, 2015).[4] They include universal primary school education, promoting gender equality, reducing infant mortality, improving maternal health and combating HIV/Aids. The most pressing goal is reducing poverty (defined as individuals living on less than $1 a day) by half. Economic growth is still regarded as the prime instrument to pull people out of poverty. The IMF, too, focuses on the broad goal of reducing poverty: 'All developing economies need more rapid and sustained rates of growth that will in turn promote large-scale and lasting poverty reduction and rising living standards for all.'[5]

Amartya Sen, however, regards freedom as both the means and the end of development.[6] He evaluates development in terms of 'personal functioning and capability'.[7] 'Functioning' is what a person manages to do or be. Goods can enable functioning but are distinct from it. Sen emphasises the importance of cultural liberty (so that individuals are not constrained by their social or religious heritage), and political choice (democratic government), alongside the opportunities made available by greater access to income and education.[8] Much development thinking is now focused on political outcomes. It is assumed that democracy always results in economic growth because it results in public accountability. Unfortunately, democracy does not guarantee social cohesion or even high levels of political participation.

In Western countries, there is growing interest in 'subjective well-being' (SWB). Increased wealth has ceased to bring greater happiness; a wider set of concerns, including health and quality of personal relationships, contribute to SWB at least as much as higher income does.[9] With greater economic security, but fragmentation of family and community relationships, politicians are being required to focus attention on new priorities.

A cultural and religious critique

Literature on 'development' seldom takes into account cultural factors and how religious beliefs might define 'the good', or progress towards it. Before considering a Christian perspective, it is important to realise how other cultural traditions set their social priorities, and why they are critical of Western development thinking.

Africa

'Those who ignore culture are doomed to failure in Africa… An appreciation of the role of religion in African life will require some fundamentally different approaches by the international community.' [10] For example, in African religious tradition there is little emphasis on individual betterment and self-fulfilment. Rather, the emphasis is on *ujamaa*(familyhood)[11] and *harambee* (pulling together):[12] the individual seeks the well-being of the extended family and local community rather than personal wealth.

Islam

The Islamic worldview significantly challenges Western priorities. The purists define development or progress in terms of Qur'anic ideals, a return to the Way of the Prophet, and the Islamisation of the state, which is necessary to complete the Islamisation of the individual. This may even involve economic hardship. The Islamic concept of Umma (the Islamic community) transcends the modern nation-state. Another approach, adopted by more pragmatic Islamists, is to define socio-economic development as 'a systematic problem-solving public policy, initiated and regulated by the state, which generates growth, but is also responsive to Islamic ethics and social justice.' [13]

Buddhism

The ultimate goal is conquest of the miseries of existence *(dukkha)*; poverty is undesirable because it creates suffering. However, poverty encompasses a wider arena than purely material deprivation. A person is regarded as poor if they do not have qualities such as faith, morality, sacrifice and learning.[14] Human suffering can only be ended with the destruction of the roots of evil – which include greed, hatred and delusion. Buddhism, like Hinduism, does not comment directly on social change, technology and economics. However, 'Engaged Buddhism' is a contemporary movement of non-violent social and political activism whose roots are found in traditional Buddhist concepts such as interdependence, compassion, and meditation.[15]

Confucianism

Central to Confucianism is the Way *(dao)*.[16] Finding the Way is the ultimate meaning of human existence. Harmony is achieved when the Way of Heaven (involving a Supreme Being) and the Way of Humans (concerned with the virtue of individuals) are fulfilled in each other. This encompasses the role of government in reducing conflict, in harmony in family relationships and harmony between humans and their natural environment. Tackling poverty is important because poverty leads, via discontent, to conflict.

What might such societies look like 100 years from now? If we reflect on the dramatically different destinations of these cultural and religious traditions we realise that, contrary to Western thinking, material outcomes are not the primary social goal for billions of people. So has the dominant Western concern with economic growth become a form of cultural imperialism? Is the emphasis on personal freedom, individual human rights, cultural diversity, mobility of labour and capital (along with lack of concern to preserve family identity, ethnic cohesion and religious practice) in tune with local cultural values? And are dysfunctional families and communities, sprawling cities, ethnic tension and secularism in truth unavoidable by-products of modernisation?

Biblical teaching on social goals

The starting point of biblical teaching on national life and social organisation is the sovereignty of Christ over all creation, for 'all things were created by him and for him…and in him all things hold together' (Colossians 1:16). This does not allow Christians to force their views on other people, but it does authorise Christians to practise 'love' in the world, and to seek to persuade other people by example and argument (Matthew 5:19).

In terms of national goals, the focus of biblical teaching is the theme of right relationships. Christianity is a relational religion.[17] God as Father, Son and Holy Spirit enjoys relationships within as well as outside the Godhead. This distinctive relational nature of the Trinity, characterised by love and righteousness, sets Christianity apart. The central significance of relationships in human society is not imposed by God arbitrarily but reflects who he is. Righteousness is not just absence of guilt through God's forgiveness, but the practice of right relationships, towards both God and humans; the essence of sin is the desire for autonomy.

Biblical teaching covers Godward and intra-family relationships but also covers other relationships such as those between citizens, across gender and age groups, between citizens and the state, between citizens and foreigners, between ethnic groups, and between nations. In a modern state, God is surely concerned about relationships between doctor and patient, shareholder and director, and between professional groups, to name but a few.

What, then, are the characteristics of right relationships? 'Justice…is the fulfilment of the demands of a relationship, with God or a person. There is no norm of righteousness outside of that personal involvement. When people fulfil the conditions imposed on them by relationships they are righteous. Every relationship has specific obligations.'[18] Right relationships are characterised by justice, mercy, faithfulness, forgiveness, truth, generosity, compassion, respect, hope, patience and love; wrong or bad relationships by injustice, oppression, violence, deceit, self-centredness, lust, irritability, envy, greed.[19] Biblical law rests on 'love'.[20]

The good and bad relationships listed above shine through many aspects of OT Law. The role of the Law in part is to provide teaching on how to establish an institutional framework conducive to sustaining right relationships and 'love'. These same values characterise the social vision of the prophets, particularly Isaiah.[21] Above all, these virtues are demonstrated in the life and teaching of Jesus. For example, Jesus' practice of, and emphasis on, social inclusion[22] echoes the emphasis of the Law on loving the alien,[23] and also echoes the teaching of the Prophets.[24] He fulfils the Law by showing right relationships being practised in the life of a person, and also demonstrates 'shalom' (health, tranquillity, contentment, well-being) in his response to crisis situations. No wonder Isaiah described the future Messiah as the 'Prince of Peace'.[25]

Within this framework, the ultimate goal of society is described in biblical teaching as 'shalom', which is translated normally as peace, but includes the idea of well-being and social harmony for the nation, the community and the individual. The exiled Jews in Babylon are called by Jeremiah 'to seek the peace and prosperity (shalom) of the city' where they were exiled.[26] 'Shalom' is more than the absence of conflict; it is about forgiveness, the resolution of conflict, security, safety and a society at peace with itself. The only route to shalom is through right relationships (righteousness): as Isaiah says, 'The fruit of righteousness will be *shalom*'.[27]

Although biblical law is clear enough on what brings peace for both individual and community, sadly at a personal level we each do wrong. Through Christ we can be saved from our sin and have our true, God-given nature restored. However, salvation is not simply a process of individual transformation. God's intention is that all believers should become part of Christian communities that demonstrate his values in their collective life through the power of the Spirit. This is bound to bring about social change among those touched by these communities, and may result in change at a national level where Christian communities are numerous enough.[28]

Promoting right relationships, leading to social harmony and well-being at both a community and personal level, which I term 'relational well-being' (RWB), does not directly bring anyone into the Kingdom. However, it does contribute indirectly by preparing the ground for the gospel.[29] In addition, God's promise to the nation of Israel is that right relationships across society will result in successful family formation, food security, net capital outflows, trade, military security and leadership in international affairs.[30] Relational well-being, then, is the goal of social change, and brings political and economic benefits.

Relational well-being in multi-faith societies

The next question is this: how can Christians advance their vision of social purpose in secular, theocratic or multi-faith societies, where they are a small minority? First, Christians need to rediscover the sense of community enjoyed by the early church, and live out God's priorities for their life together in both 'political' and financial terms. We need to put our own house in order. Secondly, the challenge is to find categories and vocabulary which resonate with the wider public, of whatever religious or agnostic persuasion, and yet reflect the values and truth of a Christian worldview. Christians should not, and generally cannot, impose their views; they need to encourage debate and argue their case.

Our approach is to define the goals of society in relational terms. One way to do this is to focus on the theme of ‘relational proximity’. It relies on a shared human appreciation that quality of relationships – issues such as identity, security, self-esteem and interdependence – are key to personal well-being and happiness, and also the key to organisational and business effectiveness. Institutions such as schools and universities, hospitals, companies and financial institutions need to re-articulate their objectives in relational terms. We should also re-examine areas of personal lifestyle from a relational perspective, including how we drive our cars, the impact of television, video games and the Internet in our homes, and our approach to work, recreation and family life. A challenge indeed!

Before considering how to measure RWB, one objection must be answered. In shifting the focus away from growth of income, is there not a betrayal of the very poorest who lack even enough to eat? Surely relationships for them, at best, are of secondary importance: what matters is simply water, food and shelter. The empirical evidence suggests otherwise. Two studies of life satisfaction of slum dwellers in Calcutta found *inter alia* that ‘the respondents report satisfactory social lives, rewarding family lives and a belief that they lead moral lives… While [they] do not lead enviable lives, they lead meaningful lives.’[31] Correspondingly, in a subsequent study in Bangladesh, relationships used by poor people to secure their livelihood were found to be hierarchical, exploitative and sometimes violent.[32] The pleasure of good relationships and the pain of unjust relationships matter to the destitute.

Rather than seeing food security for the poorest as the goal of social change, which would reduce all human purpose to no more than filling the belly, it should be seen as an essential precondition, alongside the ending of armed conflict. In terms of external intervention and domestic policy priorities, the first step towards achieving RWB has to be the ending of absolute poverty and armed conflict. However, to tackle these great evils it is not enough to deal only with the symptoms; their causes must be addressed as well, which brings us back to the broader goals of society.

Measuring relational well-being (RWB)

Realistic measures or indicators are needed if relational goals are to be translated into decisions governing policy priorities, project selection and resource allocation. In some respects, the process of selecting indicators is little different from what is currently used in the Human Development Report (HDR). For example, in the HDR, the percentage of children in primary school is used as a measure of the child's well-being. But for a relational assessment, the education level of the parents would also be needed, to evaluate the likely impact of the child's education on those relationships.

It is not possible to measure a relationship directly so as to allow interpersonal and international comparisons. However, there are two approaches to approximation: ask people to make a subjective analysis of a relationship ('On average, how does a white British person feel towards a British Asian in your neighbourhood/workplace?'), or seek a proxy measurement, such as the numbers of racially-inspired incidents of violence in British cities. Neither is totally satisfactory, but both allow inter-temporal comparisons (notwithstanding the risks of changes in the way people describe their perceptions over time, or in the way incidents of violence are recorded by the police).

Inability to measure relationships except by perceptions of individuals or by proxy indicators should not discourage use of the RWB approach. There are also problems inherent in aggregated income analysis. Production of cigarettes, bombs and poison gas all contribute to growth in GDP. If two friends pay each other to look after each other's children, there is growth in GDP – although there is no increase in care provided, and perhaps a loss in its quality.

Any measure of RWB involves assumptions as to what constitutes good or right relationships. As discussed above, in the biblical account right relationships are characterised by justice, mercy, faithfulness, forgiveness, truth, generosity, compassion, respect, hope, patience and love. Below is a list of key relationships and examples of possible indicators:

Relationship issue	**Indicator**
Intra-family trust/ commitment	Marriage rate, divorce rate, birth rate, levels of household debt.
Social isolation of older people	Number of contacts per week, percentage who feel lonely.
Workplace relationships	Extent of absenteeism and pay differentials within organisations.

Gender relations	Incidence of domestic violence/rape/prostitution, hits on pornographic websites, gender ratio at different educational levels.
Intra-community relations	Crime levels, proportion knowing names of neighbours, incidents of vandalism, percentage drug addiction, suicide rate.
Inter-racial/ethnic relations	Inter-racial/ethnic relations Incidents of racial/ethnic violence, comparative income/ education levels.
International relations	Aid (including private charity) as proportion of GDP, levels of carbon emissions, flow and treatment of migrants, cost of a visa.

In addition, gross inequalities in income, assets, education or access to healthcare can be measured; they are symptomatic of an injustice that makes it difficult to achieve social harmony. These different indicators cannot be aggregated into a single index by which to rank countries. Some countries excel in one area, others in another. It is unlikely that any country or region will be able to claim they are 'ahead' on all indicators.

Intermediate goals

To some, seeking to define the goals or ends of society in terms of values such as justice, mercy and forgiveness seems too abstract. They prefer the Millennium Development Goals (MDGs) (see p.2) such as universal primary education and reducing infant mortality. However, in a relational framework MDGs are intermediate goals: for example, universal primary education stands between the means (financial provision) and the ultimate goal (right relationships).

Thus, universal primary education may contribute to RWB (the ultimate goal) by increasing understanding of other races and ethnic groups, and broadening children's ability to help people in need around them. It is likely to reduce disparities in opportunities for employment between rich and poor, and thus contribute to people's sense of justice in society. For Christians, it helps them read the Bible and strengthen their relationship with God. However, universal primary education may also undermine RWB. It may lead children to think of themselves as autonomous individuals who have a right to pursue 'freedom' regardless of others' welfare. Through the history syllabus it may feed racial or ethnic hatred, and make group-level forgiveness harder to achieve. It may promote bitterness towards wealthy elites rather than constructive approaches to achieving economic justice. Hence the need to orientate education towards the ultimate goal of right relationships.

There are many other intermediate goals, including a fair criminal and civil justice system, longer life expectancy, strong family and community networks, high levels of civic participation, and good industrial relations.

Consequences of defining development's destination

• Policy is still about hard choices. Not only are there choices between alternative relationship priorities, but also choices among alternative means to pursue those priorities.

• Within a relational framework, the West is not more 'developed' than countries in Africa, Asia or Latin America. On many key indicators, such as the length of marriages or social inclusion of older people, lower-income countries score more highly than high-income countries like Britain.

• International donors and Christian NGOs should consider adopting relational analysis of policies and projects rather than accepting the materialistic agenda of a purely economic worldview.[33] International co-operation should be based on relationships between countries where each helps the other to tackle areas of relational or financial deprivation.

• We cannot set aside the priority of meeting the physical needs of those living in absolute poverty, whether those needs are for food, healthcare or justice. However, it does suggest seeing such poverty as an expression of relationship breakdown between rich and poor, whether within a society (as in the story of Dives and Lazarus)[34] or in the global community.

• Should Christians use the word 'development' at all? Generally, the words 'developing' and 'developed' are used as a description of rich and poor, in which case it would be more appropriate to refer to 'high-income' and 'low-income' nations. This would avoid the nuance of cultural superiority in the word 'developed'.

• How can a movement towards or away from values like justice, mercy, faithfulness and truth be described appropriately? Countries might be labelled as 'progressing' or 'regressing', or perhaps as 'converging' or 'diverging' in relation to these values. What is certain is that a different underlying paradigm of social change will need different vocabulary to express it, as well as different institutions to embody it. New wine needs new wineskins.

The second part of this paper (due March 2007) will examine reform priorities to achieve the relational goals set out here.

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[22] E.g. Luke 15:1–2; 18:35–43.

[23] E.g. Deut. 10:18–19; 24:14–15.

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6 How to create a relational society: foundations for a new social order

Michael Schluter March 2007

Africa's development crisis is far more than economic in nature. The lack of political leadership, the dearth of farm organisations, and the general absence of a "good institutional environment" explain why the crisis will not yield readily to economic prescriptions.
Carl Eicher [1]

The Jewish political tradition…differs from the political traditions growing out of classic Greek thought in that it begins with a concern for relationships rather than structures.
Daniel Elazar and Stuart Cohen [2]

[The Lord] will be the sure foundation for your times, a rich store of salvation and wisdom and knowledge; the fear of the Lord is the key to this treasure.
Isaiah 33:6

Summary

In an earlier Cambridge Paper (September 2006), a biblical 'Charter for Humanity' was proposed within a 'relational framework'. This second paper seeks to answer the question, 'How do we move towards relational well-being?' The place where the Bible sets out the foundations required to create a society of right relationships in terms of structures, resources and processes is primarily in the law which God gives to Israel when it is first established as a nation. The paper explores how these institutional norms, as deepened and extended by the rest of biblical teaching, provide the basis for social transformation today.

Introduction

The goal of society in biblical teaching is understood as 'shalom', which can be translated as social harmony, peace, prosperity, security and well-being, and is only achieved through right relationships. Such relationships are characterised by justice, truth, compassion, hope, faithfulness and forgiveness. The relationships the Bible is concerned about are not only those between individuals, but those between groups and organisations; between nations, regions, ethnic groups, cities and churches; between rich and poor, old and young, urban and rural interests; men and women; and between God and all these groups and individuals.[3]

The question addressed in this paper is not how Christians should tackle the symptoms of relational breakdown and distress. There are numerous initiatives by churches, charities and the public services, such as those to resolve local or international conflict, to aid those without family support, and to provide financial help for the destitute. The question here is about prevention rather than cure. How is it possible to design a society's institutions in a fallen world so as to maximise the likelihood of positive relational outcomes, and address the most fundamental causes of relational breakdown? Is it even worth pursuing such a vision in a fallen world?

To pursue right relationships across society is a task of immense complexity. Everyone belongs to many different subgroups, for example being young, educated, urban, Chinese, female, Christian, employed and single all at the same time. So, what guidance does the Bible provide as to how right relationships can be pursued across so many different sectors and segments of society simultaneously? How are these relationships to be prioritised? What are the essential foundations of a relational social order?

Institutions: what they are and why they matter

In the economics literature, 'institutions' are not the same as 'organisations'. Douglass North has defined institutions as the rules, formal and informal, which govern the behaviour of organisations and individuals. They include a nation's codified rules and laws, and the procedures and organisations for making, modifying, interpreting and enforcing these rules and laws.[4] The connection between social relationships (or social capital), institutions and organisations is illustrated in Table 1.

Table 1: Relationships, institutions and organisations

Social Relationships	**Institutions Rules**		**Organisations**
	Informal	**Formal**	
Trust	Rules	Regulations	Nations
Networks			Family
Shared values		Laws	Civil society and business organisations
Norms			Courts
Religion	Traditions	Constitution	Police/defence Professional bodies Political parties

Source: Adapted from *World Development Report*, Washington DC, 2003, ch. 3.

Institutions, or 'rules of behaviour', have all sorts of functions. They reflect what a society believes is right and wrong, and who has the authority and power to do something about it. They determine how resources like land and capital are distributed, and then the likely pattern of their future development and redistribution. They shape the role of central and local government in education, criminal justice and the economy. They play a major role in determining how vulnerable and isolated people get noticed and provided for, and who feels a responsibility to take on caring roles. Furthermore, they affect how widespread corruption becomes, and the impact this has on the economy, employment, welfare and public services. Institutions may change over time, but only slowly, so the foundational rules – often built into a country's constitution – are likely to be a major influence on long-term cultural and social change.

Recent work by the IMF has shown the primacy of institutions in explaining the difference between the richest and poorest countries. Geography and trade have a relatively small impact on growth of income among low-income countries. The crucial variable is the quality of institutions, defined by the authors as property rights and the rule of law. The study concludes, 'What matters are the rules of the game in society, as defined by explicit and implicit norms and their ability to create appropriate incentives for desirable economic behaviour.' [5]

Rodrigo de Rato, managing director of the IMF, has defined 'good' institutions, whether for high- or low-income countries, on the following principles:

- First, the private sector is recognised as the main actor on the economic stage, with the state stepping in to provide appropriate regulation of markets.

- Second, there is a commitment to protecting property rights and creating an environment where innovation can thrive.

- Third, the rule of law prevails, and corruption is not tolerated in either the public or private arenas.

- And, fourth, there is a stable macroeconomic environment, reflected in low inflation and a sustainable fiscal position.[6, 7]

These institutional principles are designed to achieve economic growth. However, the Bible encourages us to focus on relational goals, and gives us a broader understanding of institutional norms to achieve them.

Biblical teaching on institutional issues

The Bible has much to say about the formal and informal rules which directly or indirectly govern social relationships. However, the categories of 'developed' and 'developing' countries do not apply when looking at the world through a 'relational lens'. All countries have weak, unjust or broken relationships, both at the level of personal relationships and at the level of groups or organisations (Romans 3:23). No nation can call itself 'righteous' (having right relationships) in a total sense, although the wisdom and prophetic literature imply that some nations are more righteous than others.[8] All need institutional reform initiatives, although the sectors of society most in need of reform will differ from one country to another. For example, in the UK the priority may be to define how the family is empowered to prevent further fragmentation, whereas in India the primary need may be to recognise the equal dignity and worth of all individuals, whatever their caste or gender. Although perfect relationships (righteousness) are unattainable, either for the individual or for society as a whole, Jesus and other biblical writers expect us to pursue this goal. [9]

All Scripture is 'useful for training in righteousness' (right relationships) and therefore relevant in identifying the foundations of a relational society. However, the only place in the Bible which explicitly sets out to provide an institutional framework for the social order is the Law of Moses. Mosaic law is often scorned today by non-Christians, and ignored by Christians, because on a superficial reading it has passages which seem unethical today. However, such passages can be appreciated if studied more closely.[10] OT law offers a wonderful social paradigm that treats society as a complex system.[11] The rest of the Old Testament applies the paradigm. Today our task is to derive principles of lasting relevance, always keeping in mind the overall paradigm, Israel's geo-historical context, its unique covenant relationship with God, and the wider context of the whole Bible.

Jesus teaches how the church, though often a minority, is to be 'salt and light' in society (Matthew 5:13–16), addressing in part its role in tackling social decay and darkness. However, Christ also points to the continuing significance of OT law (verses 17–19; see also Mark 7:9–13, Matthew 22:34–40) which has much to say about the institutional foundations of a just society.[12] Beyond this Jesus says relatively little new on these issues except to teach his disciples how they should respond at a personal level to Imperial Rome and Jewish national institutions (e.g. Mark 12:13–17). His extensive teaching on the Kingdom of God is addressed primarily to the community of believers to explain their place in the world, and only indirectly points to norms for the wider social order.

Although the apostles address the clash between Christ and the state for ultimate allegiance, they give little social teaching beyond the ordering of church life and the family life of believers. They do not set out a new vision for the political and social system. However, in NT times, the church undertook direct social action. Thus, Puritan commitment to limit the king's arbitrary power, and the campaign by Wilberforce and his friends to stop the slave trade, were based on teaching from both Testaments.

Structures

We shall now examine OT social institutions, taking into account how these have been modified by the coming of Christ. This requires us to consider how these institutions would have shaped patterns of relationships, as well as their relevance for the way societies are structured today.

Religious structures

The opening of the Ten Commandments shows that a society's collective relationship with God is its most significant relationship. It is not clear whether societies in the West characterised by extreme individualism have any meaningful collective relationship with God. The imperative of evangelism was a part of Israel's role as 'light to the nations'[13] and within Israel the emphasis is on the 'fear of God' (i.e. respect for God) informing every part of national life and decision-making. Israel was required to recognise the hand of God in its history,[14] and to acknowledge dependence on God for its survival and well-being.

The institutional expression of this spiritual priority in the Old Testament was the priesthood, with the temple of Solomon replacing the earlier tabernacle as the central place of worship and religious ritual. There was clear separation of the priesthood from the kingship in institutional terms, but the consequences of Israel's relationship with Yahweh were to spill over into every facet of public and private life. For example, priests were not allowed to own rural land, apart from communal holdings immediately around their designated towns. This would have prevented the 'religious establishment' becoming aligned with the interests of larger landowners. The consequent dependence by priests on the generosity of the public would have been an incentive to remain faithful and diligent.

In the New Testament, the church is described as 'a royal priesthood',[15] and Christ replaces the temple and the land as the focus of religious loyalty.[16] There is no indication that the church as an institution is to play any formal role in the life of the state, but obedience to Christ is still expected to impact on every part of life, including political life.[17]

The difficulty for Christian reform is that no society today is in a special relationship with God as Israel was, and most contain many people of different religions and none. Even reference to God in the constitution may be ambiguous because it is not clear which 'God' is referred to. However, wherever possible, Christians should seek to see God acknowledged in public life – in the constitution, the school curriculum, and the courts – and not accept a 'secular state' where the Trinitarian God is excluded from the formal activities of the state. Christians should also seek the right to use religious language and argument in public debate, and to ensure full religious liberty for those of all faiths.[18]

Family structure

Biblical teaching does not specify all aspects of family life but sets down a number of markers for family structure.[9] So, for example:

• a person's relationship with God should take priority over all family relationships;

• a family is not just parents and children, as in much Western thinking, but includes the extended network of relatives;
obligations to a spouse should take priority over those to parents and other relatives;

• the husband is head of the wife, but in a context of sacrificial love;
parents have specific duties in regard to their children, and children to their parents.

Within this framework there is room for diversity of cultural expression. For example, biblical norms do not specify how housework and earning power are allocated within the household, or the role of parents in choice of a child's marriage partner.

Relationship challenges in families are the same in nature, but not in origin, in both high-income countries (HICs) and low-income countries (LICs) today. The same relationships are breaking down (husband/wife, parent/child, commitment to extended family) but for different reasons. In HICs, modern and postmodern philosophy and increased mobility, promoting individualism and choice, lead to family break-up. In LICs urban drift is making it difficult for a husband (now working in the city) to keep up a marriage with his wife living far away and in a different cultural setting (a rural village), and whom he sees perhaps only twice a year due to distance and transport costs.

Christian reform strategies to encourage understanding and practice of the biblical model of family structure differ according to cultural and economic context. In Western societies a key need is to give family relationships a more obvious purpose, for example by creating financial benefits for extended families which form themselves into 'welfare syndicates' to look after their older members. In LICs, land reform, agricultural growth strategies and green energy policy can increase rural incomes and thus enable rural families to continue to live near each other, reducing urban drift.

Political structure

The key principles to inform structures for the political order have been summarised by Julian Rivers:[20]

• *Government has a divine purpose.* The function of government is to use force to ensure civil peace, justice and liberty. Christians are not to be anarchists.

• *Government legitimacy rests in the people under God.* While God is the ultimate source of all political authority, in the Bible God invests that authority in 'the people'. Voluntary commitment to 'a covenant under God' by all sections of the population, to live together as a nation, should be the foundation of national cohesion. The fact that Kenya came into existence through colonial fiat rather than such a covenant among its 300 ethnic groups explains in part the on-going ethnic tensions.

• *Government must be limited, and in particular should have no jurisdiction over religious affairs.* This is still a revolutionary concept. There should be no persecution of believers of any faith by organs of the state.

• *Government must act through law.* Government by 'the rule of law' is directly at odds with government by the arbitrary decisions of a King, President or Prime Minister who regards themselves as 'above the law'. This is a weakness in many countries, especially in Africa and Latin America.

• *Government must be based on civic equality.* The commitment to democratic government is at odds with aristocratic or elite-based control of the state. However, in practice, democracy depends on a wide distribution of property and the population's sense of responsibility to participate in making political decisions. Both are under threat in Western democracies.

• *Government must be divided and diffuse.* The principle of separation of roles between prophet, priest and king in OT Israel is followed in contemporary political thought by separation of the legislative, executive and judicial arms of government. At the same time, as far as possible government functions, including defence roles, should be organised and delivered locally. Western states show increasing centralisation which is dangerous.

• *Government must be accountable.* Accountability consists of a requirement publicly to justify action and a 'forum' within which that justification takes place. By contrast, for example, the US President does not have to go to Congress to explain his decision to go to war.

Resources

People

People are, of course, any society's greatest resource. In terms of the economy, they provide the initiative which combines the resources of land, capital and 'labour' (i.e. themselves and other people) into a productive enterprise. In many countries over 50 per cent of people are self-employed (if smallholders are included). A person's ability and willingness to create wealth depends on access to land and capital, education and on other institutional factors such as the confidence that if successful a person will not have their earnings removed from them by organised crime. Biblical teaching – for example in the parable of the talents – encourages people to see that they have an obligation to use their abilities productively.[21]

A key factor determining productivity of the workforce is the 'work ethic', the belief that hard work is good, right and honourable. Historically, the work ethic has been associated with Christianity.[22] In the Genesis creation account God gives humanity the mandate to steward the earth. To work hard is part of what it means to love God and neighbour, although to take this to an extreme can deny time, and thus love, to both God and neighbour. Society's rules governing working hours and employee protection affect relationships across the community, but especially those in low-income households. The most significant such institution in OT law was the Sabbath.[23] In almost all societies today, the issue of a shared weekly day off is being contested as commercial interests seek to enlarge profits by trading seven days a week. Other employment protection included the requirement to pay wages promptly,[24] and, in the specific context of household bonded labour (an alternative to prison or homelessness), the right to run away and protection from physical abuse by the employer.[25] Protection of the dignity of the employee is the foundation of employer/employee and employee/community relationships.

Land and property

Land and property ownership patterns have a major impact on family and community structure, and thus on the potential for decentralising power without distorting political outcomes, as well as on the distribution of wealth and income. In India in the 1950s and 1960s, for example, while decentralisation of power to the states was a key factor in India's post-independence political stability, distribution of project resources through the so-called 'Panchayati Raj' at the village level increased the power of local elites because generally a small number of wealthy farmers controlled the local 'Panchayat' (council). In an agricultural society, if land is widely held, as in Chile or Taiwan following land reform, there is a degree of equity in the community with far-reaching political and economic benefits. Equally, if the land-owning system facilitates and empowers colocation of relatives, there is likely to be greater family solidarity than where family members are widely dispersed.

In the biblical paradigm, land was allocated fairly between tribes, clans and households, and the Jubilee legislation would have ensured that the fairness of that initial distribution was preserved through the generations. Land, a major productive asset in any society, could not accumulate in a few hands. At the same time, the role of land as a source of family roots took precedence over its role as productive asset. It was more important in God's heart that families remained colocated, and thus connected and a source of mutual support and welfare, than that the most efficient farmers could get control of the land so as to maximise its productivity.

In most countries today, to enable almost every family or household to own a house or a piece of land, with the additional goal of enabling colocation of relatives, would require a massive land and property reform programme. Even in the UK, only 70 per cent of people own their own homes, and in most of sub-Saharan Africa smallholder ownership of land and colocation of relatives is under pressure as a result of centralised political power and urban-based enterprise. In HICs, given the increasing difficulties governments are facing in providing care for the elderly, colocation of relatives is likely to be of increasing importance for their well-being.

Capital[26]

The way capital is mobilised and allocated has subtle and far-reaching effects on the way relationships operate. Money is a form of social glue, and people's financial relationships are not only important in themselves but have a direct and indirect impact on other relationships.

In Israel's social design, financial capital is used to build social capital. The main biblical rules to achieve this are the ban on interest (which covered all loans except those to foreigners) and the regular pattern of debt cancellation every seventh year.[27] The interest ban is reiterated in the Psalms and the Prophets, and reinforced in the teaching of

Jesus.[28] Permissible alternatives to debt contracts included risk-sharing arrangements and the hiring out of land or animals. The goal seems to have been to encourage capital to be used in ways which promote an on-going relationship between the parties; in risk-sharing situations, the capital provider is incentivised to keep in touch with the capital user to advise and encourage, while the user keeps in touch with the provider to reduce problems if something goes wrong, and to ensure future access to capital.

The economic effects of giving significant advantages to risk-sharing over loan finance in society today would have a significant impact on family and community relationships. The current interest-based approach to finance in LICs results in rural savings being transferred by financial institutions to urban centres, so that most new enterprise and employment opportunities develop there.[29] This accelerates urbanisation, which results in long-term separation of many men from their wives, children, parents and extended families left behind in rural areas (e.g. Kenya, South Africa). In LICs, the effect of the biblical rules for land and capital taken together would be to strengthen smallholder agriculture and rural enterprise, to slow down urbanisation and to strengthen local and regional government over against central government. In HICs, the likely effects of a tax regime which favoured equity over debt finance would be to reduce corporate size, slow down concentration of economic power, and increase the role of local mutual organisations.

Processes

Three other areas that built up relationships in the life of Israelite society are concerned primarily with relational 'processes', which involve all citizens putting into practice biblical teaching and values.

Criminal justice[30]

Biblical teaching assumes that everyone is to be engaged in the process of ensuring justice, so there is relatively little professionalisation of the system. There is no specialised law book or legal language; the law can be understood and applied by everyone, pointing to the importance of informal mechanisms of social control, community involvement and sentencer accountability. To achieve right relationships, the biblical emphasis is on putting things right between the offender and the victim, and the offender and society, rather than on inflicting retribution for its own sake. Key factors in achieving these objectives are proper regard for due process, deserts without degradation, and educative forms of punishment which avoid relational isolation and often have symbolic significance.

These principles have obvious application in Western countries today. This approach has been termed 'Relational Justice'[31] and echoes many concerns of the Restorative Justice movement.[32] One key issue for Christian reform in Britain is the need for alternatives to prison. This requires the promotion of local accessibility and accountability in the criminal justice process so that the punishment can be more precisely tailored to fit the crime. Everyone affected by crime has an interest in the outcome, so there is a need to take account of the needs of the wider community in which the offence occurred. In addition, Western societies need to enable prisoners to maintain close relationships with partners and families while in prison, and welcome prisoners back into the community on release. The current use and practice of imprisonment in Britain where, for example, offenders are imprisoned without regard to the location of their families, is destructive from a relational perspective.

Welfare[33]

A special concern in both Testaments was how the community could provide welfare support without undermining the family structures that were meant to take responsibility for it. Both Testaments assume an understanding of the rescue and on-going support guaranteed by God to his people as acts of grace which should prompt generosity towards those in need. Care for the vulnerable and disadvantaged is a central component of the Bible's understanding of 'righteousness'.

A primary focus of the welfare system in Israel was prevention. Each family was given land, and would have it restored every fiftieth year if it had been 'sold' (i.e. leased). Debt was written off every seventh year. Bonded service provided a way out of destitution. Relatives and neighbours were under strict instructions to step in to prevent vulnerable households being forced through poverty to move away. Immigrants, refugees, widows and orphans, who were likely to lack relational support, are repeatedly singled out for special attention and help. In contrast to Israel's neighbours, the state in Israel had almost no role, presumably to preserve the networks of care at a family and community level. How such an emphasis can be applied in high-income societies today, where informal care networks have disintegrated largely as a result of state welfare, requires further research.

Education

The Bible emphasises the importance of wisdom, rather than knowledge, so that the goal is not to maximise the nation's economic performance, or develop the potential and freedom of the individual, although these may be by-products. Wisdom is about the handling of relationships, above all how a person relates to God.[34] The word of God is, therefore, the chief book for children to study and know thoroughly to achieve wisdom; universal literacy is a priority so all can read it for themselves. In Israel education was primarily the responsibility of the family, who are repeatedly commanded to teach their children the word of God.[35] The priests, too, had a role in education, with accountability to the temple authorities in Jerusalem rather than to Israel's king.[36]

The priority of wisdom should not be taken to diminish the importance of knowledge. This is celebrated in Solomon's life of learning and implied in the benefits Moses gained from his Egyptian education. The accumulation of wisdom and knowledge should not end in teenage years. Involvement in local, political and judicial affairs, with responsibility to resolve neighbourhood disputes without going to court, ensured lifelong learning in Israel. However, the respect shown to older people reflected in part the recognition that the most important learning – how complex relational issues are resolved – comes from applying biblical teaching to the experience of life, rather than from reading technical textbooks of maths and science.

Institutions, intermediate goals and final outcomes

The final goal of the political, economic and social system is 'righteousness' (right relationships), defined throughout Scripture in terms of a set of values which are exemplified in the life of Jesus. These values come under the umbrella of love for God and neighbour,[37] and include respect for (fear of) God, justice, faithfulness, truth, forgiveness, hope, generosity and compassion. The structures, resources and processes noted above are the institutional foundations revealed by God to one particular society in one particular period of history to lead to these outcomes.

Table 2 sets out how we may trace the institutional structures through to the final goals for three aspects of social organisation – the (extended) family, economic life and criminal justice. To clarify how this works, there is an 'intermediate goals' column in the table. If there is obedience to God's instructions in the ordering of family structure, for example, the intermediate goals of family welfare provision and gender co-operation are more likely to be achieved. If the rules for resources are followed, the atomisation and alienation currently being experienced in Western society can be avoided through the integration of business and community life where social capital is built up by financial capital. Shared financial interests contribute to building relationships in extended families and communities. In turn it is more likely that the final goal of right relationships will be realised.

Conclusions

• Each of the great themes of biblical social teaching can be shown to impact directly or indirectly on whether and how citizens relate to each other. It is impossible to trace here all the relational outcomes if these laws were followed, but benefits would include strong and stable families, decentralised government and an absence of material and relational poverty.

• Prosperity is a consequence, rather than a precondition, of relational well-being. So the focus of national Christians and those who seek to assist 'development' from outside should not be on producing wealth and then dealing with the symptoms of poverty, but on working to achieve an institutional framework which will help to prevent relational poverty, and contribute to bringing about right relationships.

• The environment, like prosperity, is a derivative rather than a primary issue. That is not to underestimate its immense significance. However, it is only through following biblical teaching on family and love for neighbour that it will become possible to create the social solidarity required to persuade the complacent Western public, and ambitious Asian governments, to make the changes necessary to leave an inhabitable world to our children and distant neighbours.

• Some might see technology as the major driver of social change. However, Mumford and others have argued that technology is driven by the institutional context of the day.[38] Large companies, for example, seek new technology for large factories and large markets rather than innovations for efficient small-scale production; an individualistic culture seeks new forms of entertainment that do not require a second 'player'.

• Christians have to weigh up tackling the *symptoms* of injustice and exploitation (e.g. hunger, ill-health, landlessness) with tackling the *causes* (e.g. skewed distribution of access to land, capital markets, concentration of political power, foreign debt). There is no single right solution. Each country needs a strategy for each of its regions, sectors and ethnic groups; each organisation needs its own package of relational reform proposals.

• To concentrate attention on economic growth, or even on the growth and distribution of income, is not enough. Reform of the markets for resources (e.g. land reform or opening wider access to capital) is vital for promoting positive relationships between rich and poor, and between different sections of society. Equity must be built into the economic system through safeguards in markets for resources rather than relying on a redistribution mechanism after a polarising growth process.

• Christians should prioritise evangelism, discipling and church planting to restore each person's relationship with God, to build the Christian community, and to increase a right 'fear of God' across society as a whole. But about their priorities for the wider agenda of social change? While Christians should agree on the goals and strategies for social change, they can legitimately disagree about the priorities and timetable of institutional reform. Scripture is not definitive in these areas but gives guidelines. Factors to consider will include the history of the nation, international agreements, the nature of current political arrangements, and feasibility of intervention.

• Christians need to develop new strategies, campaigns and initiatives to move their societies towards relational well-being; they also need to learn to evaluate them critically. This requires that they build up a body of knowledge drawn from international experience of interventions based on the biblical paradigm, and use it as a training resource for future generations of Christian reformers.

Table 2: Examples of the means and ends of achieving relational well-being in a society

Biblical norms for structures, resources, processes	Intermediate goals	Final goal/end
Structure: the family - priority of the marriage relationship over obligations to parents - a culture opposed to, and social constraints on, sex outside marriage - families to have long-term locational roots - wider family a financial, welfare and judicial role - critical importance of male headship based on commitment to love and service.	**Family co-operation and welfare provision** - loyalty among members of extended family groups - low divorce rates, socially sustainable birth rate - gender co-operation inside and outside the family - effective family care for older members.	**'Righteousness' *(tsdq)* in all relationships** - respect for God - love/empathy - justice, fairness, parity - faithfulness - truth - forgiveness - hope - generosity - compassion.
Resources - towards universal ownership of family property - periodic debt cancellation system - ban on interest on loans between citizens - employer respect for dignity and family life of employees - employee safeguards for weekly rest day and timely remuneration - employment opportunities for the destitute on the land.	**Integration of business and community life** - broad distribution of property assets - absence of persistent indebtedness - incentives for risk-sharing and direct financial relationships - high levels of family business/self-employment - a weekly shared day off - (close to) full employment.	
Processes: criminal justice - community involvement in criminal justice process - widespread/universal knowledge of what the law says - the goal of putting things right between offender and victim, and between offender and community.	**Criminal justice system** - community courts and other forms of local justice - almost all punishment in the community - offender reintegration into society after punishment.	

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I would like to thank Deryke Belshaw, Jonathan Burnside, Peter Kimuyu, Paul Mills, Helen Mocatta, and the writing group, in particular Julian Rivers, and James and Kate Williams.

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[1] C. Eicher, 'Institutions and the African Farmer', CIMMYT Economics Program Third Distinguished Economist Lecture, 1999.

[2] D. Elazar and S. Cohen, *The Jewish Polity*, Bloomington, 1985.

[3] See, for example, Gen. 19:1–29; Is. 11:13, 58:6–9; Ezek. 16:20–52; Amos 1 & 2; Luke 11:37–54; Luke 13:34; Rev. 2 & 3.

[4] Douglass North, 'Needed: A Theory of Change', in Gerald Meier and Joseph Stiglitz eds, *Frontiers of Development Economics*, NY, 2000.

[5] Dani Rodrik and Arund Subramanian, 'The Primacy of Institutions (and what this does and does not mean)', *Finance and Development* (IMF), 40:2, June 2003, 1. At www.imf.org/external/pubs/ft/fandd/2003/06/pdf/rodrik.pdf

[6] Rodrigo de Rato (Managing Director of the International Monetary Fund), 23rd Annual Monetary Conference On 'Monetary Institutions and Economic Development', November, 2005. www.cato.org/pubs/journal/cj26n2/cj26n2-1.pdf

[7]Arguably, de Rato omitted a further, and primary, principle that international institutions such as the one he represents provide a framework to ensure stability and sustainability of trade, aid and international investment.

[8] See Ps. 33:12; Prov. 14:34; Isa. 1:4.

[9] For example, Matt. 5:48; 6:33; 19:21; Prov. 15:9.

[10] Some explanations of the 'difficult passages' in the OT, such as those on women, slavery and war, can be found in Julian Rivers, 'Moral Difficulties in Scripture', in W.C. Campbell-Jack and Gavin McGrath eds, *New Dictionary of Christian Apologetics*, Leicester, 2006; Jonathan Burnside, *Consent versus Community: What Basis for Sexual Offences?*, Cambridge, 2006; and Michael Schluter, 'Bonded Labour: the ultimate safety net in early Israel', in M. Schluter and J. Ashcroft, eds, *Jubilee Manifesto*, IVP, 2005, pp.193–195.

[11] *Jubilee Manifesto*, pp.89–101.

[12] The church over the centuries has debated what should be carried over from the OT to the NT and how it should be applied. See Jason Fletcher, 'Mercy not sacrifice: Mosaic law in Christian social ethics', *Cambridge Papers*, vol. 13, no. 4, 2004.

[13] See, for example, Isa. 42:9; Deut. 4:5–8.

[14] See Deut. chs 1–8.

[15] 1 Pet. 2:9.

[16] John 4:21–26.

[17] E.g. Col. 1:15–20.

[18] Note the difference from the OT, where idolatry and false religion were punished with the death penalty.

[19] See *Jubilee Manifesto*, ch. 9.

[20] See *Jubilee Manifesto*, chapters 7 and 8.

[21] Matt. 25:14–30.

[22] Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, Routledge, 2001 (first published 1904).

[23] Exod. 20:8–11; Deut. 5:12–15. In the debate on the Shops Bill (1986) in the House of Lords, former Prime Minister Harold Macmillan (the Earl of Stockton) said: 'Let us remember that the great commandment that was handed down to God's chosen people was perhaps the greatest social reform in the history of civilisation; the concept that every man or woman, however humble, should have at least some period of rest.' *Hansard*, Shops Bill, 21 January 1986, p.160.

[24] Deut. 24:14–15, cf Jas. 5:4.

[25] See *Jubilee Manifesto*, pp.193–195.

[26] This section draws heavily on Paul Mills's work in chapters 11 and 12 of *Jubilee Manifesto*.

[27] Deut. 23:19–20; Deut. 15:1–6.

[28] Ps. 15:5; Prov. 22:7; Ezek. 18:13,17; Matt. 25:26–27; Luke 6:34–35. For a fuller discussion, see Paul Mills, 'The ban on interest: Dead letter or radical solution?', *Cambridge Papers*, vol. 2, no. 1, 1993.

[29] Sources of capital for LICs today also include foreign direct investment, foreign remittances and 'aid'.

[30] This section draws heavily on Jonathan Burnside's work in ch. 13 of *Jubilee Manifesto*.

[31] See Nicola Baker and Jonathan Burnside, *Relational Justice*, Waterside Press, 1994.

[32] For a discussion of the differences between Relational Justice and Restorative Justice, see article by Adrian James in Relational Justice Bulletin, No. 2, April 1999.

[33] For a fuller discussion, see *Jubilee Manifesto*, ch. 10.

[34] Prov. 1:7.

[35] E.g. Deut. 6:20ff.; Prov. 1:8–19, etc.

[36] Deut. 17:8–13.

[37] Matt. 22:34–40.

[38] Lewis Mumford, The City in History: its origins, its transformations, and its prospects, Harcourt, 1961. For a fuller discussion of these issues, see *Jubilee Manifesto*, ch. 13.

7 The divine economy

Paul Mills December 2000

Leviticus Chapter 25 is a passage that makes Das Kapital look tame…it is no longer Morris, Keynes and Beveridge who inspire and change the world - it's Leviticus.
Will Hutton [1]

Summary
The basic economic problem is that the incentives needed to promote efficiency and growth also lead to inequality. Biblical law sets out an economic model that shares contemporary concerns for economic efficiency and fairness while avoiding the problems faced by the current Western model. In the process it achieves what economists have been aspiring to for the past 250 years and yields a number of innovative ideas for reform. The beauty of its conception from an economic point of view has rarely been appreciated.

Introduction
Thanks to the Jubilee 2000 campaign for international debt relief, the ancient land laws of the Bible have joined the vocabulary of international finance. The Jubilee concepts of a periodic cancellation of debt, release of debt slaves and return of family property have become a powerful symbol for the advocates of debt forgiveness, as Will Hutton recognises.

Yet Jubilee 2000 is a typical example of how the economic ideas of the biblical law have been used in Christian political discussion throughout the Church's life. In the main, convenient precedents or analogies in the Old Testament law, the Prophets, the Sermon on the Mount or the parables have been used to bolster existing positions. Rarely have the laws of the Pentateuch in particular been studied as an integrated whole in order to provide the outlines of a biblical economic model. This paper will take just such an approach. The contention is that by considering biblical law as a whole, an integrated economic model emerges which satisfies the prerequisites for both efficiency and fairness without the wasteful and damaging side-effects entailed in the current Western economic model.

The state we're in

With the demise of Soviet-style central planning and dilution of Thatcherite *laissez-faire* policies. Western societies have accepted a compromise between relatively free trade and markets on the one hand and a sizeable role for the state in the form of redistributive welfare and regulation on the other. Bureaucracies still control the expenditure of 40-50 per cent of national income in Europe but, for the remainder, companies and individuals decide what is produced and valued through market processes.

Besides the political apathy it engenders, this diluted form of capitalism has a number of worrying features that are undermining its long-term viability. The workings of the market system tend to commercialise every relationship and erode family and community structures by emphasising rootlessness, mobility and the 24-hour society. Mergers and takeovers mean that companies tend towards monopolies that subvert competition unless checked by regulation. Most fundamentally, the free market system's legitimacy relies on its linkage to a complex system of taxation, state redistribution and welfare. The short-comings of this process are well known: taxation distorts people's behaviour in a number of deleterious ways, from reducing work incentives (through high marginal rates of income tax) to penalising employment (through National Insurance charges); then, a multitude of tax officials, accountants and lawyers do battle to apply the tax code; finally, the welfare system distorts recipients' behaviour in a number of ways, from penalising saving for old age to facilitating the creation of one-parent households. We have lived with these costs and distortions for some time. But the increasing global mobility of companies, savings and workers is likely to mean that governments will be unable to maintain taxes at a sufficiently high level to continue the current degree of redistribution that, in turn, gives the system its legitimacy.

Essentially, we need to retain the disciplines and efficiencies of a market system but devise another mechanism that promotes fairness in the allocation of wealth and opportunities that does not require a burdensome tax and welfare system. Rather than a system of taxation and redistribution *after* the process of wealth creation, the initial allocation of wealth needs to be roughly equitable and maintained over people's lifetimes. Such a system would then combine the efficiency benefits of competitive market processes with a concern for fairness for those with lower incomes.

Why look to biblical law for economic answers?

Could the biblical model offer such a viable alternative? The possibility has usually been dismissed on the supposed grounds that: the economic provisions of biblical law were designed to apply only to ancient Israel but not to later societies; technological changes make such teachings irrelevant; or that the law has been superseded by the coming of Christ. A fuller discussion of the case for using biblical law as a social 'paradigm' or model for contemporary application has been given elsewhere.[2] Suffice it to say, biblical law was devised on the basis of 'the hardness of men's hearts',[3] the principles that should govern economic organisation (the ownership of capital, work incentives, finance, the monetary system, taxes and welfare) are not technology-specific; and the relevance of biblical law was, if anything, re-affirmed by Christ.[4]

The disobedience of Old Testament Israel meant that the law's economic institutions were rarely, if ever, implemented in full. But this does not mean that they were not designed to embody practical economic wisdom of universal validity. Indeed, it is striking that Israel's punishment through exile in Babylon is attributed specifically to the non-observance of the Sabbath year of rest for the land and, by implication, the Jubilee.[5] The wisdom literature too is replete with claims that the law of the Lord contains practical, and not just spiritual, wisdom, while the law itself claims that economic prosperity will result from obedience. Indeed, Deuteronomy 28 even promises a 'trade surplus' if the law is adhered to. These promises are made because the economic sense of the model is assumed.

The remarkable thing is that when taken as a whole, the economic institutions of biblical law form a coherent framework that satisfies our concerns for fairness and efficiency more fully than the current economic consensus. The key to understanding the biblical model is that the production and sale of goods is almost entirely left to the unfettered operation of market forces, while the laws governing the use of labour, the allocation of land and the role of finance are tightly drawn so as to ensure a minimum level of income and wealth for all. In economist's parlance, the model envisages product markets (for goods) that are relatively unconstrained whereas markets for the factors of production (land, labour and finance) are tightly controlled or sometimes deliberately proscribed. The two recurring themes overarching this fundamental insight are that the rough equality of wealth, income and opportunity are encouraged without the need for a large centralised state (in the form of a monarchy); and that the interests of 'finance' are made subservient to those of interpersonal relationships.

The foundation of 'free' markets

The biblical model contained a number of features that, with the economic hindsight of three thousand years, would have promoted economic growth and efficiency.

A general acceptance of free product markets

Apart from the ceremonial food laws and the observance of the Sabbath, the only constraints on trade in biblical law were the exhortations to merchants to maintain fair weights and eschew adulteration.[6] This recognised the need for a basic degree of confidence by consumers in what they were buying. However, there were no other constraints on trade and no notion that trading for profit was inherently 'wrong' (although profit from an artificial monopoly was condemned). We can thus infer both the acceptance of competitive markets and the presumption that the 'just price' for a good is that which results from competition. There is also ample evidence that Israel participated in the international trading networks of the time.[7]

A capped and proportional rate of income tax

A centralised system of taxation on income, wealth or expenditure was unnecessary due to the limited nature of the apparatus of central government. Instead, the criminal justice system and military were structured in such a way that did not require a police force, prisons or a standing army. Tithes of 10 per cent on income were directed to local poverty relief, the support of the local priests and Levites, or to religious celebrations (although the number of tithes in any one year remains uncertain).[8] The limited role of the state apparatus also reduced the potential for arbitrary confiscation - an all too familiar feature of monarchies at the time (1 Samuel 8). Hence, there were few external disincentives to work or save.

A stable monetary system and price level

The evidence suggests that precious metals, first in the form of set weights of silver or gold and then coins, were used to increase trade by replacing barter throughout biblical times. This ensured a rough stability of the price level in Israel over hundreds of years,[9] once again encouraging saving and trade by providing a stable store of value.

A well-defined legal code

Biblical law established property rights and made provision for debt collection. Whilst property rights over land were restricted and debts were periodically cancelled (see below), there was nevertheless a well-defined code of property law and debt collection, including means for enforcement such as fines for theft and bonded labour for the repayment of debts. As is clear from the limited success in developing some former Communist economies, the absence of a predictable property code deters investment and promotes hoarding. Economists are also only just realising how crucial the clear definition of property rights is to enable the rural poor to develop their land.

A limited role for the state

The intended structure of Israelite society did not include a privileged class to be supported through the labour of others. Nor did it envisage a princely 'court' or aristocracy. Even when a king was eventually appointed, the law sought to limit the size of the royal household and its wealth (Deuteronomy 17). This deliberate restraint on the scope and power of the monarchy was unique for the time. The absence of a rigid hierarchy meant that there were no incentives to forsake economic activity in favour of seeking concessions from the ruling class. Bribery was strongly condemned.

The combination of low taxes, a small state infrastructure, a stable price level and predictable property rights would have encouraged economic growth by maintaining incentives to work, save and invest. Given the right preconditions, free markets have generally proved to be better than bureaucrats at processing information about the desired types of production and the most efficient technologies.

These factors promoting prosperity would have been reinforced by free trade of produced surpluses both locally and internationally. The biblical legal model contains what are now recognised as the prerequisites for a successful market-based economy.

The limits to *laissez-faire*

However, the arguments against such a free market approach are that it tends towards inequalities of wealth and income whilst degenerating into monopolies that subvert the very market forces that brought them about. How did the biblical model address these tendencies? It is in its treatment of the markets for the factors of production (land, labour and financial capital) that the biblical model addresses the undesirable and. self-destructive aspects of free market capitalism.

Land transfer

When the Israelites first entered Canaan, the land was divided up on a relatively even per capita basis. It was allocated at random by tribe and then by clan and family. The inheritance and Jubilee laws then ensured that the roughly equal allocation of land between families was preserved. A leasehold market was envisaged in the law, so families in dire economic straits had access to the market value of their assets until the next Jubilee year (once every 50 years). This also allowed the temporary transfer of land to those best able to use it. However, a freehold market in agricultural land was prohibited.[10] No family could sell its land in perpetuity. At the time of the next Jubilee, ownership and occupation had to revert to the traditional family owners, regardless of who had leased the land in the intervening period.

The implications of this novel economic institution were numerous. The Jubilee ensured that the initial extended family structure was preserved and rooted in an ancestral locality. It prevented the accumulation of large estates by the wealthier families or by foreclosing moneylenders. It also meant that every family member, at least once in their lifetime and however poor, could gain access to work on the ancestral farm - the means of production at the time. Thus, the Jubilee stood as a bulwark against the development of permanently landless poor.

Restrictions on the labour market

Although a relatively free wage labour market could have developed, the welfare provisions of biblical law should have kept wage levels above subsistence levels. The requirement for employers to pay wages punctually[11] and to be responsible for their workers' safety shows the detail of the thinking behind the law in the protection of the waged labourer. Sabbath restrictions on work also underlined the importance of placing relationships to God and family ahead of material provision and reduced the pressures on vulnerable workers.

The prohibition of interest

The Pentateuch contained a number of complex financial arrangements. As well as detailing sophisticated leasehold arrangements, biblical law described a rental contract and careful rules for the treatment of different forms of security for a loan, including bonded servitude in the case of default. It also envisaged a vital role for interest-free lending between family and community members as a means of poverty relief. Yet the model expressly prohibited all loans at interest, for both commercial and consumption purposes, at least within the Israelite community.[12] As a result, there was no place for a commercial loan market - a conclusion reinforced by the laws which prescribed the cancellation of all debts (and debt servitude) every seven years.

Although the text is not explicit as to why interest is prohibited, the problems associated with a debt-based financial system are numerous and we are only now fully appreciating their extent. Low income country debt is but one aspect.[13] In the context of the wider economic model, perhaps the most important implications of the prohibition of interest were that it encouraged both non-interest charitable lending and risk-sharing business finance (so distributing the profits or losses from commercial ventures more widely). Financial power could not be accumulated without sharing in the risks of enterprise, while no-one could be permanently enslaved in debt without prospect of release.

Hence the biblical model had a strong underlying current of concern for the poor. Yet its approach to the distribution of wealth and income was radically different from the familiar approach of redistributive taxes and welfare benefits. Instead, the biblical model did not concern itself with differences in portable wealth or consumption. Indeed, the acquisition of wealth was often seen as a blessing from God and provided incentives to work hard. Rather, its aim was to ensure that everyone, even the poorest, was able to gain access at some time in his or her life to the means of production (in this case, land); that no-one was in debt or debt bondage for more than seven years; that the primary responsibility for care of the poor was the extended family and local community; and that no-one could entrench their wealth through simply lending money at interest without risk.

The result should have been a relatively egalitarian society, but one without the intervention of intrusive tax bureaucracies and welfare states. Instead, biblical law achieved this by eliminating the existence of two forms of contract - the freehold sale of agricultural land and the interest-bearing loan. Wealth was not redistributed - rather the conditions necessary to give economic independence to the poor and to place a brake on the economic power of the rich were built into the fabric of society's finances and organisation.

Economic lessons for today

Of course, the application of these biblical insights to contemporary conditions requires great care. Any such implications would need to be supported by a broad-based civic consensus rather than on religious conformity. Nevertheless, the practical wisdom of the model itself is too valuable to be dismissed as lightly as it has been. What lessons are there for economic policy today, given that our conditions and technologies are different?

A national investment fund

Instead of a share in agricultural land, a national investment fund could be established, an equal share of which would be bestowed upon every citizen when reaching voting age and relinquished at death. A non-political board of trustees would oversee investment policy and a profit-related dividend would be paid each year linked to the returns enjoyed by the investments in the fund. If the fund was large enough, this dividend could provide a basic minimum income. Citizens could borrow against their dividends for, say, ten or twenty years (to finance education, training, house purchase or a business start-up). Crucially, however, citizens would not be able permanently to sell their shares to any third party. It is this Jubilee principle that distinguishes the idea from other suggestions for a universal capital endowment.[14] At some time in the not-too-distant future, everyone would receive back title to their share in the fund.

Such a fund would provide everyone with an income top-up or a way to raise initial capital, contribute to the sense of citizenship in society and reinforce incentives to ensure the wider success of the economy. The UK has already passed up two chances to establish an initial fund (in the form of the receipts from North Sea oil and the privatisation of nationalised industries). The current healthy state of the public finances offers a further opportunity to establish such a fund.

A rediscovery of rootedness

The Jubilee was structured to preserve the universal ownership of property and to return an extended family to its ancestral lands at least once every 50 years. This not only recognised the contribution of widespread property ownership to economic freedom, but it underlined the importance of rootedness and a sense of place. It is only through the physical and prolonged proximity of extended family members and neighbours that society can deliver care of dependants without ever greater reliance on the state or on purchased ‘care’.[15] Yet current economic thinking encourages workers to be as geographically mobile as possible, leading to prolonged disparities in regional incomes (e.g. South-East England relative to Cornwall), and to family breakdown. As well as recognising the external benefits that rootedness brings, government policy could be more explicitly geared to encouraging regional rootedness and identity. For example, students could be encouraged to study at local universities through preferential loan terms.

Low income country development finance

One of the ironies of the biblical economic model is that it does *not* unambiguously support the Jubilee 2000 campaign for international debt relief. Of course, on the one hand, biblical law prohibits interest on all loans within the Israelite community and protects the poor through periodic debt relief. On the other, however, it upholds the moral and legal duty of debtors to fulfil their obligations. Ironically, it did not apply the prohibition of interest or the cancellation of debt to loans made to foreigners. Hence, biblical law cannot be used to support the view that international debt relief is a matter of 'justice' *per se*. If relief is to be given, it is to be an act of *chesed* or mercy.

Nevertheless, the biblical prohibition of interest gives numerous pointers to how development finance should be structured in the future. For instance, 'charitable' lending, which should be interest-free and relievable if necessary, and commercial finance, which should share in the profit or losses of the funded enterprises, should be distinguished far more clearly. That way, richer countries would avoid tangles over what they were trying to achieve through their finance, and poorer countries would be sure they would not be saddled with unpayable and escalating debts. Similarly, the banking systems of poorer countries could apply the same principles, thereby limiting the concentration of wealth through debt slavery and repossession of family land.

Space precludes examination of further implications for economic policy from the biblical model. Some have been outlined in earlier papers[16] but others could include the design of the tax and welfare systems, the encouragement of home ownership for those on low incomes, or the protection of leisure from the pressures of 24-hour/7-days-a-week working.

Conclusion

The economic model set out in biblical law transcends the persistent debate about whether efficiency or equality ought to be pre-eminent in economic policy-making. By adapting property rights and factor markets, biblical law seeks to maintain universal access to the means of production and a rough equality in their distribution, without introducing state intervention or interfering with economic incentives. As such it represents a radical 'Third

Way' that is genuinely different from capitalism and socialism.

The uniqueness and subtlety[17] of the economic model set out in biblical law is a further sign of God's providence and the inspiration of Scripture. Only after 250 years of economic thinking and numerous experiments with various alternatives are we beginning to grasp the depth of its wisdom when applied to the technologies and conditions of its day. It prompts the surprising conclusion that God is, after all, an economist.

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[1] The Jubilee line that works'. *The Observer*, 3 October 1999.

[2] See especially Wright, C.J.H., *Living as the People of God*, IVP, 1983; and Schluter, M., and Clements, R., 'Jubilee Institutional Norms'. *Evangelical Quarterly*, Vol. 62, No. l. 1990.

[3] E.g. Deut. 15:9; Matt. 19:8.

[4] E.g. Matt 5:17-20. Jesus also reaffirmed that man lives 'on every word that comes from the mouth of God' (Deut. 8:3: Luke 4:4).

[5] 2 Chr. 36:21. The Prophets foretell judgement on Israel because the economic institutions of the law were not upheld (e.g. 1 Kings 21:19; Jer. 25:8-11; 34:17: Ezek. 22:7,12; Amos 2:6-8).

[6] E.g. Lev. 19:35-36; Deut. 25:15-16.

[7] E.g. Deut. 28:12; 1 Kings 10:14.

[8] Lev. 27:30; Deut. 14:28.

[9] See Essay entitled '*Should Christians Support the Euro?*', Paul Mills and Michael Schluter (Vol 7, No 4, Dec 98)

[10] Lev. 25:8-54; a careful distinction is made between agricultural land, urban property (verses 29-31) and the holdings of the Levites (verses 32-34).

[11] E.g.Deut.24:15.

[12] Deut. 23:19.20: cf. Psalm 15:5: Ezek. 18:13. Although contemporary legal codes (e.g. Babylon) limit rates of interest, the Pentateuch is again unique in prohibiting interest outright. The teachings of Jesus presuppose and. if anything, reinforce the prohibition of interest (Luke 6:32 -35; 19:22 ,23).

[13] See essay entitled *'The Ban on Interest: Dead Letter or Radical Solution?'*, Paul Mills. (Vol 2, No 1, Mar 93) The continuing difficulties of the Japanese economy bear chilling testimony to the damage that can be wrought by a debt-based financial system.

[14] E.g. 'How to achieve a stake in the country for all'. Samuel Brittan, *Financial Times*, 16 March 2000. p. 19. Brittan envisages a one-off grant on reaching the age of 18.

[15] See essay entitled *'Roots: Biblical Norm or Anachronism?'*, Michael Schluter, (Vol 4, No 4, Dec 95)

[16] E.g. see essays entitled *'The Ban on Interest: Dead Letter or Radical Solution?'*, Paul Mills. (Vol 2, No 1, Mar 93) , *'Roots: Biblical Norm or Anachronism?'*, Michael Schluter, (Vol 4, No 4, Dec 95), *'Should Christians Support the Euro?'*, Paul Mills and Michael Schluter (Vol 7, No 4, Dec 98) and *'Risk, Reward and Responsibility'*, Michael Schluter (Vol 9, No 2, June 00)

[17] For instance, a Jubilee-type of institution is necessary if a stable economy is to operate with no interest on money. For without a discount rate, the value of land tends to infinity because it should provide value to the owner in perpetuity (land is indestructible). Hence, for a viable land market to exist in a non-interest economy, a maximum length of lease is required, as provided by a Jubilee every 50 years.

8 Beyond Capitalism: Towards a Relational economy

Michael Schluter March 2010

It appears that the fall of the Berlin Wall in 1989 may not have been the crushing victory for free-market capitalism that it seemed at the time – particularly after events of the last 12 months.
Doug Miller, Chairman of polling firm Globescan, November 2009

We have no more idea of what the economic orthodoxy of the next half-century will look like than of what will supplant Coke, denim or hamburgers.
Heather Stewart [1]

New wine must be poured into new wineskins…
Luke 5:38

Summary
Western societies face economic decline and political instability due in significant part to the five moral flaws of Capitalism and their severe social consequences.[2] A radical new economic vision is urgently needed. This paper proposes a way forward through five strategies: embed relational values, strengthen household balance sheets, empower extended families, engage capital providers and entrust welfare to local communities. These changes are mutually reinforcing because they all reform economic life so as to strengthen personal bonds in the local and wider communities. They point towards the Christian vision of a 'Relational economy'.

Introduction
In January 2010, Cadbury, founded in Birmingham 180 years ago, was sold to Kraft, an American conglomerate, as if it were, well, a bar of chocolate. Although many of the personal and institutional shareholders were British, and a British bank financed the deal using taxpayers' money, the primary consideration was whether 'the price was right'. Those who made the decision to sell the company had no obligation and little incentive to consider the future of families and communities in Birmingham.[3]

This small example helps to explain why there is such widespread discontent with Capitalism so soon after the pundits had concluded, with the fall of the Berlin wall, that Capitalism had 'won'. Society seems to have lost control over the economic forces which have generated prosperity. The big banks now operate with impunity, knowing that no government can risk the economic and political fallout if they fail. Widening pay differentials across the corporate world, but especially in banks, make a mockery of the belief that 'all men were created equal'.[4] Use of derivatives and other new financial instruments has meant that the 'financial economy' often dominates the real economy in which goods and services are produced, delivered and exchanged. This doesn't seem right. The complexity of the largest corporates, such as Enron, leads to a loss of transparency which puts their top executives beyond accountability.

The problems are not just in the private sector. The giant public sector has overreached itself in most Western economies. Governments have promised more than they can now afford to deliver. For the UK what seemed feasible in 1971 when the old age support ratio was 3.6 to 1 will be infeasible when that ratio falls to 2.0 to 1 by 2051 (as it is expected to do unless the retirement age is increased).[5] Accelerating family breakdown is adding huge pressure to government budgets. State funding of public services is heading into meltdown.

What is striking about the current crisis is the absence of credible alternatives. Some look to more regulation, but each new regulation is like stopping the leak in a pipe, only for another to appear because the whole pipe is rusty. Regulation cannot deal with the fundamental flaws of Capitalism identified in the previous paper, nor their pervasive social consequences. An alternative vision is needed; this paper seeks to sketch such a vision.

The relational mandate

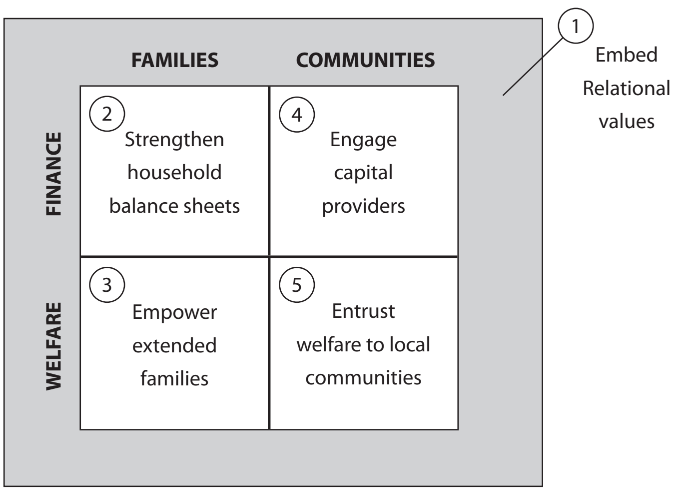
The heart of the Christian faith is a relational understanding of all of reality. God himself is three persons in relationship; human beings are made in the image of this relational God, with the capacity to relate to him and to each other. Jesus came, not just to demonstrate a perfectly relational human life, but to resolve the deepest problems of humanity – relationship breakdown between human beings and their Creator, and between people at personal, ethnic and national levels. Jesus through his death and resurrection established a new community which is intended not just to proclaim to all the message of a new relationship with God through Christ, but also to model to the world a truly relational community.

Hence, quality of relationships is the basis of God's assessment of nations as well as individuals.[6] Many biblical passages define what behaviour constitutes right relationships, both generally and in the context of specific roles such as parent, child, husband, wife, employer, pastor and owner of capital. God has a particular concern for the relationally and financially disadvantaged, such as widows, orphans and foreigners.[7]

In biblical law, in a specific geographical and historical context, God teaches his people how to ensure close, fair and lasting interpersonal relationships. In part this involves financial arrangements, organisational structures and their working practices which, now as then, impact on the way people relate to God and each other. Biblical teaching about the economy seeks to ensure free markets for exchange of goods and services, but puts constraints on markets for exchange of capital, land and labour.[8] Jesus summarises the goals of this Israelite legislation as 'love God and love neighbour';[9] love is a quality of relationship.

To transfer this worldview into the economic system involves five steps, as shown in the diagram below:

Five steps towards a Relational economy



First and foremost, there has to be a change in worldview, where the dominant values of individualism and materialism are replaced by those of 'Relational Thinking' (step 1). Unless people learn to think differently, and prioritise relationships over wealth for example, other changes will be cosmetic. The diagram does not show any reform of central government agencies or departments because the direction of change is to reduce the role of central government; rather the emphasis is gradually to empower families and communities to take over the financing and welfare responsibilities of central government.

To rebuild a sense of common purpose in extended families, their capacity to provide welfare and undertake productive activity has to be restored. This involves strengthening household balance sheets by reducing debt and increasing their asset base (step 2), as well as formalising and empowering extended family welfare activities by encouraging them to 'incorporate' as Family Associations (step 3). This facilitates them having formal dealings with one another, with companies and with government agencies.

At a regional and community level, there is the same need to increase the capacity for shared activity by encouraging people in a region or locality to recognise their responsibility to be involved financially with local companies (step 4), and also to provide a safety net for individuals in dysfunctional families (step 5). Central or regional government still has a welfare role, but now only to intervene on behalf of those who are not cared for adequately by their communities, and to set minimum national standards.

Relational reform of the economy

Western economies are not intentionally unrelational. The challenge is to move the economy, and the whole of society, in the direction of greater relationality. The process of change, and the goals of change, must be relational, i.e. by persuasion and consensus.[10] Biblical teaching provides guidance as to how this can be achieved. The following sections amplify the five steps introduced above.

Embed relational values (step 1 in diagram)

The greatest challenge in moving from a Capitalist to a Relational economic system is to shift the goalposts from pursuit of business profit and personal gain to a focus on good and right relationships with God and neighbour. This priority has to be reflected, first of all, in how people use their time, for time is human beings' scarcest resource; it is also the currency of relationships. So the issue is this: how can society demonstrate to outsiders, and to itself, in its use of time that its greatest priority is quality of relationships?

The answer God gave to Israel, which is also reflected in the creation narrative, was to ring-fence one day each week for relational priorities: commercial activity was banned. This was taught in the Ten Commandments,[11] and reinforced by prophetic teaching[12] and social reform.[13] The weekly rest day, providing special time and space for God, family and neighbour, has been the practice of the Christian church, wherever possible, since its inception.[14] In Britain there have been restrictions on Sunday trade at least since 1448.[15]

To introduce a weekly shared day off does not require that the majority in the society are Christians; the physical, mental and relational health benefits of a weekly day off have been widely researched.[16] Where Christianity and/or Islam are the dominant religion(s), as in Africa, the Middle East and Latin America, and parts of Asia, the case for a weekly shared day off rests on religious as well as relational grounds.

Every country in Europe barring Sweden and the UK keeps Sunday largely free of economic activity. There is still widespread support for a weekly shared day off in Britain, with exemptions for emergency services and recreational activities. More challenging will be to gain public acceptance of its spiritual and relational significance, and bring about the associated changes in lifestyle.

Strengthen household balance sheets (step 2)

To strengthen household balance sheets requires an increase in assets and decrease in liabilities. For most households, one of the main assets is the property in which they live. In biblical Israel, the ideal was for every family to own a piece of land on which they could build a home and find security.[17] On the liabilities side of the balance sheet, biblical teaching repeatedly warns against the dangers of debt to individuals, families and society.[18] A debt-based society will tend towards anonymity, even social alienation, and will generally be inflationary, involving an arbitrary and unjust redistribution of wealth.

To increase household assets, the goal should be for most households to be able to own the house where they live. In the UK, owner-occupation is the goal of the vast majority of the population.[19] The challenge for housing associations and other forms of public housing is to find a way to enable people gradually to acquire equity in the properties where they live. Of course, there will always be those with special needs which are best provided for by rented accommodation, in sheltered housing schemes for example.

To decrease household liabilities requires decreasing debt which acts like relational poison, causing arguments, depression, divorce and even child abuse.[20] Yet in the UK average household debt at the end of 2009 was nearly £60,000, including mortgage debt, and average consumer debt £9,000.[21] Ways to reduce household debt include new forms of house purchase contract based on equity rather than debt,[22] restricting TV advertising of consumer credit, and increased minimum monthly credit card repayments. In particular, students should not have to use debt to fund university education, which also impacts negatively on family formation[23] and probably leads to greater acceptance of indebtedness as a normal part of modern life.

National debt is as relationally harmful as it is unjust to families.[24] UK national debt at the end of 2009 was over £33,000 per household.[25] US and UK government fiscal projections do not now forecast any future time when there will be a balanced budget. However, Germany has passed a law recently committing its government to a balanced budget from 2015. It is possible to run a modern economy without increasing national debt. Is it right or fair for this generation to pass on such huge debt to its children?

Empower extended families (step 3)

One consequence of the five moral flaws of Capitalism is the breakdown of family relationships. Yet families are crucial in God's plan for human wellbeing.[26] For most people, their closest and longest-lasting relationships are in their families. Whilst friends add much to our sense of community and sheer joy in living, it is families who do most of the hard work of care, especially for older people.[27] Yet, it is difficult to cite even one Capitalist society where there is not disintegration of family relationships as family members spend less time together, often due to long and unsocial working hours, and for some the need to move house every few years for work reasons.

Institutions lacking role or purpose will gradually atrophy. As banks and public sector agencies have taken over many of the functions which were family responsibilities, such as provision of credit, finance for housing, and care of those with disabilities, homes have often become no more than multipurpose leisure centres; family solidarity can rely less on shared experience. How could families' role be recovered? One proposal is that family members could form themselves into 'Family Associations', small mutual organisations for welfare, insurance, consumption and business purposes.[28]

For families to play a key role in economic activity and welfare provision, 'colocation' is an essential precondition, i.e. relatives must live close enough to work together and to provide physical as well as emotional support.[29] So mobility of labour must be constrained. Although it maximises individual productivity by precisely matching skills to job requirements, it often imposes costs on third parties which are not taken into account, and certainly not paid by the employer. These costs include care of elderly relatives left behind, and stress on family relationships during and following a house move. So far as possible jobs should move to people, not people to jobs.

Colocation of relatives could be facilitated in several ways. Regional Investment Trusts[30] could mobilise capital for companies in depressed regions, to prevent people being compelled to move in search of work. Some UK companies already facilitate staff moving closer to ageing relatives;[31] this could easily be extended if public and private sector organisations recognised the social and personal benefits. Tax incentives could be given to those who move in with, or close to, elderly parents thus reducing pressure on public services.[32] Students could be incentivised to go to local universities, as is the norm in France and Australia, to reduce the number settling away from their home area. Perhaps, also, relatives permanently resident in a local area could be allowed to file a joint tax return.

Engage capital providers (step 4)

Biblical ethics require that there is no reward without responsibility. The legitimacy of the return derives in part from the involvement of the capital provider in the enterprise.[33] Investment then plays a positive role in building social capital, money acting as a source of shared purpose and activity, a form of 'social glue'. Often there are non-financial benefits to the investor in such situations, such as providing jobs for relatives.

The most disengaged capital providers to companies are generally those who lend at interest. The rate of return is fixed so they have little incentive to track company progress; if they have collateral, they are protected from losing their money through insolvency. Nor is debt always helpful to companies. Those with high levels of debt relative to equity become vulnerable in a recession, putting jobs at risk. Easy bank credit encourages directors to pursue excessive growth to satisfy shareholder demands and increase their own bonuses. To reduce company debt, governments could favour equity (e.g. shares) over debt finance through the tax system because equity ensures greater stability of output and employment.[34]

So how can shareholders engage more effectively with companies where they own shares? They can ask questions at AGMs having tracked company plans and announcements. Choosing smaller, local companies facilitates greater knowledge of company affairs and more effective engagement. Those with their own pension arrangements can have Self-Invested Pension Plans (SIPPs) so they can choose where their funds are invested and engage with those companies. For many this will require business education. It is also likely to involve higher risks resulting from greater concentration of their investments, and greater time commitment.[35] However, they will benefit from greater understanding of the business, and from being able to hold directors accountable more effectively.

Individuals have less direct engagement when their funds are held by institutions which invest their savings (e.g. pension funds), but they can require the institutions to keep them informed of their involvement. A proposed Relational Ratings Agency, which rates companies by their compliance with a new 'Relational Business Charter', would help investors and investing institutions evaluate whether the companies they invest in are operated with proper respect for their stakeholder relationships.[36]

Governments could promote investor engagement by lowering requirements for the company prospectus to facilitate smaller companies raising capital locally. Governments could also use the tax system to promote businesses set up as 'Trilateral Partnerships' (a new structure where capital providers become 'capital partners', alongside managing partners and employee partners[37]), local banks and Regional Investment Trusts[38] to tap into local funds for local investment.

Entrust welfare to local communities (step 5)

To move Capitalism towards a Relational economy a shift in responsibility for welfare provision is required from central government departments to local communities. This is sharply countercultural. In Britain, central government took significantly greater responsibility for education, health and welfare in 1945, even though 14 million people belonged to Friendly Societies,[39] due to scandals of poor local provision, and the disjointedness of voluntary, charitable efforts to meet needs which left many with no safety net. State intervention responded to the failures of localism, albeit in a period when incomes and administrative capacity were much lower than today.

There are other problems with localism today. There is fear of a 'postcode lottery', where those living in one area get better services than those in another, exaggerating inequalities. In big cities where there are no clear internal boundaries and in low-density country areas, it is difficult to create local communities (of, say, 10,000 to 30,000) to which people might feel some genuine loyalty. And for those making the most generous provision, there is then further disincentive in that vulnerable people might seek to move into their area.

So why entrust welfare to local communities? First, OT and NT teaching focuses responsibility at the levels of family and community, with only a very limited role for the state.[40] Jesus insists on familial responsibility to provide for older parents.[41] In the cities of the Roman Empire, Paul urges church communities not to take over tasks families could and should perform for themselves.[42] A relational perspective makes it easy to understand why biblical writers wish to minimise the role of the state or outside bodies. State involvement diminishes personal responsibility, and all the relational benefits which flow from long-term commitment and interdependence. The biblical priority is to strengthen social bonds, and teach personal responsibility rather than achieve 'equality' in some abstract sense through a rights-based culture.

Welfare provision is highly complex. The situations faced by individuals and families differ in thousands of ways, making it impossible to draw up rules for support which will be fair to everyone. So central government interventions, however well-meaning, are inevitably clumsy and wasteful, and often exaggerate inequality. In Britain, the present rights-based system underlines individual autonomy. The aim is to prevent people being required to be dependent on their relatives. As the unemployed, older people and other disadvantaged groups claim from distant Treasury funds, they are likely to lose any sense that helping person A leaves less money available for person B, or that they have an obligation to make a contribution back to the local community.

Of course, given the sharp regional and local differences in income between localities and within different parts of big cities, the State is bound to play a major role in redistribution of resources. The issue is the extent to which those resources are entrusted either to anonymous outposts of central government or local authorities,[43] both of which are largely insensitive to local concerns, rather than to much smaller and more relational local communities. Such devolution might lead to resources being misused, especially where there are entrenched local interests, so that national guidelines may have to be superimposed. However, Britain's recent attempt to decentralise expenditure to local authorities left little room for local decision-making, as some 190 national indicators and other national guidelines for health, education and care services were imposed.

The prize of localism in welfare is not primarily saving scarce resources; it is better relational support and care for vulnerable people. It is also the reactivation of families and communities, and their engagement in economic, judicial and political decisions, which reinforce relational bonds and incentivise political engagement.

Conclusions

As Jesus said, new wine requires new wineskins.[44] The 'Relational economy' might be characterised in Britain by new institutions such as Family Associations, Regional Investment Trusts, Trilateral Partnerships and a Relational Ratings Agency, as proposed in this paper. In the nineteenth century, Christians also contributed to developing new institutions to reflect their values, including Friendly Societies, Credit Unions, Building Societies and Mutual Insurance Companies.[45] Other Christians set up companies with a strongly relational ethos, such as Rowntree, Cadbury and Lever Brothers. These organisations helped to increase welfare, reduce class antagonisms, build social capital, and increase economic productivity.

Many other changes required to create a Relational economy have been raised elsewhere.[46] It is possible here only to sketch out a new direction of travel and argue that the changes required, although radical, are morally desirable, socially essential and financially beneficial.

A key factor in bringing about these changes is to create demand for them. In many countries, Christians are likely to find allies among those of other religious faiths with relational priorities, those in regional and local government who seek greater commitment and engagement from local populations, those in the environment lobby who recognise the importance of people's commitment to specific localities, and those among the wider public who understand the importance of family and other relational ties for human happiness and wellbeing. These disparate groups could together form a Relational Movement to persuade political parties to adopt part or all of the Relational agenda.

If Capitalism is not radically reformed, what is the alternative? Family and community solidarity will become increasingly dysfunctional, leading to high levels of unemployment, unsustainable demands on schools, hospitals and social services, and an increasingly angry, disillusioned and frustrated electorate. The door will be open for authoritarian politicians of the Left or Right, with an agenda of savage repression to maintain social order. Rather than wait for these sinister alternatives to emerge, Christians need to read the signs of the times. To protect society for the wellbeing of our children and children's children, the time to press for radical economic and social reform is not in 20 years' time. It is today.

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[1] Heather Stewart, The Guardian, 22 February 2010, p.30.

[2] Michael Schluter, 'Is Capitalism morally bankrupt?', Cambridge Papers, Vol. 18, No. 3, Sept 2009.

[3] In the 1980s Rowntree, a similar large chocolate manufacturer based in York, was sold to Nestlé; today there is no chocolate manufactured in York.

[4] The average remuneration of FTSE 100 chief executives has risen by 295 per cent over the past decade, while the typical pay of a British employee has increased by 44 per cent (BBC website, Peston's Picks, 9 June 2009).

[5] Office of National Statistics, Pension Trends, June 2008, ch. 2.

[6] E.g. Amos 1; Matt. 5:43–48.

[7] See, for example, Deut. 10:18; Jas. 1:27.

[8] See Jubilee Manifesto, IVP, 2005, ch. 12 by Paul Mills.

[9] Matt. 22:34–40.

[10] Jesus says that those who 'teach and practise the law' will be great in his kingdom (Matt 5:19), not those who impose it by force.

[11] E.g. Exod. 20:8–11.

[12] E.g. Amos 8:4–8; Isa. 58:13–14.

[13] E.g. Neh 13:15–22.

[14] The first day of the week as the day of Christian gathering is implied in, for example, Acts 20:7; 1 Cor. 16:1–2.

[15] Fairs and Markets Act 1448.

[16] For the UK, see Clare Lyonette and Michael Clark, 'Unsocial Hours: Unsocial Families? Working Time and Family Wellbeing', www.relationshipsfoundation.org .

[17] E.g. Mic. 4:4.

[18] E.g. Deut. 15:1–6; Prov. 22:7; Rom. 13:8; Neh. ch. 5; Matt. 25:26–27.

[19] National Association of Estate Agents, Oct. 2009. www.naea.co.uk/news/news_details.aspx?id=502.

[20] See, for example, Fox, G. L. and Chancey, E., 'Sources of economic distress: Individual and family outcomes', Journal of Family Issues, 1998, 19(6), pp.725–49.

[21] Credit Action Debt Statistics; www.creditaction.org

[22] E.g. shared equity and lease-to-buy contracts, and shared appreciation mortgages.

[23] Allan C. Carlson, 'Anti-dowry: the Effects of Student Loan Debt on Marriage and Childbearing', The Family in America, 2005, 19(12), www.profam.org/pub/fia/fia_1912.htm

[24] David Willetts, The Pinch: How the Baby Boomers Stole Their Children's Future, Atlantic Books, 2010.

[25] Credit Action op cit.

[26] E.g. Ps. 68:6; Mark 7:4–13; 1 Tim. 5:3–8.

[27] 'Carers at the Heart of 21st Century Families and Communities', Govt. White Paper, 2008, pp.34–35; see www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/@dh/@en/documents/digitalasset/dh_085338.pdf

[28] See www.relationshipsfoundation.org

[29] This is part of the rationale of the landowning legislation in Israelite society, where the importance of keeping relatives in the community is emphasised (Lev. 25:35–37).

[30] David Porteous, 'The "TRUST" Proposals for Regional Banking in the UK', unpublished research paper, Jubilee Policy Group, September 1993.

[31] E.g. John Lewis Partnership.

[32] In Singapore there is a tax benefit for those moving to live in the same house as an elderly relative.

[33] See Michael Schluter, 'Is Capitalism morally bankrupt?', op cit.

[34] McKinsey Global Institute, 'Debt and deleveraging: The global credit bubble and its economic consequences', January 2010.

[35] For a fuller discussion of these points, see Jonathan Rushworth and Michael Schluter, 'The Relational Company', paper presented to UCL Department of Laws, June 2008, available at www.relationshipsglobal.net/Web/OnlineStore/Product.aspx?ID=6

[36] See www.relationshipsglobal.net/resources

[37] For a longer description of this proposal, see Trilateral Partnerships working paper on www.relationshipsglobal.net/resources

[38] David Porteous, op cit.

[39] Samuel Fisher, 'Christian Involvement in the Establishment of New Financial Institutions in the Eighteenth and Nineteenth Centuries', March 2010. See www.relationshipsglobal.net/resources

[40] See Schluter and Ashcroft, op cit, ch. 10.

[41] Mark 7:9–13.

[42] E.g. 1 Tim. 5:3–8.

[43] Local authorities generally have a population of 250,000; unitary authorities typically 500,000.

[44] Luke 5:38.

[45] Samuel Fisher, op cit.

[46] See Michael Schluter and John Ashcroft (eds), Jubilee Manifesto, op cit.

9 The ban on interest: dead letter or radical solution?

Paul Mills March 1993

Summary

Financial disasters are currently everyday occurrences. Many are attributable to the workings of a debt- and interest-based economy. Rather than argue the case for and against the biblical prohibition of interest from the texts themselves, this paper attempts to demonstrate the injustices and problems that have arisen because we have ignored traditional Christian teaching on finance. In so doing, a pragmatic case is made for taking seriously what the Bible teaches on this aspect of economics, rather than dismissing it as an ancient irrelevancy.

Introduction

Bankruptcies are at record levels. Thousands of houses are repossessed each month. Banks and building societies increase their interest rate margins to cover their bad debts. Only the debt counselling and pawnbroking industries prosper. Financial disasters seem to dominate the economic headlines. Indeed, it is not difficult to argue that the explosion of indebtedness in the mid-to-late 1980s has been largely responsible for the recent boom and bust of Western economies, particularly in the English-speaking countries, Scandinavia and Japan.

What have Christians had to say about the issue? Apart from a vague sense of uneasiness about the materialism embodied by credit-financed spending, the Christian response has been woefully inadequate. This reflects the absence of a well-developed Christian analysis of economics in general, and finance in particular. Such was not always the case. For three-quarters of her history, the church upheld the prohibition of interest found explicitly in the Old Testament (e.g. Deuteronomy 23:19; Ezekiel 18:8, 13) and implicitly in the New (Luke 6:34, 35; 19:22, 23).[1]

The church sought to universalise the ban on interest that applied originally only within the Jewish community. It sought to replace interest-bearing loans with either profit-share financial partnerships, rental charges for the use of physical property or charitable, interest-free loans. In addition to the early and medieval church, the ban was subscribed to by Luther and Melancthon in their early writings, as well as by many English Puritans before 1640. Now, only orthodox Jews and some Muslims regard the prohibition of interest with any seriousness.

Rather than discuss the relevant biblical texts in detail, this chapter will seek to question the legitimacy of interest with reference to the current state of financial conditions. Are the workings of interest responsible for our current mess? Would a non-interest system be more just and efficient? If so, a favourable appraisal of the biblical prohibition of interest seems in order.

An illustration: Low Income Country (LIC) debt

Perhaps the most obvious example in which the interest-based financial system has manifested most of its undesirable traits is that of LIC debt. Christian opinion in rich and poor countries alike has condemned the injustice of billions of dollars being paid by the poorest countries to the richest without recognising that this is how an interest-based financial system typically operates.

The immediate causes of the crisis are well-known. Banks lent and LICs borrowed heavily in the late 1970s when interest rates were low and commodity prices were increasing rapidly. In the early 1980s, rising world interest rates coincided with a collapse in the prices of commodities produced by the most heavily indebted LICs. In order to maintain their interest payments and receive International Monetary Fund (IMF) emergency loans, most LICs have been forced to increase exports dramatically and submit to austere IMF 'adjustment' programmes. The results have included the degradation of the world's environment (to produce more cash crops for export); the net transfer of resources from poor to rich countries (despite aid and further loans); and cuts in the living standards of the world's poorest societies, to pay for loans from which they have derived little benefit. The lives of millions have been lost as a direct result.

Responsibility for this tragedy must be shared. Banks lent huge sums without adequately considering the potential for circumstances to change, the uses to which the loans were put and the lending of other banks. LIC governments oversaw the misuse of borrowed resources in the funding of public deficits, capital flight, imports of arms and luxury goods, corruption and 'white elephant' development projects.

That such errors could be perpetrated, however, can be fundamentally attributed to the cost of debt finance being unrelated to the profitability of its use. If lenders had been rewarded with a profit-share return rather than interest, the loan demand would have been tempered prudentially, while lenders would have taken far greater care over what projects they were investing in. If these proved to be failures, the suppliers of capital would have shared in these losses rather than being able to impose greater and greater interest burdens on the world's poorest peoples. To the critic of interest, it is no surprise that banks have been able to survive only by governments providing generous tax reliefs, deposit insurance and a powerful debt-collection agency in the form of the IMF.

The LIC debacle illustrates many of the side-effects of the workings of interest. This example is not a one-off occurrence. It is a typical consequence of the unrestrained workings of an interest-based financial system, as the following discussion will attempt to demonstrate.

Preliminary definitions

Before the question at issue can be addressed, some preparatory definitions are required:

A 'loan' is the temporary transfer of property from a lender to a borrower. It is repaid when the same property, or its equivalent in value and quality, is returned to the lender. For the loan's duration ownership, and hence the risk associated with the use of the property, is transferred to the borrower.

'Interest' is the amount that the borrower repays the lender in excess of the original sum lent ('principal'). Interest is usually charged as a percentage rate per unit of time, irrespective of how the money is used. The loan may be 'secured' on 'collateral' - that is, property of the borrower that must be forfeited to the lender if the loan and interest payments cannot be met.

A rental or hire arrangement is also the temporary transfer of property from the owner ('lessor') to the user ('lessee'), but one in which the legal ownership and risk of accidental damage and depreciation remain with the lessor. A hire or rental charge covers payment for the use of the property and the risk of its loss, damage or depreciation. Such a distinction between loan and hire arrangements seems to have been drawn in Exodus 22:14,15.

A profit-share partnership is an arrangement whereby a commercial enterprise is financed by two or more partners who receive a proportionate share of the enterprise's profit or Joss in return. Ownership of the financial capital, and hence risk of its loss, is retained by the partners. Public or private limited companies are variants of such partnerships, in which the share of the profit paid out to shareholders ('dividend') is at the discretion of the board of directors, and in which the shares are transferable.

The fundamental issue

At the heart of the interest debate is a moral question. Is it just for lenders to receive back more than the amount lent simply because they have been deprived of their property for the duration of the loan? Conventional wisdom and economic theory of course believe it is. After all, interest is the reward for 'abstaining' from immediate consumption, a sum of money now is automatically 'worth' more than the same sum in the future because people are impatient creatures, and because the sum can be invested profitably in the meantime, without interest, no-one would save and everyone would want to borrow; if rent can be charged for the use of property, why can't interest be charged for the use of money? Notwithstanding the morality of the use, how can finance be efficiently allocated without interest to act as a price signal?

Many of these objections are valid. However, they do *not* apply to the traditional Christian position on interest, but to that of socialism. Put simply, this regards the exercise of labour as the only true source of all economic value. Consequently, all income that is not derived from the exercise of labour - that is rent, interest, dividends and most profit - are the fruits of exploitation of the workforce. The logical conclusion of this result is that charges for the use of property should not exist. Many of the criticisms of the previous paragraph then apply. If no charge can be made for loans or the use of property', then a market for financial capital cannot exist. Some other mechanism is needed to determine the level of savings and the use of capital. This has usually taken the form of a state planning bureaucracy.

While some Christian socialists have interpreted the ban on interest in this way, it has not been the traditional approach. Rather, the legitimacy of a return being made on financial capital (e.g. dividends) or property (e.g. rent) has been accepted, on condition that these contracts involve direct risk of loss - reflecting the retention of legal ownership rights and responsibilities by the original owner. For instance, when cash is invested in a business on an equity or profit-and-loss share basis, the owner of the money is risking its loss for the prospect of eventual gain. The return, if forthcoming, can be seen as a reward for bearing risk. Similarly, in a rental arrangement, ownership, and hence the attendant risk, remains with the lessor who is compensated by the rental payment.

This sanctioning of returns on risked capital answers most of the aforementioned objections. A price for capital can be established in the market for shares[2] and rented property, and in fluctuations in the profit-share ratios charged for the supply of risk capital in partnerships. Such returns provide an incentive to save and economise on the use of finance, and a mechanism whereby capital can be allocated to those ends in which it will be used most efficiently.

In a loan arrangement, ownership risks and responsibilities are temporarily transferred to the borrower, who is then under a legal responsibility to repay at the specified time, irrespective of how wisely the property has been used in the meantime. (Of course, the lender suffers risk of non-repayment but this is not inherent to the loan arrangement, and can be catered for by specifying collateral and/or penalties for default.) This fact prompts the question as to what service interest pays for. Why should my voluntary and temporary relinquishment of my ownership rights be *always* deserving of reward, especially considering that the borrower bears the risks of use and ownership in the meantime? Given that the alternatives of profit-share or rental contracts exist, the traditional Christian response has been that the lender of funds had no just grounds for claiming such a reward.

Another way to view the issue is to examine what the loan is needed for. If it is to finance hopefully productive investment, then a profit-related arrangement can be used instead. Such a contract does not assume that future profitability is a foregone conclusion, as an interest-based loan implicitly does (cf. James 4:13 -16). If the loan is to finance the acquisition of property that the borrower needs now, but cannot afford (e.g. a house), then either a rental, hire purchase or income-share arrangement can be devised. These would share risk more fairly between the consumer and the financier than with a consumer loan or mortgage. Finally, if the borrower is too poor to pay the rental equivalent to acquiring the good, the loan should be charitable (i.e. interest-free), or not granted at all. Scripture is replete with references to the potential for interest-bearing loans to oppress the poor (e.g. Exodus 22:25 ; Leviticus 25:36, 37; Nehemiah 5:1-11).

The consequences of permitting interest

All this comes as something of a shock to the modern mind grown accustomed to the omnipresence of interest. After all, if interest was so iniquitous or inefficient, would it not have been dispensed with centuries ago? However, a number of our economic ills can be ascribed to our economic system being reliant upon interest-based debts rather than non-interest financial arrangements. Like most diseases, however, only the symptoms of the interest malaise are recognised. The acceptance of interest is now so deeply ingrained in conventional thought we cannot conceive that interest is the underlying cause of the symptoms. We have ruled out that diagnosis before the patient enters the examination room. Here, however, are some of the results that can be attributed to the workings of interest:

i) The unjust and destabilizing allocation of returns between the users and suppliers of finance

Economic theory claims that the long-term rates of profit and interest are inexorably linked. No-one claims that such a connection exists over the short or medium term. This leads to obvious injustices. When a borrower's profits are rising, the lender receives no extra reward for having the foresight to lend to a successful business in excess of the basic rate of interest. Yet when a borrower's profits are falling, small or non-existent, the responsibility to pay interest at the going rate remains. The lender does not suffer for financing an unsuccessful business, and may foreclose on a business that could continue to survive if it need not pay interest. Hence, we observe that banks deepen the recessions by bankrupting firms unnecessarily. As bank depositors, we tend to forget that the banks are acting in this way on our behalf.

This same aspect of interest actually tends to amplify the economic cycle. On the upswing, businesses that borrow heavily retain a greater proportion of their profits, and will be encouraged to borrow and invest even more. On the downswing, these businesses will find themselves burdened by high interest costs when profits are low or negative. Most will reduce their investment and production - many will be bankrupted unnecessarily. If businesses were more heavily dependent on forms of finance that shared profits (or losses), and spread these widely to savers, the financial system would destabilise the economy far less.

ii) The misallocation of finance to the safest borrowers rather than to the most productive

A frequent claim of orthodox economics is that the market for loans will allocate finance to those borrowers most likely to use it most profitably or well because they are prepared to pay for most of it. Unfortunately, lenders have no direct incentive to ensure that this happens because they only receive the going rate of interest, no matter how profitably or well their loan is used. However, they will suffer losses if borrowers default or are forced into bankruptcy. Consequently, lenders have a direct incentive to slant their lending towards those borrowers who pose least risk of default. Of course, the level of anticipated profit has a bearing on this risk, but it is not the overriding consideration. Rather, it is the size of the borrower's assets that the loan can be secured upon that is paramount.

This is why the loan market is biased towards those who have already acquired valuable assets (i.e. large firms and wealthy individuals). Meanwhile, small firms and less wealthy borrowers are lent less, at higher rates of interest, despite offering the prospect of using the funds more productively. This is how lenders are *forced* to operate in an interest-dominated system. If they were to lend on a profit-share basis, however, they would have a direct incentive to lend to those borrowers offering the best prospects of a high return, rather than those that posed the least risk. Indeed, given that a non-interest/profit-share system would place more emphasis on the expected profitability of the investments funded, it might even allocate finance *more* efficiently than an interest-based alternative (if one accepts that profitability is a satisfactory signal of efficiency). This much was recognised by The Economist when discussing (non-interest) Islamic banking:

'Islamic banking is not merely consistent with capitalism (i.e. with a market-driven allocation of capital, labour and other resources), but in certain respects may be better suited to it than western banking.'

'Banking behind the veil', *The Economist*, 4 April 1992 , p. 76

iii) A propensity to finance speculation in assets and property

A further misallocation of funds that can occur in an interest-based economy is the financing, and exaggeration, of speculative booms and busts, as seen in UK housing and Japanese shares in the late 1980s, to give but two examples. When the price of an asset in relatively fixed supply begins to rise, buyers borrow to purchase more of it, so as to maximise their capital gain. Lenders comply because the value of their collateral is rising and they face little risk of loss even if the borrower defaults. The process spirals, with more lending causing higher prices, which encourages even more lending. However, when the 'bubble' bursts (due to sharply increased interest rates or the publicising of a financial scandal or crisis), and asset values begin to fall, speculators are forced to sell their assets on a falling market in order to pay their debts, and lenders are reluctant to finance the purchase of depreciating assets. These factors depress prices even further, leaving many borrowers with debts greater than their assets are worth, as with 'negative equity' in the UK housing market in the early 1990s.

Throughout their history, interest-based credit markets have displayed a remarkable penchant for financing speculative booms, and exaggerating the ensuing slumps, when governments have been foolish enough to give them the opportunity. Financial arrangements whereby risk and speculative return, if any, were shared between borrowers and lenders would make both more cautious when asset values were rising, and force fewer 'fire sales' when they were falling.

iv) An inherently unstable banking system that can only survive with government guarantees

It is all very well to say that it would be better if lenders bore more risk, but wouldn't this make banks and building societies vulnerable to collapse? The fact is, however, that banks and building societies are already unstable by their very natures. This vulnerability partly stems from the interest-based arrangements that they undertake with their depositors. Currently, banks offer deposit terms whereby the nominal value of the deposit is guaranteed, interest is paid on the deposit and withdrawal can be instantaneous, or at short notice. These conditions may be convenient to both bank and depositor, but they render the bank open to collapse on two counts. Either it could sustain losses on its loans in excess of its reserves and capital, and go bankrupt because it has guaranteed the nominal value of its deposits, or it could suffer a 'run' where depositors demand immediate repayment, and be unable to satisfy them, because most of the money has been lent out.

Only the first of these threats is definitely the result of operating on an interest basis. By guaranteeing the value of its depositors' funds, the bank gives the impression of keeping them safe and secure. And yet, if a return is to be made for depositors, this money must be risked by being lent out. A conventional bank tries to give the impression of doing these two irreconcilable things simultaneously. That banks have largely succeeded with this *legerdemain* is due partly to their ability to diversify their lending, and partly to the guarantees that central banks and governments have been forced to give banks to protect them from losses of confidence by the public. Central banks often act as 'lender-of-last-resort' for private banks unable to acquire emergency funds from elsewhere.

Governments often provide deposit insurance protection, thus pledging taxpayers' money to bail out the depositors of a collapsed bank in part (e.g. BCCI). No other private sector operation enjoys such generous guarantees from government, and it is generally agreed that these 'safety-nets' encourage banks to take excessive risks in some circumstances (witness the US Savings and Loan crisis).

The problem of potential bank insolvency would be addressed in a non-interest economy by insisting upon depositors sharing in some of the risks of the investment process through receiving a profit-or-loss related return on their invested deposits. Consequently, when the bank makes a profit or loss on its assets, this is shared *pro rata* with depositors. Hence, if a bank deposit is liable to receive a return, there must be some possibility of it incurring a loss. In this way, the bank cannot become insolvent because losses are shared with depositors, who would then also take far greater care over which bank they entrusted their money to. (For current accounts, banks could guarantee the nominal value of deposits, but be unable to invest these funds, or pay a return on them.)

v) A 'short-termist' investment strategy

Interest promises that a compound return can always and everywhere be made on the loan of money. 'Real' investment projects are forced to match up to this rate of return in each period, or risk being neglected in favour of the money being deposited with a bank. Consequently, the pervasive influence of interest tends to bias business investment towards quick-return, short-term projects even though longer-term, more risky ones may offer greater benefits in the long run. This is one of the reasons for the perceived 'short-termism' of the UK stock market and business managers. The more successful financial post-war systems (e.g. Germany, Japan pre-1985) have been those that have ensured that banks have stakes in the long term of their business customers.

A related point is that the existence of an interest rate, against which the return on every other asset is compared, can lead to the over-exploitation of natural resources. For instance, a high rate of interest encourages owners of non-renewable resources (e.g. oil-fields) to exploit their resource more quickly, and to bank the proceeds. Such an outcome could severely damage the interests of future generations. In the case of renewable resources, however (e.g. forestry, fish stocks), the resource may be physically incapable of growing or reproducing at a rate equivalent to the rate of interest. In such circumstances, the owners will maximise their return by exploiting the resource to such a degree that its price continually rises so as to reflect its growing scarcity. In extreme cases, a high rate of interest could even indicate that profits would be maximised by the extinction of the resource.

vi) The concentration of wealth into fewer and fewer hands

Interest automatically acts to transfer wealth from net borrowers to net lenders. Not surprisingly, the former tend to be the less well-off and the latter tend to be the richer members of society. This tendency arises in any society that permits unearned income to exist, including a non-interest one. However, interest works to exaggerate the process in two ways. First, it permits the augmentation of wealth in a relatively risk-free manner, so enabling interest to compound upon itself and funds put out at interest to grow exponentially. This means that, so long as they do not spend extravagantly beyond their income, rich individuals will always remain rich. Second, those who borrow at interest and fail to make their businesses pay, or keep up with their interest payments, are penalised heavily. They may be forced into bankruptcy, or into financial stringency for an indefinite period, and still be unable to extricate themselves from the debt trap due to their outstanding debt growing at a compound rate. (In circumstances where the supply of credit is uncompetitive, the concentration of wealth can be further increased by lenders deliberately seeking the default of poor borrowers so as to permit the seizure of undervalued collateral, usually land or property.) By allocating risk so unevenly, interest ensures that the rich can largely protect themselves from uncertainties, while the poor can be legally subjected to financial servitude.

Both of these features would be moderated under a non-interest system that would share the risks of investment more equitably. (However, the inclusion of periodic debt cancellation in the Old Testament Law - Deuteronomy 15:1-11 - suggests that the prohibition of interest may not be sufficient to prevent the polarisation of wealth through lending and borrowing.)

vii) A rapid flow of financial capital across regions and countries

It is of the nature of interest that it economises on the information necessary for funds to be transferred from saver to borrower. Only the rate of interest and the quality of the collateral need be known for a transaction to occur. With profit-related or rental contracts, however, because investors are incurring more risk, they need more information before committing their capital (e.g. on the trustworthiness of the borrower or the exact amount of profit being made with their funds). Such information is most readily available at the local or regional level. Consequently, interest permits financial flows to occur on a far greater scale than would otherwise occur. Economic theory may believe that this will improve the efficiency of investment, but it contributes to the erosion of community and regional cohesion as jobs tend to follow flows of financial capital.

The fallacy of compound interest

Although economists have rarely recognised the point, scientific observers of economics have often been puzzled by a logical contradiction posed by the existence of interest. This is that the ability to charge a positive compound rate of interest means that money wealth can increase at an exponential rate if left unspent.[3] However, natural resources are physically unable to sustain exponential rates of growth for anything other than a short period of time. If productivity cannot be increased at a perpetually compounding rate, something, somewhere, has to give. A financial system cannot sustain the exponential growth of debt claims indefinitely:

'*An economic system that includes the positive feedback of compound interest can only endure if it also includes a counteracting force such as inflation, bank failures, confiscatory taxes, robbery, bankruptcy, revolutions or repudiations of debts. Conventional wisdom considers these events are pathological. Understandable they may be: but at least one such force must be included ... if the system is to endure.*'

G. Hardin and C, Bajema, Biology Its Principles and Implications, W. H. Freeman, San Francisco, 1978, 3rd edition, p. 275.

But...

The preceding discussion illustrates what goes wrong when a society permits a rate of interest to exist on money loans. State intervention has usually been required to prevent interest-based financial systems from periodically destroying themselves. Such an outcome is unsurprising given that exponentially growing debt claims are unsustainable over long periods.

This is not to suggest, however, that a non-interest system would be easily achievable. Its practicability is qualified in a number of ways. First, a complete change of attitude would be needed on the part of lenders. The notion of interest is so ingrained in our thinking that savers will always expect the 'something for nothing' deal that interest offers. Consequently, it would come as an enormous shock to find that one couldn't receive a return on one's savings without incurring some risk. Savers might respond by trying to move their money to countries where a risk-free return was still offered, or hoarding cash rather than investing it with a financial intermediary.[4]

Second, the relationships between lenders and borrowers would have to be closer than they are now. For instance, if a bank finances small businesses on a profit-share basis, it would have to take more care over who it lends to and whether the accounts of its borrowers are trustworthy. Similarly, depositors would have to take more care over which bank they chose, since their return would directly depend on the success with which their bank invested their money. With risks shared more evenly between lenders and borrowers in a non-interest system, more information must flow between the two parties. Although these are grounds for believing that a more efficient allocation of funds would be the result, and that the costs of producing this information would diminish over time, there would unquestionably be an initial period in which these costs would out-weigh the benefits of moving to a non-interest system.

Third, interest enables some highly convenient financial arrangements to be devised. For instance, companies and individuals often find it useful to have access to overdraft and short-time credit facilities which ease the transacting of awkwardly timed payments. Non-interest revolving credit arrangements can be devised, often on a co-operative basis, but their availability would be much more restricted than those offered by current banking operations.

Perhaps the most important implication of non-interest operations, however, is for the running of government finances. For it is impossible to devise non-interest substitutes for government debt for anything other than revenue-raising public projects (e.g. toll roads). Since there is no profit to share in most of its spending arrangements, a government could not borrow to finance education, health, defence, welfare or whatever. Many see in this restriction implicit support for the belief that governments ought not to be allowed to spend beyond their tax-raising means. Such borrowing often imposes unwarranted burdens upon unrepresented future generations of taxpayers and/or gives government an incentive to permit inflation so as to alleviate its debt burden. However, sustaining the required government surplus necessary to repay the accumulated national debt would require a radical change in the way government finances are currently administered.

Assessment

Undoubtedly, a non-interest financial system - built along the lines suggested by the traditional Christian critique of interest – would have many costs. It would involve the repudiation of the illusion that financial capital can be both return-bearing and ‘safe’ simultaneously. As a result, wholesale changes to current financial institutions would be required.

A non-interest financial system is perhaps too radical a solution to be realisable in the near future. However, some of its lessons could still be applied within our current ways of operating. For instance, the economy would become more stable if less reliance was placed on interest-bearing debt in favour of profit-sharing and rental arrangements. This process ought to be fostered by the removal of the remaining tax incentives to incur debt – notably mortgage tax relief and the deductability of interest payments against corporation tax. Banks could be permitted to offer chequeable unit trust accounts, so as to provide them with a long-term stake in the profitability of their business clients. Less reliance could be placed on the expansion of credit to finance consumer spending.

Nevertheless, while interest continues to operate, injustice and inefficiency will remain, even if governments re-regulate financial markets to protect them from their own self-destructive urges. The current plight of many Western and LIC economies is eloquent testimony to the damage wrought by reliance on debt finance. The foundation for an alternative that offers greater fairness, efficiency and stability is the biblical prohibition of interest, and the Christian analysis developed from it. The detractors of Old Testament economics need to take care. Experience has shown that there is far more wisdom in this biblical teaching than Christians have realised for the last five centuries. Without it, we have no cogent response to the financial chaos that rages about us.

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[1] The Parables of the Talents (Matthew 25:14-30) and the Ten Minas (Luke 19:11 -27) are often cited as examples of Jesus implicitly sanctioning the receipt of interest by Christians. A different reading of the texts is possible, however. The lazy servant is 'judged by his own words': if he had truly believed that his master was a 'hard man', then he should have put the money on deposit at interest, for this is what a 'hard man' would expect. The receipt of interest is effectively 'reaping where one has not sown' (Luke 19:22 , 23). Detailed discussion of the biblical texts can be found in S.C. Mooney, *Usury: Destroyer of Nations* (Theopolis, Warsaw, Ohio, 1988), and P.S. Mills, *Interest in Interest: The Relevance of the Old Testament Ban on Interest for Today* (Jubilee Centre Publications, Cambridge, 1990).

[2] Although shares have the advantage of sharing risk, this is not to say that the current workings of the stock market are above moral censure. The dilemma for the Christian responding to the prohibition of interest and yet cognizant of the ethical shortcomings of the stock market is explored in P.S. Mills, *Christian Principles for Saving and Investment* (Jubilee Centre Publications, Cambridge, 1992).

[3] The extraordinary power of compound growth rates has often been commented upon. A recent illustration was given when the newly independent republic of Ukraine sought to reclaim a barrel of gold deposited at the Bank of England in 1723 by a Ukrainian nationalist. Using compounded market rates of interest, the claim came to £16,000,000,000,000, or 130 times Britain 's national income ('Ukraine Claims Gold', *Financial Times*, 23 July 1990).

[4] It is sometimes claimed that the existence of inflation means that interest must exist in order to compensate savers for the erosion of the real value of their wealth. This is an inadequate justification for interest, however, because interest would exist even if the price level were stable, and profit-related or rental returns on finance could offer as good as, if not better, inflation-proofing as nominal interest rates. It must also be considered whether the existence of interest, and the type of banking system thereby permitted, is responsible for persistent inflation in the first place.

10 Risk, reward and responsibility: limited liability and company reform

Michael Schluter June 2000

The modern world is built on two centuries of industrialisation. Much of that was built by equity finance which is built on limited liability.
The Economist, 31 December 1999

The consequences of the Companies Act 1862 completed the divorce between the Christian conscience and the economic practice of everyday life. Legally speaking it paganised the financial and commercial community. Henceforward an astute man by adherence to legal rules which had nothing to do with morality could grow rich by virtue of shuffling off his most elementary obligations to his fellows.
Sir Arthur Bryant[1]

Summary

Limited liability is contrary to biblical teaching because, exceptionally in the law of contract, it allows that certain debts may be left unpaid. As a result shareholders, who retain rights of ownership, are excused responsibilities of ownership, while directors bear some of the responsibilities of ownership, and share some of the rewards, but carry few of the risks. This flaw at the heart of corporate structure leads to problems in corporate governance, absence of corporate social accountability, and an unhealthy trend towards corporate giantism. Solutions lie, it is argued, in policies that restore shareholder liability, and incentives for business not to incorporate.

Introduction

Limited liability generally results in anger and a deep sense of injustice when companies 'go under'. In March this year, Uno, the parent company of World of Leather, became insolvent. People who had paid £1,500 for a new sofa were unlikely to get anything back, even if they could see the sofa they paid for in the showroom window. Many have been left stranded when their travel firms suddenly halted activities. In 1991, Robert Maxwell's empire collapsed, leaving tens of thousands without pensions. In 1993, Queens Moathouse Hotels became insolvent, leaving debts of over £1 billion. Yet in all these cases, due to legislation permitting limited liability, nobody had responsibility to pay outstanding debts after company assets had been sold and distributed.

There are more subtle problems associated with limited liability. In March this year, Barclays Bank closed 170 rural branches, leading to hardship for many rural customers as other banks had already left. Press reports suggested that the annual savings to the bank, reputedly £10 million, were possibly equivalent to the Chief Executive's annual salary package.[2] Who was responsible for imposing the hardship? Many blamed the directors. But directors are required to maximise returns to shareholders or risk losing their jobs. Arguably, it is anonymous shareholders who should accept responsibility.

There is a third issue. In April 2000, Vodafone bought Mannesmann, creating a corporate giant with assets valued at £235 billion. Microsoft had an asset value greater than the whole New Zealand economy or Canadian stock market. Such huge corporate size carries many dangers. Governments can be manipulated by corporates which can transfer production, and hence jobs, to other countries if they dislike the regulatory framework. Corporates owning media networks can undermine support for parties or candidates before elections if they do not get their way. There are many reasons for huge corporate scale today, but it is limited liability which has made it possible.

What is limited liability? How does it work?

Limited liability is the principle by which, in a situation of insolvency, shareholders cannot be made personally liable for any of the debts of the company beyond the amount of money they have already paid (or agreed to pay) for the shareholding. This does not mean that a company is not liable to pay its debts in full. It is liable to do so, like any other 'person', and if it fails to do so, it has to be 'wound up', which is the equivalent of personal bankruptcy. However, in such a situation, those to whom the company still owes money cannot sue the shareholders for any outstanding debts. The shareholders have the rights of ownership of the company – for example they can sell the company to another owner if they choose to. But they do not have the responsibilities that normally go with ownership, including payment of debts incurred by their enterprise in case of insolvency, or a duty to compensate communities for decisions adversely affecting them.

Before the legal changes of the mid-nineteenth century, larger business in Britain was organised in two main forms, incorporated and unincorporated. Companies could be incorporated either by royal prerogative or by Act of Parliament. Incorporation meant a company was given a legal personality quite separate from its members; generally members were not liable for corporation debts. The unincorporated sector included partnerships and what we call today 'sole traders'. In these cases partners were generally 'jointly and severally' liable for the debts of the enterprise, i.e. each partner could be sued for the entire debt in case of insolvency.

If investors were unable to obtain incorporation from King or Parliament, which was usually an expensive and lengthy process, they could seek to reduce risks through insurance (passing risk on to others at a price), or by establishing a portfolio of investments (reducing the risk of losing all in a single venture). However, neither reduced the risk comprehensively. Making limited liability available to investors almost as a right originated in New York State , which passed a law in 1811 limiting the liability of shareholders in the event of company insolvency to the amount the shareholder had paid to buy the shares. As a result, capital flooded into the state so that other states quickly followed suit.

In British company law, from 1844 companies could incorporate following new legal procedures open to all. However, this form of incorporation did not provide protection for shareholders, for the corporation could sue its members to pay its debts. In 1855 further legislation introduced limited liability for shareholders. A legal ruling in 1897 confirmed the principle that a corporation is something different from its members.[3] If the company ceased to be able to pay its debts, shareholders were not obliged to meet those debts: in fact, no one had that responsibility.

Sir John Hicks has summarised the extraordinary situation created for shareholders by the 1855 Act: 'The shareholder in a company with limited liability is an anomalous animal. He has the rights of ownership, without responsibilities of ownership. His admission was a major departure from the age-old principles of property and contract on which the growth of trade and industry, up to the time of his appearance, had depended'.[4] The legal structure was now in place to make possible the modern corporation with anonymous shareholders and global reach.

Apparent advantages of limited liability

The prevalence of limited liability companies suggests that they bring important economic advantages. They are said to contribute both to the rate of economic growth, and to equitable distribution of the benefits of that growth, for several reasons.

First, limited liability encourages owners of capital to buy shares as it reduces risk in case of corporate default. This is thought to lead to increased capital supply, thus making it easier for companies to generate wealth and employment. It also shifts resources away from interest-bearing instruments (i.e. loans) into equities where risk is shared more fairly between capital provider and user. This gives a further boost to enterprise.

Second, limited liability is said to ensure capital goes to those who will use it most efficiently as it makes 'capital markets' possible. Without limited liability investors would need much more information, such as the identity and wealth of other shareholders, to assess who would be sued in case of company insolvency. Limited liability reduces and standardises the risk faced by each investor for each share. So, it makes it less necessary for investors to monitor each company in which they hold shares, enabling them to reduce risk further by holding a wider portfolio of shares.

Third, received wisdom is that economies of scale are a major factor in economic progress: if true, then limited liability has made much of our economic progress possible. Those holding this position point to mass air-travel, low-cost international communication, development of major drugs, and transfer of technology and skills to low-income countries. Mega-corporations arguably have contributed to cheap food, major infrastructure development and better health. The power and productivity of the mega-corporation are directly attributable to the provision of limited liability. M. M. Butler, President of Columbia University, concluded in 1911, 'the limited liability corporation is the single greatest discovery of modem times ... even steam and electricity are far less important ...'[5]

Fourth, limited liability is said to spread wealth more widely in society. Today in Britain over 11 million individuals own shares, i.e. over 25 per cent of the adult population. Where companies have operated without limited liability, wealth has become highly concentrated, as can be seen historically in both Chinese and Jewish families. The broad distribution typical of Western societies in the last 150 years, it is argued, can be attributed in significant part to the impact of limited liability. A much larger number of people now own shares indirectly through pension funds and so also become beneficiaries of the growth of share values and earnings.

The case against limited liability: six biblical principles

As argued elsewhere. Christianity is a relational religion.[6] Christian understanding of reality is relational in the sense that ultimate truth derives from a trinity of persons in eternal and personal relationship. Christian ethics is rooted in the quality of relationships.[7] The purpose of the cross was to restore the broken relationship between God and humanity.[8] The purpose of our lives as Christians, now and in eternity, is a deepening relationship with God, that we may 'know him'.[9] Christian maturity is defined in terms of capacity to 'love', a category of relationship.[10]

The primary role of biblical law is to define right relationships, for which the biblical term is 'righteousness'. This refers not just to defining what is right at the level of interpersonal words or actions, but includes defining the institutional context most likely to be conducive to right relationships. Israel's law is a God-given case-study of how a 'relational society' should be organised in a specific socio-economic and historical context.[11] This includes principles governing use of capital, handling of debt and limitations on liability as discussed below. It assumes that the principles governing relationships in the political, economic and social order do not change as technology becomes more sophisticated, industrialisation develops and capital accumulates. The Israelite economy may have been 'simple' in technological terms but was nevertheless sophisticated in relational terms.

Within the context of this biblical social paradigm, it is possible to distil out six specific principles to govern business organisation, which raise questions around limited liability:

(i) All debts must be paid

In biblical law debts must be paid. This is implicit in the discussion around all forms of contract, and is also stated explicitly, 'The wicked borrow and do not repay, but the righteous give generously' (Psalm 37:21). If a person cannot pay their debts, that person is to work to pay off their debt as a bonded labourer. There is provision for the creditor to 'forgive' the debt of the borrower, both as a personal act of mercy and as part of the seventh year of debt release.[12] However, under these provisions, the lender would have known beforehand about the universal application of debt forgiveness, and the timing was certain, so that it could have been taken into account fully when making the lending decision.

The cardinal importance attached to meeting debt obligations is illustrated by the way Jesus and the apostles use debt as a picture of sin.[13] If debts did not need to be paid, if the matter was inconsequential, use of debt as an analogy for sin would have been inappropriate. Sin certainly has to be atoned for; otherwise Jesus would not have needed to die.

There is some provision for limited liability in biblical law. If an individual Israelite could not pay his debts, his freehold land could not be sold in perpetuity, but only leased until the next Jubilee year.[14] Also, items such as a person's cloak, required for basic needs, and millstones as a necessity for making a livelihood, were protected from creditors.[15] If a person was sold into bonded labour, the period of such labour was limited.[16] Nevertheless, the consequences of insolvency for an Israelite would have been severe, so he would have been likely to seek wider support from relatives or friends before undertaking high-risk enterprise.

(ii) Ownership involves responsibilities as well as rights

God gives control of the created order to human beings,[17] but that control involves responsibility. The created order is not given to humankind to exploit, but to steward. The principle of responsibility, and accountability to God and neighbour, characterises all biblical discussion of ownership.[18]

So in the context or business the owners of capital receive their regard for accepting both risk and responsibility for its use. This is clear in the parable of the talents where the antithesis of accepting risk and responsibility is described as putting money in a bank and getting interest, which is 'reaping where you haven't sown'.[19] It is the absence of risk and responsibility involved in lending at interest which seems to lie behind its biblical ban.[20, 21] In a modem economy, taking equity in a blue-chip company is similar to making a loan; dividends are similar to interest, involving little risk and no responsibility.

(iii) Employees and other stakeholders do not have a right to share profits

Because every person is made in God's image, with intrinsic worth as well as with gifts and creativity, and with decision-making capabilities, as far as possible all should have the opportunity to influence the organisations where they work. However, it is legitimate to employ labour on a wage (i.e. fixed-rate, not profit-related) basis, that is, labour does not have a right to share in the profits because it does not bear the risks or the responsibilities of ownership. These assumptions underpin the parable of the workers in the vineyard[22] and lie behind many Old and New Testament commands to treat workers fairly.[23] Labour is protected from various unjust practices, including seven-day-a-week working and delayed payment of wages.[24]

This is not to minimise the importance of involving employees in decisions, nor efforts to give workers a share of profits. However, employees are often not in a position to bear risks or responsibilities as they depend on their wages to meet basic needs. Other stake-holders such as customers and suppliers must also be treated fairly, so that there is a biblical emphasis, for example, on honest weights and measures.[25] So biblical norms are not violated in a company structure that gives residual profits to shareholders, provided workers and other stakeholders have been treated fairly and with respect.

(iv) Economic power should be diffused as widely as possible

Due to human sinfulness, the biblical paradigm establishes a political and economic system where power is widely diffused. The Jubilee laws on land, for example, would have kept land ownership widely dispersed: it would have been impossible for a wealthy individual to accumulate large land-holdings in Israel if this law had been observed.[26] The laws governing kingship equally were designed to discourage centralisation of political power in Israel.[27] This principle is widely accepted today in the political sphere. Democratic systems of government, separation of powers and the provision of a Bill of Rights are all safeguards against concentration of political power. However, there is no equivalent concern regarding concentration of economic power, although current trends towards corporate giantism clearly violate this principle.

(v) Social and economic life should centre on the extended family

In biblical law, the extended family is the cornerstone of social relationships. It is given extensive political, judicial, military, financial and welfare responsibilities.[28] Relatives and neighbours had a responsibility to prevent the physical proximity of the extended family from being disturbed.[29] Any economic or financial institution that undermines relationships in the extended family should be called into question.

From the Jubilee land laws, the biblical ideal for business organisation seems to lie in the business (farm) owned, managed and worked by the extended family, where every person lives 'under their own vine and fig tree'.[30] This ensures a coincidence in the interests of owners, managers and employees, and maximises opportunities for creativity and participation. It also avoids undesirable ethical consequences arising from concentration of power, and maximises commonality of interests among those involved.

Arguably, the larger companies become, the greater the likelihood that they will act against the interests of extended families and local communities, because the linkage between those controlling the company and those working at the grassroots is attenuated. Hence, lack of personal contact between distant decision-makers and employees may result in the requirement for mobility of labour from one region to another, closing of profitable production facilities to increase shareholder value, and demands for working hours which threaten the employees' capacity to meet family obligations.

(vi) Each person should be held as accountable as possible for their decisions

In biblical theology, while social influence over individual behaviour is acknowledged, each person is held accountable for their decisions. 'Legal personality' achieved through incorporation increases the potential for evil because it diminishes personal responsibility: a legal entity comes between the decision-maker and the other party. In biblical times, references to collectives such as cities or nations referred directly to their citizens, not to some artificial legal personality of that name. Some argue that incorporation is necessary to facilitate legal action. However, without incorporation it is generally still possible to sue partners as a group using the name of the partnership as a procedural shorthand. Only in cases of extremely large partnerships are proceedings likely to become so complex that incorporation becomes a significant advantage.

What conclusions for company structure? Our approach is to see biblical teaching not as defining how companies should be organised, but as marking out an area within which organisational structures can legitimately be defined. To take an analogy from cricket, the 'square' marks out an area within which the stumps can be placed anywhere.

Limited company structure, then, for many reasons falls outside the biblical markers. In contrast, there is nothing in the 'unlimited company' at variance with biblical teaching. Debts in case of insolvency have to be paid by the shareholders. They are the owners of the company and have ultimate responsibility for its decisions, although they may appoint managers to run the enterprise on their behalf. Similarly, partnerships lie within the markers set by biblical law. Of course there is still much room for evil, for example in poor treatment of employees or local communities.

Relational consequences of limited liability

A further way Christians will want to test the desirability of limited liability is through analysing its impact on relationships within and between companies, and in wider society for, as argued above, Christianity is a relational religion. This section will examine four key relationships, and reform options, from this perspective.

The basic corporate structure resulting from limited liability is the same across all OECD countries. However, there are some differences between the so-called Anglo-American model of corporate governance, which is characterised by a clear separation between shareholder ownership and management control, and the continental Europe and Japanese corporate forms which mitigate that separation through cross-shareholdings, cross-representation of directorates, large investor involvement in corporate decisions, and greater concentration of share ownership. The latter is said to have significant relational benefits as it leads to greater inter-firm co-operation and greater 'relationship investments' between companies and their employees, suppliers, investors and consumer groups.[31] The counter-argument is that these relationships are often less transparent. For example, the 'bearer share' system in Germany makes separation between shareholder and management complete, and in France the Byzantine complexity of shareholding structures obscures shareholder responsibility. This essay will focus exclusively on the relationship implications of the Anglo-American model, although many of the observations apply, either wholly or to a diminished degree, in the so-called 'insider system' of continental Europe and Japan.

Director-creditor relationships in cases of company insolvency

Around 25,000 companies are declared bankrupt each year.[32] Some are large corporates, such as QMH, BCCI, the Maxwell Group and Barings. Small or large, whether arising from fraud or mismanagement, these insolvencies should not be treated lightly. They impact on the lives of millions of people each year. Directors are often able to walk away scot-free while employees and other stakeholders, including many pensioners in the case of the Maxwell group, have to live with genuine economic hardship and a lasting sense of injustice. It feels different when it happens to you!

Because these companies were known to enjoy limited liability, should not suppliers, customers, employees, pension-holders and other 'victims' of company insolvency have realised the risks they were taking in dealing with them? Under the 1986 Insolvency Act the Court may hold directors responsible if 'at some time before the commencement of the winding up of the company that person knew or ought to have concluded that there was no reasonable prospect that the company would avoid going into insolvent liquidation'.[33]

However, in practice directors have to make difficult judgements: they cannot let their financial problems be known publicly until the latest possible moment for fear of inducing a crisis which might otherwise have been avoided. It is impossible for individuals or companies to obtain sufficient information on every company they deal with to decide whether it is at risk of becoming insolvent. Furthermore, those least informed are worst affected. In cases of insolvency, the Inland Revenue and secured creditors, which generally includes banks and other financial institutions, are paid first. Small businesses and consumers receive only what remains.

In many cases, whether or not there is evidence of fraud, bitterness characterises relationships between directors of insolvent companies and those with debts unpaid. In biblical law, as well as in 'natural justice', these creditors have a legitimate grievance. There is no easy way to restore these broken relationships.[34]

Shareholder-creditor relationships in cases of company insolvency

No obvious relationship exists between shareholders and unpaid creditors. Indeed, creditors will probably not know the names of the shareholders. Any direct relationship is precluded by the position and role of the directors. However, shareholders surely should bear some responsibility for insolvency. They are in some sense the 'owners' of the company; at the very least they have important residual claimant rights over the assets, the takeover mechanism being the loudest statement of this reality.[35] They also bear some responsibility for the appointment of, or failure to dismiss, the directors under whom the company collapsed. However, at present there are no proposals to make shareholders accountable in any way for these unpaid debts.

Shareholder-director relationships

Under current company law, the shareholder-director relationship is seen as the archetypal problem of who should bear responsibility where a principal employs an agent. Directors are accountable to shareholders, but shareholders are not responsible for decisions of directors. The degree of responsibility of shareholders is partly determined by their rights, including the degree of control they have (see above), and partly by how much information they are given. Directors are only obliged to provide limited information on company performance to shareholders, in the form of accounts and associated information at the AGM. In addition, all recognised stock exchanges have minimum continuous disclosure rules requiring the board of directors to keep the market informed of events which may have a material effect on the price of company shares.

In practice, directors of larger companies are constrained in sharing information with larger shareholders by FSA listing rules which require that all shareholders are treated similarly. This means that the 'lowest common denominator' prevails; it is impractical and imprudent for a large company to make confidential information available to the smallest shareholder. Given that information available to shareholders is incomplete, it is difficult for shareholders to hold directors accountable for day-to-day decisions that may have huge social or environmental implications.

One extreme view of the position of directors is that as long as things are going well, they are in effect self-selecting, self-perpetuating, self-regulating oligarchies,[36] and take little account of shareholder interests. Board decisions cannot be challenged by anyone under their authority, and, depending on the company's sources of funds, the board may be under no obligation to consult, explain or seek consent anywhere but amongst themselves. As a result, share-holders are willing to allow the board secrecy of deliberation and decision-making, control of information and privileged access to it, and wide executive powers, as well as the power to delegate that power to a small committee or individual. Shareholders have the ultimate sanction of removing the board or any member of it, but do not often exercise it.

The extreme view of the position of shareholders is that they own shares simply to make money and take little account of the concerns of directors or employees. In support, one might cite frequent short-termism (which makes long-term research and development investment by directors hazardous), takeovers motivated by asset-stripping, purely speculative trading of shares, and the preference of shareholders for selling shareholdings rather than using their 'voice' to support directors and employees in time of difficulty.

Lack of a long-term commitment of shareholders to the directors and other stakeholders, and the need for directors to deliver short-term profits to shareholders to keep their positions, results in negative consequences for relationships in wider society. Directors are unable to take a long-term view of business development, so long-term growth is often sacrificed for short-term profits. Also, pressure on directors to meet shareholder profit expectations results in accusations that directors take risks with passenger safety (Zeebrugge ferry disaster, Clapham rail crash), cause environmental damage (Exxon Valdez oil spill), allow excessive pressure on the family lives of employees (long and unsocial hours, mobility), and promote a selfish and materialistic culture (through advertising). Not all of this can be blamed on the problematic shareholder-director relationship resulting from limited liability, but the structure of the relationship, where neither shareholders nor directors carry ultimate responsibility, fails to provide an adequate framework of accountability.

Shareholder-employee relationships

Generally few shareholders have direct contact with employees. Employees have rights enshrined in legislation, and excellent employment conditions in many companies are a result not just of enlightened self-interest by the directors but of a wider humanitarian concern, with implicit endorsement from shareholders. However, the relational distance between shareholder and employee may result in shareholders buying or selling companies with scant regard for employee interests. Shareholders will sometimes sell a company, treating it simply as a block of assets, with no understanding of the human consequences involved in its disposal. Indeed, the rules of corporate governance often preclude them having the detailed information required to trigger a conscience response.

Not all takeovers are undesirable. Sometimes a management team adapts too slowly to rapid change, so radical surgery resulting from a takeover is the lesser of two evils for employees. However, takeovers can be motivated by desire to increase market power through removal of a competitor, to increase firm size in a relatively risk-free manner, or to exploit unused tax breaks. In Britain, employees are generally not consulted; their livelihoods are in effect auctioned like second-hand furniture. Hence the bitterness of employees of the Rover car plant at Longbridge against BMW, although in that case it is not clear whether it was the shareholders or management of BMW who made the decision to withdraw, and also whether the scale of BMW losses justified their decision. The TUC's main response has been to promote works councils on the European model, so that employees have to be consulted, but progress is slow. Employers have promoted employee share ownership. There is evidence that this increases worker productivity and lowers absenteeism. Ten per cent of companies now have such schemes, but rarely is the employee proportion of shares large enough to influence significantly collective shareholder behaviour.

The question of scale

All the relational problems noted above are intrinsic to the nature of limited liability. They arise from the structure itself. However, all are magnified as companies get larger. Limited liability led to the development of the stock market which fostered anonymous shareholding; shareholders generally have little relationship with each other except in their desire for profit. Limited liability has also facilitated corporate capital accumulation. The protection afforded by limited liability made shareholders more willing to allow increased borrowing, as they would not be exposed to repay the debt in case of default; this then leveraged up the scale of companies still further. Larger companies are associated with greater relational problems, in part because to meet shareholder expectations they exploit the power imbalance in their relationships with smaller stake-holders. Also, large size impacts on relationships between management and employees. In the past there has been a direct correlation between plant size and number of days lost through industrial action. The greater number of levels of decision-making in large companies makes it harder for lower level groups to participate in decisions affecting their lives. Scale widens pay differentials to levels over 300:1 in some large companies, undermining relationships not only within the company but also in wider society. Directors can more easily demand unsocial hours from their staff if they have no personal contact with families of employees. Decisions affecting local production, including plant closure, are made in corporate headquarters far from the daily realities of the workforce.

Larger companies are also more likely to demand mobility from their workforce. The main policy route to mitigate negative effects of scale has been competition policy. In the 1998 UK Competition Act, fines have risen sharply for anti-competitive behaviour. However, it remains difficult to prove. Scale could be tackled more effectively in our view by graduated corporation tax on profits and by requiring companies to prove public benefit before permitting mergers and takeovers. However, at present few political leaders are prepared to address the relational consequences of non-accountable corporate power. There are also initiatives to mitigate the impact of company activities on the physical and social environment. This is coming from the media, non-government organisations (NGOs) and investors. The main means of intervention are ethical investment instruments and pressure on companies to undertake social and environmental audits. Both are in their infancy, but both show some promise. However, achieving effective accountability by this means may well prove impossible due to problems of access to information, especially on large multinational corporations.

Reintegrating risk, reward and responsibility

It is not easy to see how to restrict limited liability in the short term.

Current corporate ownership is a structure built up over 150 years on the foundation of limited liability. The problem is how to remove the foundation without the whole structure collapsing with enormous negative consequences.

The immediate problems in UK legislation seeking to remove, or even to restrict, limited liability of shareholders are threefold. First, shareholders may move their capital to some other jurisdiction where they can enjoy total limitation of liability. Second, the UK probably could not unilaterally change company law in a way which made it at root different from EU law. Third, shareholders could hide their identity behind some corporate identity registered elsewhere, making it difficult and time-consuming to trace them.

There would also be other significant problems to overcome if the limited liability provision were to be removed. Ways to provide financial support for small entrepreneurs, who are essential to economic growth, would need to be found. Many small companies have little limitation of liability in practice because directors have to give personal guarantees to banks to cover any possible future debts their company is unable to pay. But the threat of litigation from customers or suppliers, in a litigious culture such as ours, means limited liability still provides some comfort to smaller business. This remote risk could possibly be covered, although less reliably and more expensively by insurance.

Also, some new means would need to be found to encourage investment by smaller investors. The risk of being held responsible for debts would be a significant disincentive to putting savings into equities. They might opt for interest-bearing instruments (e.g. bonds), which would do nothing to increase investor/saver responsibility. Arguably, increasing investor responsibility through removal of limited liability would require simultaneous changes (legal and/or fiscal) to discourage a shift to interest-based forms of investment.

If it were possible to achieve international agreement to restrict limited liability, a first step might be to make shareholders liable for, say, ten per cent of the debts of the company in case of insolvency. This approach would require a further provision to ensure shareholders are only liable for their share of the debts, so that it would be the largest shareholders, rather than the wealthiest, who would be pursued in cases of insolvency, and shareholders would not need to know the wealth of all other shareholders to assess their exposure. Such a provision is not without precedent. As Lord Templeman observed in a different context, ‘The history of the Companies Act illustrates the power of Parliament, if it please, to impose some liability on shareholders as a condition of the grant of incorporation'.[37]

Even without international agreement, the UK could take steps to move away from the principle of limited liability. Company law could change the order of payment of creditors in case of insolvency. At present, the Inland Revenue is paid first, generally banks and other financial institutions next as they make such priority a condition of loans, and smaller creditors, including consumers, last. A reversal of this order would increase the incentives of both the Treasury and financial institutions to find ways to recover debts from insolvent companies, which would cause them to re-examine shareholder rights and responsibilities.

A further initiative might be to give a significant fiscal incentive to companies not to incorporate. For example, the UK could abolish corporation tax on unlimited companies, acknowledging moral questions around limited liability. This might persuade some companies to forego limited liability, especially perhaps smaller companies where shareholder-directors have had to give personal guarantees that have the effect of removing limited liability. Another approach would be to seek to increase shareholder accountability, for example through a 'Shareholders' Responsibility Movement'. The aim would be to encourage shareholders to attend company AGMs, and pension policy fund holders to monitor and evaluate investment decisions by fund managers. Already, from July 2000 pension funds have to disclose whether they have taken into account ethical concerns in investment decisions. Accountability could be further enhanced by requiring that the Financial Services Authority publish daily on the Internet the 100 largest shareholders for every listed company. Such a Movement would represent a step beyond ethical investment, as it would seek not just to direct the funds of major institutional investors away from specific uses such as tobacco or armaments, but to hold pension funds and other financial institutions accountable tor the decisions of corporates where they hold shares.

Some might argue limited liability is so entrenched that it cannot be changed. This is reminiscent of arguments against abolishing slavery: 'Western wealth is built upon it'; 'it will harm the very people it is expected to benefit', etc. In practice slavery was dismantled in stages, over 30-40 years of campaigning. Of course, slavery was more emotive, a more obvious evil. However, if limiting liability of shareholders in situations of insolvency is morally wrong, and if limited liability leads inevitably to the negative consequences in company relationships and in wider society described here, it will be worth a long-term and sustained effort to modify it, and ultimately to remove it completely.

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[1] Sir Arthur Bryant, *The Search for Justice, A History of Britain and the British People, vol. 3* republished Collins, 1990, p177.

[2] *The Guardian*. 8 April 2000; The Times, 10 April 2000.

[3] Salomon v Salomon & Co (1897).

[4] Sir John Hicks, 'Limited Liability: the Pros and Cons', in ed. Tony Orhnial, *Limited Liability and the Corporation*, London: Croom Helm, 1982, pi I.

[5] Cited in Aubrey L Diamond. 'Corporate Personality and Limited Liability', in ed. Tony Ohnial. ibid. p42.

[6] See Michael Schluter, 'Relationism', in Michael Schluter et al, *Christianity in a Changing World*, London; HarperCollins, March 2000.

[7] Matthew 22:34-40.

[8] 2 Corinthians 5:18.

[9] Ephesians 1:17. Philippians 3:8. John 17:3.

[10] 2 Peter 1:5-7.

[11] Michael Schluter, ibid.

[12] Deuteronomy 15:1-11.

[13] Matthew 6:14-15, Matthew 18:21-34, Col 2:13-14.

[14] Leviticus 25:8-17.

[15] Deuteronomy 24:6, 12-13.

[16] Leviticus 25:39-43.

[17] Genesis 1:28-30.

[18] For example, see Exodus 21:28-36; 22:5.

[19] Matthew 25:14-30; Luke 19:11-27.

[20] Deuteronomy 23:19-20.

[21] Paul Mills, 'The Biblical Ban on Interest', in Michael Schluter et al. ibid. pp176-190.

[22] Matthew 20:1-16.

[23] Deuteronomy 24:14-15, cf James 5:1-6.

[24] Exodus 20:8-11, Deuteronomy 24:14-15.

[25] Deuteronomy 25:13-15; Proverbs 16:11

[26] Leviticus 25:8-28.

[27] Deuteronomy 17:14-20, cf 1 Samuel ch 8.

[28] See Michael Schluter and Roy Clements. *Reactivating the Extended Family: from biblical norms to public policy in Britain*. Cambridge: Jubilee Centre. 1986.

[29] Leviticus 25:25, 35.

[30] Micah 4:4.

[31] Jennifer Cook and Simon Deakin, Stakeholding and Corporate Governance: Theory and Evidence of Economic Performance. ESRC Centre for Business Research. University of Cambridge, July 1999.

[32] HMSO, *Insolvency Service Annual Report.* 1998.

[33] Insolvency Act, 1986, S214, 2(b).

[34] The government is currently seeking to relax bankruptcy law still further to encourage risk-taking. The danger is that this will undermine further the seriousness with which these unpaid debts will be regarded.

[35] Cook and Deakin, ibid, p3.

[36] William J. Reader in Orhnial, ibid.

[37] International Tin Council Case [1990] 2AC 418, Lord Templeman at p479.

11 Roots: biblical norm or cultural anachronism?

Michael Schluter December 1995

We are witnessing a historic decline in the significance of place to human life.
Alvin Toffler, Future Shock (Bodley Head, 1970)

Summary

Western society at the end of the twentieth century values individual mobility as highly as any in history. Christians in the past have not questioned that mobility is desirable. If anything, the New Testament (NT) seems to endorse a culture which holds lightly to place, and to encourage Christians to find their roots in Christ and in the fellowship of believers. However, the Old Testament (OT) appears to teach that 'roots' in place are important for personal identity and social stability.

This paper will argue that Old and New Testament perspectives on roots are compatible. Christians must hold in tension the practice of roots in their personal lives and the promotion of roots through public policy, while recognising that Christ may require them at any time to leave home and even family to follow his calling.

Introduction

Writing about the trial of Rosemary West on ten counts of murder, The Economist (7 October 1995) commented:

"Orwell blamed the decline of the English murder [sic] on the fragmentation of society. It is precisely this that has made serial killing possible. The women whom Mrs West is accused of murdering were mostly drifters. Bed-and-breakfasting here, taking a short-term job there, they had lost touch with families and roots. That was why their disappearances went unnoticed for so long. In a less mobile society, where children stayed at home, couples stuck together and people kept tabs on each other, so many women could not have disappeared without a grand fuss being made."

High levels of mobility have been a feature of Western European societies since 1945, and of the United States for much longer. Many households change home frequently, so that the movement resembles not a tidal wave but an electron dance. While such mobility may have contributed to broadening individual experience, and to the breakdown of class divisions and regional parochialism, research has shown that it has had a strongly negative impact on neighbourhood solidarity and family cohesion.[1] How should Christians respond to the culture of mobility? Does the Bible encourage strong ties to land in its teaching on the Jubilee, or weak ties to property and other earthly possessions through Christ's example and teaching on the kingdom? Are roots a biblical norm or a cultural anachronism?

Old Testament teaching on land and roots

Throughout Israel 's history, land stands as the symbol of the special relationship God has with his people. The land was a divine gift, Israel 's inheritance as God's first-born among the nations. It was held in tenancy, not from the king as owner, as in surrounding nations, but from God. If the land as gift gave the people rights, this 'tenant' status also laid on them responsibilities, both to obey God and to love neighbour.

To explore the 'roots' theme in the Old Testament, a brief description of Israel 's land-holding system is necessary. When Israel entered Canaan , every clan and family (except those of the Levites) was allocated a piece of land within its tribal land block (Joshua 13-19). This initial allocation was made permanent by the Jubilee year provisions; every fiftieth year each family was to return 'home' to occupy its ancestral land which, if leased out or lost, was returned free of charge. The prospect of a future Jubilee meant there was no freehold land market; land could only be leased until the next Jubilee year (Leviticus 25). Several consequences followed. Neighbours generally were relatives; names of towns and clans were often interchangeable (e.g. Gilead , Etam); family names were associated with specific pieces of land. Potential parochialism was overcome in part by the required triennial visits to Jerusalem for the feasts, and by strong national religious integration.

Thus, at the family level, ownership of a piece of land symbolised membership of the covenant community (except for Levites). This is seen in the Naboth incident (1 Kings 21). If land had been merely an economic asset, and if the Jubilee had been primarily about a redistribution of those assets, Naboth would not have objected so strongly to Ahab's offer of cash or an alternative piece of land. Naboth, however, viewed his 'ancestral land' as symbolising his membership among God's people, his roots and identity as an Israelite. To remove his land would not only strike at his relationship with God, but would threaten the future of the Naboth family line as secure and supported members of the Jezreel community; perhaps this is why the judgement on Ahab for seizing Naboth's land is for his own family to be extinguished (1 Kings 21:21).

These long-term attachments to a specific locality in God's social design for Israel would have profoundly influenced social relationships to the extent that they were obeyed. The approximate equality of land distribution, preserved by the Jubilee, would have inhibited growth of rural elites and prevented long-term landlessness, ensuring fewer class divisions in the community. Land distribution was the foundation of economic justice in Israelite society. In addition, the overlap of kin and neighbours would have reinforced continuity and obligation in the local community and contributed to long-term, committed and multi-faceted relationships. Every individual and household would have been bound into, and supported by, an extended family and a specific community through their permanent stake in the land. Indeed, if an individual could not support himself on the land, the neighbours were urged to provide help so as to prevent mobility (Leviticus 25:35-7).

At a national level, also, the land played a central role in defining social identity. When Israel repudiated God, judgement involved the nation being uprooted from the land (Deuteronomy 29:28). Equally, return from exile to the land would result from their renewing allegiance to Yahweh (Deuteronomy 30:1-5). In OT thinking, land and those who live on it are so closely intertwined that the word 'land' gradually ceases to mean the physical place and instead becomes a concrete way of talking about society (e.g. Amos 8:8; Zechariah 12:12).

Clearly, the land in Israel did more than provide the basis of family and national identity. The Jubilee was not just about roots, but about wealth and income distribution, and guaranteed all members of society the resources for self-employment. However, the Naboth incident and other OT references to land make it clear that roots and identity are not just a by-product of the Jubilee law but part of its primary purpose.

New Testament teaching on land and roots

Christopher Wright has argued for three levels of fulfilment or application of OT teachings under the new covenant: 'typological, eschatological and paradigmatic'.[2] Using this framework, we explore how OT teaching on land and roots is applied by NT writers within the context of the new covenant.

Foreshadowing of Christ (typological)

In the New Testament, the land of Palestine ceases to have its former theological significance; it is not an aspect of God's relationship with the new Israel. The role of the land is now taken by Christ, who becomes the source of security, status and cultural identity for the people of God.

Jesus teaches that the Jews can no longer claim to be planted as vines in the land, as taught by the OT prophets (e.g. Isaiah 5:1-7). Instead, they have to be grafted into himself as the true vine, and he in turn is rooted in the Father (John 15).[3] In the same way, Paul constantly uses the term 'in Christ' for the roots and identity of the Christian where the Old Testament might have referred to being 'in the land'.

The land also prefigures the *koinonia* - the fellowship of believers. Those with a stake in the land under the Old Covenant prefigure those who are a part of the fellowship under the New. Those who depart from the fellowship, like those who left their land, show that they have no real part among God's people (1 John 2:19). Both the land and the fellowship entail shared experiences and shared responsibilities such as concern for the poor and needy (e.g. Leviticus 25:39-43; Acts 2:44-5). There is the same 'prophetic indignation' at those who defile the land as there is against those who harm the fellowship (e.g. Jeremiah 16:18; Acts 5:1-11).

Signpost to the future (eschatological)

As well as the typological fulfilment of the land in the New Testament, there is also an eschatological fulfilment. The land of Israel, the dwelling place of God's people, is fulfilled in the new Jerusalem (Revelation 21:4ff.). Jesus insists that his followers must be willing to leave their roots, their home and even the closest of their human relationships if they are to be his disciples, but promises them eternal life if they make such sacrifices (Mark 10:29-30), as well as a home in heaven (John 14:2).

In the epistles, also, there is stress on Christians not finding their home and roots on the earth, but in heaven. Peter writes to 'God's elect, strangers in the world, scattered throughout Pontus' and speaks of their inheritance as one that 'can never perish, spoil or fade' and which is 'kept in heaven' (1 Peter 1:1-4). The writer of Hebrews uses the example of Abraham, who 'by faith made his home in the promised land like a stranger in a foreign country ... he was looking forward to the city with foundations, whose architect and builder is God' (Hebrews 11:8-10).

Example for society (paradigmatic)

All this NT fulfilment of the motif of the land would seem sufficient for the Christian to look no further for contemporary application of OT teaching. Indeed, this is where much Christian discussion of the land issue ends. However, OT law can also be interpreted as a set of interconnected principles which form a coherent pattern for the ordering of society. Israel's sharply distinctive social pattern was part of its role as an example to other nations, to demonstrate what love and justice mean when translated into social, political and economic life (Deuteronomy 4:8). Thus, in Isaiah the task of Servant who is a 'light to the Gentiles' (Isaiah 42:6) refers both to his role of generating the social blessings which should have been found in Israel as well as to his role in salvation (Isaiah 42:1-7; Luke 4:18-21). Jesus teaches that the key to applying OT law under the new covenant is to consider its implications for relationships with God and neighbour (Matthew 22:34-40).

OT law instructs Christians about social order in a way the NT does not. Although set in a covenantal context, it is given to a society most of whom are characterised by Jesus as having 'hardness of heart' (Matthew 19:8), a description applicable to any fallen society. NT teaching is addressed to Christians, extrapolation from the church to society is dangerous as secular society has neither the motivation nor the help of the Holy Spirit to attain standards laid down for Christians.

Without the paradigmatic application of OT teaching of the law, many OT provisions concerning land would lack contemporary relevance. Yet Jesus urges his disciples not to lose sight of even the smallest detail of the law's teaching (Matthew 5:13-19). For example, why should urban and rural land be treated differently in the year of Jubilee? Why was leasehold transfer permitted but not freehold sale? Why does the land legislation so obviously complement the interest ban and year of debt remission in providing a safety net for the poor?

The one ethical principle which we wish to draw here from OT teaching on land is that roots are important for individual, family and social relationships. God arranged that Israel should not be forever nomadic but should have roots in land, and ordered the ownership and distribution of land to ensure each person and household would have long-term roots in a specific place. From this the principle may be derived that it is important for all societies to foster and promote a long-term association for each family and individual with a specific place or locality. This is to create conditions favourable to the sustaining of 'community': that is, long-term, committed, stable relationships.

NT writers, while stressing that the land of Israel finds spiritual fulfilment in Jesus, are not unaware of the importance of place in people's lives. Just as Jeremiah urges the exiles to 'seek the welfare of the city', even when the city is the home of their arch-enemies the Babylonians, Peter urges the Christians of his day to become socially involved wherever they find themselves (Jeremiah 29:4-7; 1 Peter 2:11-17). Paul sends most of his letters to Christians in specific cities, recognising the particularities of each situation. Even in Revelation, each church's life is assessed in the light of its specific local and spiritual context (Revelation 2 and 3).

The roots issue today

The Christian Church has not generally had the political and economic influence necessary to implement biblical teaching on land distribution and rootedness in society. After the Reformation in Britain when such an opportunity did exist, the church's continuing position as major landowner stifled any radical critique of land-owning structures such as those by the Levellers or Fifth Monarchists. Thus, the later enclosure movement, which resulted in large-scale population mobility and contributed to class antagonisms past and present, went largely unchallenged by the church. Only the Methodists seriously addressed issues of land reform, and then not until the nineteenth century.[4]

The reason why so few people in Western societies today can identify roots in a place is due to the contemporary culture of mobility. This has a long history. Indeed, MacFarlane has traced the origins of English individualism back to a period prior to 1200.[5] Western liberal philosophy, stressing the freedom of the individual, 'searched for universals in every sphere, and recognised no particularism or uniqueness, least of all of a geographic-religious kind'.[6] As Christopher Lasch argued, for certain elites in the Western intellectual tradition, 'progress is mobility'.[7]

In neo-classical economic theory, not only is land a commodity to be traded like any other commodity, but mobility is regarded as essential to maximise labour productivity; to encourage rootedness would create skill scarcity in growth areas and thus slow economic progress. Mobility is an essential feature of a capitalist economy.

Both occupational and residential mobility have become accepted as a necessary, inevitable and even desirable aspect of contemporary culture. Mobility contributes to freedom from restricting obligation to family and neighbour, freedom to do as you like with no danger of social censure. This is why urban life for some is so appealing; no-one knows who you are, where you come from or what is your business.

The pattern of university education and career progression has helped inculcate a mobile culture among the better-educated. In Britain, university applications are cleared nationally; graduates rarely return to their former home areas. Thereafter, moving house becomes part of career progression. Thus, in the United States about a fifth of the population change their address annually.[8]

In Britain, even under present difficulties, there were over 1.25 million housing transactions in 1994.[9] For those on low incomes or trapped by negative equity, long-distance commuting is sometimes the only way to obtain work, and while not requiring house relocation equally disrupts family and neighbourhood relationships.[10]

Mobility is linked to stress-related physical and mental ill-health; symptoms include irritation, somatic complaints, tension, anxiety, depression, smoking and heart disease, with women often the worst affected; it is also a recurring feature of marriage breakdown.[11] A study of hospital doctors documented the effects of mobility on their families:

"These wives found that mobility was isolating because it both severed established ties with relatives, friends and neighbours and placed them in new and unfamiliar situations. When moves were frequent, feelings of non-belongingness were ongoing ... building up new relationships was usually a lengthy process".[12]

Mobility also often creates relationship difficulties for children as they move school and neighbourhood. For the elderly, the mobility of their adult children often leaves them isolated and lonely. It becomes impossible for adult children to fulfil obligations to elderly parents, simply because they live too far away.

The overall impact of high mobility is greater superficiality in personal relationships. Durkheim deplored the cult of the individual and coined the term 'anomie' to describe the condition of individuals no longer satisfactorily relating to one another. Immundo, in his phrase 'the mobility syndrome', extends Durkheim's principle to explain a way of behaving that is geared to developing only temporary relationships. Toffler describes the 'modular man' who establishes a fragmented network of limited, functional relationships, in which he plugs into a module of another's personality rather than engaging the person; 'the knowledge that no move is final ... works against the development of relationships that are more than modular'.[13] Thus, mobility directly undermines the sustained and multi-faceted relationships which are required to achieve social integration and personal development.

Implications for personal lifestyle decisions and the local church

Against this background of a high-mobility, placeless culture, how can Christians reaffirm the biblical emphasis on roots? At the personal level, clearly the norm of roots is not antithetical to all mobility. Some may choose to broaden their experience and pursue career development before putting down roots. Often, hard choices must be made between making roots the priority for the benefit of family and local church as against career advancement for the breadwinner. There are no rules here, the balance between relationship priorities and the best use of personal talents for God's glory has to be weighed by each individual and household. However, Christians must face the fact that if they choose mobility to pursue career opportunities there will be long-term relational costs, both for themselves and for others in their family, church and neighbourhood.

Principles for personal lifestyle decisions might include the following. First, those asked to move for job reasons should weigh up carefully the long-term relational implications. Second, Christians generally should stay in one town, and if possible in one house, as long as possible so that they can develop relationships in the locality. Third, families need to develop a long-term 'roots' strategy, couples on marrying might be encouraged to plan where their roots should be (perhaps even where they plan to retire) so that they can organise their long-term career decisions accordingly.

However, Christians must be ready for God's call to override the desire for roots here on earth: Christians must be ready to go anywhere, any time. Such mobility is essential, for example, for the evangelisation of unreached billions in Asia and nearer home to strengthen Christian witness in inner cities. This ambivalence towards roots is part of the paradox Christians face as they live with one foot in the 'present age' and the other in the 'age to come'.

For those Christians who have been compelled to lose their roots by political upheaval or other tragic circumstances, the biblical perspective can be a source of encouragement. Ultimately, roots which provide meaning, belonging and identity' are found in Christ, and as the Israelite exiles discovered in Babylon, God is able to help build new relationships in the local community to provide a sense of plan and purpose (Jeremiah 29:4-14).

It is difficult for Christians to implement the NT vision of the local church when a high proportion of the congregation is transient. Eclectic congregations in suburbs or city centres undermine the claim that Christian faith transcends class and culture. The vision of the sharing and caring community is hard to bring about where relationships last for months rather than years. So local churches need to teach and encourage rootedness among their members. Equally difficult is the church's task of penetrating local communities which are highly mobile. It is tempting not to bother to seek friendship with a family which is likely to move on shortly. Deliberate strategies are needed to befriend short-stay households if they are to be presented with the gospel.

Implications for corporates and governments

The corporate sector could play an important role in reducing levels of mobility. Personnel departments would probably be less enthusiastic to relocate staff if they appreciated fully the impact indirectly on the employee's family and directly on employee productivity. Also, corporations could make greater effort to take capital to depressed regions rather than expecting labour to move to growth areas. However, it is only if a new consensus develops in society about the benefits of strong roots to individuals, families and wider society that companies are likely to reduce levels of relocation.

At the level of government, there are a range of options. As a major employer, government departments can act directly to reduce mobility - for example, among NHS and military personnel. In schools, governments could introduce 'family education' into the core curriculum, including discussion of the relational costs of high levels of mobility. Indirectly, the government could discourage mobility through fiscal policy, housing policy and strong regional policy. For example, because much job mobility results from capital being transferred out of depressed areas by national-level financial institutions, economists have begun to call for establishment of regional banks as a means of stemming the outflow of funds from the periphery to the core.[14]

The reason governments fail to tackle mobility is not primarily an absence of policy instruments. It is the failure to appreciate the true economic and social costs of mobility, or the personal and relational benefits of roots. Our task as Christians who wish to be salt and light in society, based on a biblical agenda, must be to actively promote roots in both public and private life, however much this contravenes the prevailing social ethos.

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[1] For a summary of this research, see Helen Hayward, *The Impact of Mobility on Personal Relationships* (Jubilee Centre, Cambridge, 1992).

[2] Christopher J.H. Wright, *Living as the People of God* (IVP, 1983).

[3] See Gary M. Burge, *'Territorial Religion, Johannine Christology, and the Vineyard of John 15'*, in J. Green and M.Turner (eds), Jesus of Nazareth: Lord and Christ (Eerdmans, 1994).

[4] Helen Hayward, Christian Attitudes to the Ownership and Distribution of Land in Britain

1500-1930 (Jubilee Centre, Cambridge, 1992).

[5] Alan MacFarlane, *The Origins of English Individualism* (Basil Blackwell, Oxford, 1978).

[6] W.D. Davies, *The Territorial Dimension of Judaism* (University of California Press, London, 1982), p. 13.

[7] Kenneth Anderson, *'Heartless World Revisited: Christopher Lasch's Parting Polemic against the New Cross'*, Times Literary Supplement, 22 September 1995, p. 3.

[8] Daniel Bell, *'The Disunited States of America'*, Times Literary Supplement, 9 June 1995, p. 16.

[9] Central Statistical Office, London.

[10] Philippa J. Semper, *Weekly Long-Distance Commuting: Its Effect on Family and Community Life* (Jubilee Centre, Cambridge, 1989).

[11] Helen Hayward, *The Impact of Mobility on Personal Relationships* (Jubilee Centre, Cambridge, 1992), p. 53.

[12] Faith Elliot Robertson, *'Mobility and the Family in Hospital Medicine'*, Health Trends, vol. 13 (1981), pp. 15-16.

[13] Alvin Toffler, *Future Shock* (Bodley Head, London, 1970).

12 Globalization and the world economy - for richer for poorer, for better or worse?

Paul Mills March 2005

Replace capitalism with something nicer.
May Day placard, 2001[1]

The failure of our world is not that there is too much globalization, but that there is too little.
Martin Wolf[2]

Summary

Globalization is transforming the world for both good and ill, although it is neither new nor inevitable. Globalization is largely innocent of the crimes for which it is usually charged. It has the potential dramatically to reduce global poverty and undermine repressive regimes. But globalization challenges the viability of the nation state and homogenises diverse cultures. Its most lasting legacy could well be easing the spread of the gospel.

Introduction

Globalization is a pervasive issue in international relations and has polarized Christian opinion. On the one hand, global capitalism is denounced as one of the demonic 'principalities and powers' against which the church must battle, whereas others see increased trade as the only viable means to bring economic prosperity to lower income countries.

When faced with such a divide, it is tempting to adopt the naive optimism of the May Day campaigner and just hope for something nicer to turn up. But rich Christians cannot afford that luxury if we are to work, pray and campaign for what is best for God's world and the poor. Should we embrace globalization as a force for good; challenge its shortcomings and seek to reform its processes; or advocate a more self-sufficient world where the nation state decides its own fate?

Definition

'Globalization' can be narrowly defined in economic terms as the increasing integration of economies across national borders through trade in goods and services, the migration of labour and the investment of capital. More widely, it also involves the spread of cultural influences and ease of communication across borders. This paper concentrates on the former aspect.

The principal cause of globalization has been the dramatic reduction in both durations and costs of international transport and communication – be it the container ship or the Internet. Since the interwar period, the average real charge for ocean freight tonnage has fallen by 70 per cent, average revenue per air passenger mile by 85 per cent and the cost of a 3-minute transatlantic telephone call by 99 per cent. These technological enhancements have been accompanied by a reduction in regulatory barriers to trade, financial flows and investment.

Historical perspective

Cross-border trade has been expanding almost continuously since the thirteenth century and now accounts for a greater proportion of world Gross Domestic Product (GDP) than at any time. But globalization in many of its facets is not a new phenomenon. Indeed, in many respects, 1870–1914 experienced a far greater degree of integration of the world economy than currently exists, aided again by improvements in travel (railways and steamships) and communications (the telegraph). For instance, Britain's exports of financial capital averaged 4.6 per cent of GDP – far in excess of any country since. An estimated 10 per cent of the world's population migrated from one continent to another between 1870 and 1925.[3] We forget that the passport was a WWI invention to regulate cross-border travel.

Consequently, globalization should be kept in perspective. The world is only gradually returning to the degree of integration it enjoyed in 1914, prior to the restrictions spawned by world war and depression. The process is not 'inevitable' – governments put globalization into reverse for much of the twentieth century. But is the return to a global world economy a benign prospect?

A brief introduction to trade economics

The economic case for promoting international trade is principally found in the theory of exchange: where two parties have different initial resources and skills, there will *always* be *aggregate* benefit from each specializing in their relative competence and then trading the results. As Adam Smith explained:

What is prudence in the conduct of every family can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage.[4]

However, this is not the same as both parties gaining equally. The degree to which each benefits depends on the 'terms of trade' of the subsequent exchange (i.e. the relative prices of exports to imports). These can be skewed so that either party gains more from the trade. It is an empirical matter whether both parties gain from specialization and trade.

More importantly, there can also be 'dynamic' benefits from interacting with the wider world economy. If a country trades and gains access to technological innovations available elsewhere, these can then be applied domestically to produce further benefits and greater efficiency. For instance, by importing mobile telephony, many lower income countries have avoided constructing a costly landline network.

Examining the evidence

But are these potential gains delivered in practice? Light can be shed on the evidence by addressing a number of half-truths which have gained currency in the globalization debate.

i) Globalization means the world's poor become poorer.

False. The *proportion* of the world's population living on $1 a day[5] has been falling continually since 1820. The *absolute* number of those in the direst poverty peaked in the early 1980s, is now below 1.1 billion and falling rapidly,[6] principally due to the integration of China and India into the world economy. The remaining poor are concentrating in sub-Saharan Africa. There is no recent example of a country where rapid growth of income per head has not been accompanied by increasing integration in the global economy.

ii) Increasing global trade leads to greater inequality within and between countries.

The evidence is mixed. Population-weighted measures of world inequality have fallen since the early 1980s due to rapid growth in China, Indonesia and India. But global integration and change produce significant losers, both within and amongst countries. The absolute gap in incomes per head between the richest and poorest countries continues to increase because the poorest countries include 'failed' states cut off from the world economy. But overall life expectancy, infant mortality and calorific intake have converged more than incomes due to falling costs of food transportation and the spread of better crop varieties and growing techniques.

iii) Global corporations are now more powerful than most governments.

False – in terms of the oft-repeated claim[7] that companies now constitute over half the world's largest economies. When measured on a properly comparable, value-added basis, two multinationals come in the top 50 largest economies (with 29 in the top 100).[8] Regulatory authorities can still discipline multinationals such as Shell and Microsoft. Unlike the East India Company of old, such corporations cannot coerce their customers by force and the ease of global communication makes multinationals vulnerable to their brands being tarnished by bad practice anywhere in the world (e.g. Arthur Andersen – Enron's auditor). If anything, the speed with which the largest companies grow and then decline is increasing as they struggle to remain competitive in an open global marketplace. By opening domestic markets up to international competition, globalization weakens the dominant position of existing producers and is thus welcome.

iv) Indigenous cultures are being homogenised by Western marketing.

True – but the wrong culprits are pilloried. The villains of this piece are supposedly the global brands that multinationals cultivate to make them globally recognisable.[9] Yet the need of the largest multinationals to protect their images make such companies vulnerable to bad publicity. They show how weak, rather than powerful, such companies are – Coca-Cola was impotent to sell bottled tap water in the UK as *Dasani*. The real concerns are the amoral and materialistic messages that accompany Western advertising, music and television output that then reaches far wider audiences through global media networks. Rarely do these place the sanctity of life and the importance of healthy relationships ahead of short-term personal gratification.

v) Globalization harms the environment.

False. National environmental protections are said to be undermined by the rulings of international trade bodies (such as the World Trade Organization – WTO) or multinationals who threaten to move to less restrictive jurisdictions. In fact, the evidence points in the opposite direction. Greater engagement with the world economy is usually associated with environmental gains (e.g. in air pollution). As societies become wealthier, they often choose to maintain higher environmental standards.[10] This means that as countries engage with the global economy, their domestic pollution levels deteriorate initially but then improve as income per head rises. Nevertheless, there are a number of areas of environmental damage whereby pollution in one country affects its neighbours or the planet. Rather than setting blunt and ineffectual limits to control these spillovers (as in the Kyoto treaty), internationally tradeable rights to pollute need to be created and allocated. These would reinforce the incentive to innovate or change behaviour to reduce pollution. In this respect, we have too little globalization.

A biblical perspective on global interactions

Given this backdrop, does the Bible provide any insights into international interactions that can inform a Christian approach to the globalization debate?

The formation of the nations

The early biblical narrative describes the process whereby the descendants of Noah came to inhabit the earth[11]. Genesis 10 states how separate nations arose in specific geographical locations after the Flood. The text indicates an orderly dispersal of peoples by their chosen geographical location and language (10:5f). However, this account is sharply juxtaposed with that of the Tower of Babel (chapter 11). The builders' reasons for constructing the Tower were to 'make a name' for themselves and explicitly to prevent their dispersion (v.4), in contravention of the Creation mandate to 'fill the earth' (1:28). God's decisive and divisive response in scrambling humanity's speech and scattering its location (v.9) was explicitly designed to thwart self-centred and self-aggrandizing human achievement (v.6). The separation of humanity into language groups makes co-operation more difficult, so restraining our potential to unify for the purposes of evil.

Hence, despite a common ancestry, the formation of separate nations and people groups is not an accident of geography but a divinely-ordained outcome, designed to fulfil the creation mandate and weaken human self-reliance:

From one man he made every nation of men, that they should inhabit the whole earth; and he determined the times set for them and the exact places where they should live. God did this so that men would seek him…[12]

Israel and the surrounding nations

Having created separate peoples to restrain humanistic endeavour, God did not abandon the nations. Rather, blessing to all peoples came through the creation of a new nation via the Abrahamic line (Genesis 12:3), with the ultimate vision of the reunification of the nations in the worship of God.[13] Israel was to be a 'kingdom of priests and a holy nation' (Exodus 19:5, 6) amongst all the others and was given the law, obedience to which would demonstrate to the nations the wisdom of God (Deuteronomy 4:6–8). What did that law teach about how economic dealings with the surrounding nations should be conducted?

An earlier paper described the economic model set out in the law.[14] The law itself says little about how trade with non-Israelites was to be governed – undoubtedly the requirements for fair dealing and honest weights and measures still applied. The law instituted no barriers to trade, the state was given no right to levy import duties and the use of metallic currency facilitated trade. However, debts owed by foreigners (' *nokri*') were exempt from the statute requiring cancellation every seven years (Deuteronomy 15:3) and interest could be charged on these loans (23:20) in contrast to those to fellow countrymen.

The economic treatment of foreigners contrasts with that of those wishing to assimilate into Israelite society and worship God (the ' *gerim* '). God commanded their equal treatment under the law and protection from economic exploitation.[15] They enjoyed employment protection and their share of the harvest gleanings whilst their debts *were* to be periodically cancelled and could not bear interest. The law did not discriminate on grounds of blood – it protected those from outside, such as Ruth, wishing to join and contribute to the society – although freehold ownership of rural land was restricted to Israel's original families.

In Israelite history, international commerce is not described in detail until Solomon's reign. Solomon's trading activities begin profitably with commodities being exchanged for the timber of Lebanon to build the Temple and his palace. Peaceful relations resulted (1 Kings 5:12). But Solomon then exchanged infertile Israelite towns for gold, so provoking allegations of sharp practice (9:13). It is not long before Solomon's trading activities have provided him with horses and chariots (9:19) and the wherewithal to become a middleman in the international arms trade in chariots (10:29) – even though the king of Israel was forbidden to own stables of horses (Deuteronomy 17:16). Solomon's activities illustrate that international trade is neither inherently benign nor malign. It can be instrumental in furthering prosperity and peaceful relations. Conversely, when the wrong things are exchanged in unjust ways, relationships are damaged and evil ensues.

The New Testament perspective

In this context, the starkest claim of the New Testament is that, from the outset, the church is to be the first truly 'global' institution, comprising disciples representing every tribe, nation, language and people.[16] The Persian Empire had respected the distinct religious traditions of its subject peoples. But the Christian community was the first to unite its adherents in their allegiance to Christ irrespective of their ethnicity, country of origin or tongue. The events of Pentecost constitute a reversal of Babel, with pilgrims from many nationalities and countries enabled to understand the testimony of Jesus' disciples in their own language (Acts 2:5, 6).

The people of God may retain their linguistic and national distinctiveness in this life – at Pentecost, the Spirit was manifest in numerous languages, rather than just one that all could understand – but the heavenly vision of the redeemed is of a people drawn from every nation, tribe, people and language, praising God with one voice. This remains the vision for the church. In the New Jerusalem, provision is made for the 'healing of the nations', which should be prefigured in the earthly church.[17]

Given this example, we can understand the natural human desire to see the subsuming of national political entities within transnational power structures. After all, this is God's intention for his people. But given the warning of Babel, this is an instance of the secular wish to bring heaven to earth – a case of over-realised eschatology. Supranational governance structures increase the potential for human self-aggrandizement and offer wider scope for the abuse of power. It is no coincidence that Babylon the Great, the symbol of worldly enticement and persecution, as epitomised by the Roman Empire, is also made up of 'peoples, multitudes, nations and languages'.[18]

Insights into globalization to inform Christian action

Globalization has stirred Christians into political action first through Jubilee 2000 and now through the Fair Trade Movement. Where does the preceding analysis lead us with regard to campaigning in favour of or against globalization?

Trade

When equitably conducted, trade should lead to mutual benefit, dependence and peaceful relationships between nations. God created neither individuals nor nations as completely self-sufficient. Raw materials and skills are not uniformly distributed. Being forced to depend on each other is an element of common grace, leading to the mutual blessing of mankind. The evidence of the reduction in absolute poverty through trade reinforces this conclusion.

Yet the attitude of many Christian commentators to global trade is avowedly hostile. For instance, Ulrich Duchrow[19] and Timothy Gorringe see global capitalism as a mechanism for rich nations to exploit and immiserate the poor, having the moral equivalence of apartheid, nuclear war or the Holocaust. But these advocates ignore the far greater shortcomings of the alternative – that politicians or bureaucrats make self-serving and often corrupt decisions over what is produced and imported.

Nevertheless, Christian campaigners are right to focus upon instances where rich countries have hypocritically preached the benefits of free trade to low income countries whilst protecting domestic producers. If richer countries really believed in the benefits of free trade, then these immoral distortions would have been abolished long ago. Rather, richer countries have clung to mercantilist protectionism at home, so forcing lower income countries to concentrate on producing cash crops, such as coffee, leading to perpetual oversupply and falling world prices. At last, following agreement at Geneva in August 2003, the WTO's focus has shifted to reducing rich country agricultural tariffs and subsidies. The problem has been not too much truly free trade but too little.

Governance

Consistent with the biblical example of constrained and accountable government,[20] globalization is to be welcomed for eroding autocratic state power. Whilst not to be exaggerated,[21] international engagement undermines authoritarianism through the freer flow of information, cultural exchange and tourists, and the requirements to respect property rights in order to attract foreign investment. It is generally repressive regimes (such as North Korea, Myanmar and Cuba) that seek to prevent contact with the outside world in order to maintain their power domestically.

But the principal concern is that globalization might be too effective at undermining state power. For the nation state has a legitimate function to punish evil and promote good and a valid need to raise taxes for these ends (Romans 13:1–7). But as information, people and capital become internationally more mobile and interrelated, the ability of the nation state to perform and finance its legitimate functions may be constrained. The temptation then is to advocate ever-greater international harmonization or governance as the panacea to every global problem.[22] There are instances where the spillovers from one country to another are such that an internationally co-ordinated solution is optimal (e.g. pollution; nuclear proliferation). The danger is that globalization creates the perception that the nation state is irrelevant and dispensable as a political entity and that national autonomy must be relinquished to wider authorities, be they regional or global. Not only do such moves take the exercise of power further from the influence of democratic control but they concern the Christian mindful of Babel.[23] Mankind has been dispersed to restrain their capacity for self-aggrandizement.

Migration

Regarding the movement of people between nations, biblical law counsels in favour of welcoming those from outside wishing to assimilate into one's country. The test of entry should not be the migrant's economic usefulness to the host country but the genuineness of their desire to become a permanent citizen in the new society. That desire should be tested and, when found genuine, be marked with a definite rite of passage into the new community.[24] This approach contrasts with the hypocrisy applied through 'managed' migration. Rich countries cherry-pick the skilled workers of poorer countries, denuding them of the educated workforce needed to develop their economies and breaking up extended kinship networks. These policies strip poorer countries of their future prosperity. Better to export financial capital from rich countries (e.g. via pension fund investment) than to import the skilled workers needed far more at home.

International finance

The debt slavery of lower income countries is more amenable to radical biblical prescription than is presumed. If followed, the biblical model of interest-free and cancellable debt on the one hand and equity finance on the other would remove the current confusion whereby development finance generally takes the form of interest-bearing debt.[25] This inevitably leads to waste and unsustainable debt burdens with no mechanism for sharing the risks and rewards of capital investment. The irony is that, from a biblical perspective, the Jubilee Debt Campaign is insufficiently radical in only arguing for the relief of current debts rather than a root-and-branch revolution in the international capital market.

Conclusion

The world has just enjoyed a decade when more people were lifted out of absolute poverty than at any time in history, principally as a result of greater engagement with the world economy by the large Asian nations. Yet this is not the impression one receives from the prophets of the anti-globalization movement, who give a distorted picture of the trends in global inequality and exaggerate the power of multinationals.

The welcome by-products of globalization – easier communication and transport links – also mean that transmission of the gospel message (through personal evangelism, radio, television or the Internet) is less costly and far more difficult to intercept. There is now no country without a Christian witness, 99 per cent of the world's population can be reached by Christian radio broadcasts and 94 per cent have a New Testament in their own language.[26] It was no coincidence that the rapid spread of the initial Christian message overlapped with the efficient transport links and freedom of movement within the Roman Empire. Christians can pray that the same is happening now, so fulfilling the requirement to preach the gospel 'to all nations' (Mark 13:10).

The Bible has much to say about the path we should wish the process of globalization to take. The potential for trade to benefit the poor is great but, too often, the rich do not play by the rules they insist that others respect. The facets of globalization that undermine autocratic state power and help transmit the gospel are to be welcomed, whilst Christians should be wary of attempts to ever-weaken the nation state as the appropriate and democratic level of legislative power.

But throughout our consideration of globalization we should always remember that the one true global community will one day be revealed as united in their worship of God (Revelation 7:9–10), whereas that based on the fortunes of the traders of the earth will be judged for its excess of luxury, arrogance and enslavement of the souls of men (Revelation 18:3, 11f). Ultimately, 'the merchants of the earth will weep and mourn…'

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1 Quoted by John Kay, Financial Times , 25 July 2001.

2 Martin Wolf, *Why Globalization Works*, Bury St. Edmunds: St Edmundsbury Press, 2004, p.4.

3 HM Treasury, *Long-term global economic challenges and opportunities for the UK*, London, December 2004, p.25.

4 Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Clarendon Press, 1976, p.457.

5 At 1985 purchasing power, which corrects for inflation and movements in exchange rates.

[6] Projected to be 0.73 billion by 2015 (World Bank, *Global Economic Prospects*, 2004).

[7] Anderson, S., and Cavanaugh, J., *Top 200: The Rise of Corporate Global Power, Institute for Policy Studies*, Washington DC, December 2000. The claim has become anti-globalization folklore.

[8] Wolf *(op.cit .)*, p.221f. A country's GDP should be compared against a company's value-added (roughly its underlying profitability), rather than its turnover.

[9] Klein, N., *No Logo*, Flamingo, 2000.

[10] Frankel, J.A., *The Environment and Globalization*, Cambridge, Mass., National Bureau of Economic Research, Working Paper 10090, November 2003.

[11] Gen. 9:19. Studies of human DNA have confirmed the common genetic origins of all humanity.

[12] Acts 17:26–27; see also Deut. 32:8.

[13] Isa. 60:5–11; Zeph. 3:9.

[14] P. S. Mills, 'The divine economy', *Cambridge Papers* , Vol.9 No.4, December 2000.

[15] Especially Exod. 12:49; Lev. 19:33–34. See J. P. Burnside, *The Status and Welfare of Immigrants*, Cambridge: Jubilee Centre, January 2001.

[16] See especially Matt. 28:19; Acts 2:4f; Rev. 5:9.

[17] Rev. 7:9; 22:2.

[18] Rev. 17:1, 15.

[19] See P. Heslam, *Globalization: Unravelling the New Capitalism*, Grove Ethics, E125, 2002, pp.14–15.

[20] E.g. Deut. 17:14–20; 1 Sam. 8.

[21] The Chinese government still controls the content of Internet sites accessed domestically by its 1.2 billion people.

[22] 'Unfortunately, we have no world government, accountable to the people of every country, to oversee the globalization process…', Joseph Stiglitz, *Globalization and its Discontents*, Penguin Books, 2002, p.21. Christian Aid currently advocates a 'Global Regulatory Authority' to govern multinational corporations.

[23] The growing dominance of English as the international language of choice in Eastern Europe and EU institutions prompted The Economist to speculate that the process will accelerate the political integration of the EU – 'After Babel, a new common tongue', The Economist , 7 August 2004, pp.33–34. 300 million Chinese are currently learning English.

[24] See especially Nick Spencer, *Asylum and Immigration*, Paternoster Press, 2004, ch.7.

[25] P. S. Mills, 'The biblical ban on interest: dead letter or radical solution?', *Cambridge Papers*, Vol.2, No.1, March 1993.

[26] Johnstone, P., and Mandryk, J., *Operation World*, Paternoster, 2001, (6 th ed.), p.7.

13 Faith versus prudence? Christians and financial security

Paul Mills March 1995

Summary
This paper is the first of two concerned with financial management from a Christian perspective. It confronts the tension in biblical teaching enjoining the exercise of personal faith and prudence with respect to wealth. It then addresses some of the practical issues involved in determining the appropriate level of savings and insurance. The second paper, 'Investing as a Christian' (Vol5, No2, June 96), discusses the relative ethical merits of the variety of savings instruments available, including bank accounts, shares, pension funds and housing.

Introduction

"Do not store up for yourselves treasures on earth ... Look at the birds of the air: they do not sow or reap or store away in barns, and yet your heavenly Father feeds them." Matthew 6:19, 26

"Go to the ant, you sluggard; consider its ways and be wise! ... it stores its provisions in summer and gathers its food at harvest." Proverbs 6:6-8

Which is the more 'spiritual' province of the animal kingdom – the 'birds of the air' who trust in Providence, or the ants who make provision for the future? The question sounds frivolous, but it high-lights one of the most difficult issues that each Christian must address when applying biblical teaching to everyday life - just how much wealth is it right for me to own? The dilemma arises because the Bible contains two strands of teaching on the subject that seem to run counter to one another. For instance, Jesus explicitly enjoins his followers not to accumulate treasure on earth (Matthew 6:19); yet elsewhere the Scriptures commend prudent foresight and the responsible stewardship of possessions.

Given the prominence of this seeming paradox, one might have anticipated Christians to be well versed in its practical resolution. However, while the issue of the personal ownership of wealth has provoked heated debate throughout the church's history, it is now largely ignored by

Western Christians.[1] We have been infected with the mores of our age that regard personal finance as too sensitive a matter to be broached outside the confines of the cash dispensing confessional. It is only on the question of giving that the Christian can be guaranteed frequent financial instruction! This chapter addresses the seeming impasse in the Bible's teaching on wealth in the context of decisions concerning savings and the insurance of life and possessions. Pointers to the resolution of this dilemma will then be suggested.

Reasons for the biblical warnings against accumulating wealth

i) Wealth is a rival deity vying for our worship

The foundation of the Scripture's misgivings about the ownership of wealth *per se* is that material possessions are an idol competing with the true God for our worship. Jesus expressed the idea most powerfully when he made a sharp distinction between the love of God and love of money ('Mammon'):

"No-one can serve two masters. Either he will hate the one and love the other, or he will be devoted to the one and despise the other. You cannot serve both God and Money." Matthew 6:24

By personifying wealth as a slave-owner in competition with God for our allegiance, Jesus places it in the ranks of the spiritual powers of evil used to seduce us away from adherence to God. Possessions can, quite literally, 'possess'. Its ability to act as a demonic force therefore means that wealth cannot be treated as morally neutral when interacting with our fallen human natures. It is apt to tempt us to evil (1 Timothy 6:10) and facilitates the satisfaction of other sinful desires. We, naturally, crave to compromise between the service of God and Mammon, but Jesus so framed the choice to make this impossible - if his disciples do not 'hate' Mammon, they will 'love' it.

ii) Wealth is a positive barrier to faith in providence

One of the traits of the worship of Mammon is to regard it as the ultimate source of security in one's life. Precautionary saving, insurance and holding on to wealth are motivated by the instinctive human desire for material security and certainty in the future. Yet true security is only to be found in God's provision.[2] The accumulation of riches can not only lead to the withering of faith in this providential care but also results in the self-reliance and pride of unregeneracy.[3] It is all too easy to pay lip-service to the idea of God's daily provision for our needs, but if this makes no impression on the level of security we arrange for ourselves, our declarations of faith will ring hollow:

"Ultimately, there is no way to share: either our confidence is in God or it is in our savings account. To claim that we can thus insure ourselves and still put our trust in God is to add hypocrisy to mistrust." (J. Ellul, *Money and Power*, Marshall Pickering. 1986, p. 105.)

iii) Wealth is deceitful

As with other idols, wealth ultimately fails to deliver. For instance, despite being christened with such reassuring epithets as 'secured', 'bond', 'index-linked' and 'guaranteed', every financial or real asset involves some degree of risk - inflation erodes, debtors default, markets crash, governments renege, thieves steal, companies collapse, currencies devalue, assets depreciate, taxes rise, wars ravage, disasters strike, crooks defraud and banks fold.[4] It is therefore pointless to search for the totally safe asset and foolish to rely on wealth as the ultimate source of one's security. Risk is ubiquitous. Also:

The appetite for wealth and security is never satisfied. Since the completely safe asset does not exist, a person can never accumulate enough to feel totally safe. The search for such security is a chasing after the wind - we are never satiated, no matter how much we possess. It is wiser not to begin the pursuit (e.g. Ecclesiastes 5:10; 6:7).

Wealth cannot buy happiness. Outside meaningful relationships, wealth has severely limited currency in the procurement of fulfilment (e.g. Ecclesiastes 4:8).

Death robs everyone. Eventually 'life assurance' is something of a misnomer, for wealth makes no difference beyond the grave:

"Our life is but an empty show, naked we come and naked go; Both for the humble and the proud, there are no pockets in a shroud." [5]

iv) Wealth is a bad investment

But perhaps the most surprising element of the Bible's denigration of wealth is couched in purely self-interested terms. In the spiritual scheme of things, the long-run return on worldly savings is worse than non-existent. For instance, Jesus is sure that a new age is dawning in which this world's wealth will be worthless[6] - sterling futures of that maturity trade at zero. Consequently, the smarter investor patronizes the *Banque Celestiale* by choosing savings media that will survive the looming financial crisis. However, the only asset with the requisite durability is the good done to others. Hence, Jesus' cryptic advice:

"Use worldly wealth to gain friends for yourselves, so that when it is gone, you will be welcomed into eternal dwellings." Luke 16:9; cf. 12:33; 1 Timothy 6:18, 19

Such advice may disqualify Jesus from certification as an independent financial adviser, but if we really believe in the coming kingdom of God, it is the only realistic advice on the market:

"It is want of faith that makes us opt for earthly rather than heavenly treasure. If we really believed in celestial treasures, who among us would be so stupid as to buy gold? We just do not believe. Heaven is a dream, a religious fantasy which we affirm because we are orthodox. If people believed in heaven, they would spend their time preparing for permanent residence there. But nobody does. We just like the assurance that something nice awaits us when the real life is over." (J. White, *The Golden Cow*. Marshall, Morgan & Scott, 1979, p. 39.)

Unsurprisingly, these teachings have continually prompted Christians not only to regard wealth with suspicion but, in many cases, to renounce its individual ownership altogether. For instance, the Rule of Saint Benedict was typical of monastic orders:

"The vice of private property is above all to be cut off from the Monastery by the roots. Let none presume to give or receive anything without the leave of the Abbot, nor to keep anything as their own, either book or writing tablet or pen, or anything whatsoever." (Chapter 33)

This school of thought views the accumulation of savings, and the insurance of property, as a clear betrayal of trust in God's daily providential care.

Biblical support for savings and insurance

Before a radical Christian critique of private property can be inferred, however, these teachings need to be balanced by further considerations. For instance, all of Jesus' teaching on wealth is condemnatory, yet he was supported in his itinerant ministry by a group of women of independent means; neither Nicodemus nor Joseph of Arimathea were required to relinquish their possessions as a condition of discipleship; and, while the early church in Jerusalem held its wealth in common, the incident of Ananias and Sapphira shows that this was neither a universal nor a compulsory requirement. These observations force many commentators into a more or less common position:

"There are two sides to Jesus' attitude to private property ... Emphatic black-and-white statements and commands suggest that no true disciple should own property, while incidental comments and inferences from both his teaching and his practice indicate that private ownership is normal, and indeed essential, not only for society at large, but for the majority of Jesus' disciples." (R.T. France, 'God and Mammon', *Evangelical Quarterly*, 1979, p.13.)

In addition, if the ownership of wealth was inherently immoral, Scripture would endorse poverty. However, while it may be a 'blessed' estate (Luke 6:20), poverty is never positively advocated. The Christian is urged to relieve penury, not embrace it. Rather, trustworthy stewardship of,[7] and contentment with,[8] the provision that God has afforded are the recurring themes.

These observations provide grounds for the Christian ownership of wealth by default. However, a more positive justification for savings and insurance also exists. While this strand of teaching is not as rich as that condemning wealth (for good reason, given the natural inclination of the human heart towards the idolatry of Mammon), it is nevertheless present.

i) Godly wisdom is marked by prudence and foresight

A theme running throughout the book of Proverbs is that prudence and foresight characterise the wise.[9] A mark of such wisdom is abstinence and saving:

"In the house of the wise are stores of choice food and oil, but a foolish man devours all he has." Proverbs 21:20; cf. 6:6-8

The ability to subjugate current desires in favour of future needs is one that the ungodly often lack - 'let us eat and drink ... for tomorrow we die' (Isaiah 22:13). Consequently, the adjunct to the Christian suspicion of debt is the prudent saving up for necessary purchases. The most dramatic example of God's advocacy of prudential provision was in the prompting of Joseph to store the surplus from seven Egyptian harvests (Genesis 41), for these not only enabled Egypt to survive the ensuing famine, but preserved the descendants of Abraham. Truly, saving saved the people of God.

ii) Savings are necessary to fulfil one's family obligations

Scripture is adamant that the fulfilment of extended family responsibilities is the Christian's paramount practical religious duty.[10] This is primarily effected through the earning of daily income. However, there are some circumstances, such as one's death, where it is hard to envisage how one's dependants could be provided for without the prior accumulation of wealth or insurance against such risks. Although trust in God's provision on a hand-to-mouth basis is possible, even admirable, as a single person, the task becomes much more difficult when one has dependants. Indeed, not saving when required by such circumstances could be construed as presuming upon God. Freedom from such concerns is one of the reasons for Paul's commendation of Christian celibacy (1 Corinthians 7:32-3).

iii) The duty to avoid dependence on others

While mutual dependence in times of trial among Christians is to be welcomed, it is irresponsible for the spendthrift deliberately to place him- or herself in a position of vulnerability. It runs contrary to the teaching in Paul's letters that me Christian should work diligently in order to avoid dependence on others and be in a position to assist the needy.[11] This liberating aspect of saving was a favourite theme of Victorian Christian moralists:

"A store of savings is to the working man as a barricade against want; it secures him a footing, and enables him to wait ... until better days come round ... But the man who is always hovering on the verge of want is in a state not far removed from that of slavery. He is in no sense his own master, but is in constant peril of falling under the bondage of others, and accepting the terms they dictate to him." (S. Smiles, *Self-Help*, John Murray, 1859, reprinted 1958, p. 285)

Today, this would not just apply to the need to avoid dependence on personal charity but also on the state.

A reconciliation?

i) The truncated spectrum

Given this diversity of teaching, it is tempting to believe that any number of attitudes to savings and investment can be justified. The spectrum could range from giving everything away and living a purely hand-to-mouth existence, with no thought of the future, to accumulating as much as possible to guard against any possible contingency.

However, the spectrum can be narrowed a little by eliminating variants of these two extreme positions from the range of alternatives. The first is a form of fatalism disguised as Christian spirituality. It accepts that 'what will be will be' - any exercise of foresight, in the form of planning or saving, is regarded as a lack of faith in Providence. Yet, taken to its logical extreme, this way of thinking yields the absurd conclusion that any action we take on our part for our own preservation and sustenance, such as looking before crossing a road, betrays a lack of faith in God's ability to provide for us. But this, in the main, is not how God has chosen to act in this world. In numerous areas of Christian experience (e.g. evangelism, healing) God has chosen to act mainly through, and in response to, the prayerful actions and efforts of his people. Hence, exercising foresight and acting in response does not necessarily betray a lack of trust in Providential oversight.

Conversely, however, protecting oneself from every contingency through high levels of savings and insurance, under the guise of 'prudence' and 'self-reliance', is indistinguishable in practice from resorting to wealth as the ultimate source of one's security. We must examine our hearts before God. For the Christian is required not only to hold to doctrines in theory, but to embody them in the way he or she lives (e.g. James 2:17).

Consequently, rejection of the worship of money must result in a lower level of financial accumulation than would otherwise be the case.

ii) The need for diversity

Despite eliminating both *de facto* fatalism and Mammonism, a huge range of possible approaches nevertheless remains. This is somewhat disconcerting. It runs counter to the natural human desire for simple, unified rules by which to judge what is right and what is wrong. Hence the numerous attempts to squeeze the diversity of teaching on wealth into a single, universally applicable norm.

Those who make such attempts ignore the likelihood that a diversity of view and practice on this issue is not only inevitable but divinely intended. Such a conclusion is prompted by various indications in the New Testament that the appropriate attitude to wealth depends on the Christian's situation and calling. Notably, when witness is to be given of the imminence and power of the kingdom of God, a 'reckless' attitude towards wealth and possessions is entirely appropriate in order to display more powerfully Christian love and faith. However, greater prudence is required when physical conditions are more hostile and endurance is the order of the day. It is a question of finding where to strike the balance between the practicalities of living in the 'world' while living in the light of the age to come.

Some of Jesus' teachings highlight the different attitudes to wealth that may be appropriate depending upon circumstance. For instance, when anointed at Bethany, Jesus commended Mary's extravagance as fitting, even though Judas was technically correct in his advocacy of alms-giving

(John 12:1-8; cf. the correct times to fast, Matthew 9:15). However, the contrast in fortunes between the wise and foolish virgins (Matthew 25:1-13) illustrates the advisability of prudence and preparation when awaiting the age to come. Most clearly, when sending out his disciples on their first missionary campaign, Jesus ordered his disciples to 'Take nothing for the journey - no staff, no bag, no bread, no extra tunic' (Luke 9:3); and yet, with the crucifixion looming, he gave precisely the opposite instruction (Luke 22:36). With the onset of persecution and hostility, a different attitude towards possessions was needed.

This diversity of approach is also found in the practice of the early church. The extravagant sharing of property in the Jerusalem congregation was entirely appropriate as a sign of the power of the Spirit to change lives and as a means of support for the pilgrims converted at Pentecost (Acts 2:45; 4:32-7).Yet the communal sharing of property is not mentioned in the epistles, save in the context of interchurch alms-giving (2 Corinthians 8 and 9). Indeed, Paul chastises members of the Thessalonian church for forsaking work, probably in anticipation of the imminent arrival of the kingdom of God (2 Thessalonians 3:6-12). They were suffering from an 'over-realised eschatology' and not planning for the long haul.

Hence, there is no warrant nor need for the assimilation of biblical teaching on wealth into a 'grand unified theory'. A diversity of approach, that depends on circumstance, the Spirit's prompting and the message to be given to the outside world, is entirely tenable.

Practical Pointers in the Savings and Insurance Decision

i) Discern one's calling with regard to wealth

The diversity of approaches that Christians can take towards wealth and lifestyle immediately leads on to the need personally to discern God's will in the matter. For instance, if a Christian is without weighty obligations to dependants and is unlikely to incur them in the future, a relatively 'reckless' attitude towards wealth might be appropriate. Similarly, Christian communities and missionaries wishing to demonstrate their mutual love and trust can do so through a common purse. However, Christian individuals and organisations with obvious commitments and obligations will need, if possible, to maintain a level of wealth necessary for their fulfillment.

ii) Deliberately set limits to one's material security

The accumulation of wealth can only be justified if it is motivated by the need to fulfil specific obligations or anticipated future needs (e.g. saving up for necessary purchases rather than borrowing). Merely saving to achieve ever-greater levels of financial security equates to the worship of money. The motivation for possessing wealth is crucial. It is no coincidence that the harshest scriptural condemnations of wealth are aimed at hoarding for selfish purposes:

"Do not store up for yourselves treasures on earth." Matthew 6:19

"Now listen, you rich people, weep and wail ... Your wealth has rotted, and moths have eaten your clothes. Your gold and silver are corroded. Their corrosion will testify against you ... You have hoarded wealth in the last days." James 5:1-3; cf. Luke 12:21

Now, we may save more through building up financial assets than hoarding durables and cash, but the same considerations apply. The need to avoid pure hoarding and bondage to possessions implies that Christians need to be crystal clear about the purpose for which they are saving, or continuing to own valuable assets (e.g. a large family house). Once that purpose has been achieved, saving should cease and the surplus be given away. For instance, the level of savings and life assurance needed to provide for one's dependants in case of one's death should be limited to that necessary to provide for their maintenance at a predetermined level, given a reasonable estimate of the risks of the relevant savings schemes. Savings should not be piled up merely for the sake of providing protection against every imaginable contingency.

iii) Develop the church and extended family as substitutes for impersonal savings and insurance schemes

In capitalist countries, insurance through state provision and financial intermediaries has virtually dispensed with the need for the local church or extended family to play a role in this area. Indeed, the appropriation of the financial support role from the extended family is one of the main reasons for its demise within Western society.

The absence of an obvious financial role, combined with the cultural reticence to discuss matters sacred (i.e. pecuniary), has resulted in many congregations too embarrassed to broach the subject of monetary need in their midst, let alone act upon it. This contrasts strongly with the New Testament picture of a mutually supporting body that feels and acts upon the material needs of its members.[12] The place of individualised saving can be taken, in part, by mutual risk-sharing within the congregation through the establishment of grant and interest-free loan funds, consumer durable goods pools (e.g. gardening equipment, children's clothes) or an *ad hoc* self-contributory insurance pool to cover periods of illness or unemployment. By such acts, a congregation can give practical expression to the mutual care it pays lip-service to.

However, as with individualised wealth, the accumulation of collective congregational and denominational wealth, through endowment, also poses great spiritual dangers. The hoarding of wealth by churches, to provide security for the future, leads to the temptation of thinking that the collective body can survive indefinitely, when this, too, is dependent on God's grace (e.g. Revelation 3:16, 17). The endowment of churches dilutes the incentive and necessity of the present congregation to give sacrificially to the church, or in support of one another. The allocation of large sums of capital always brings the potential for internal strife, while their investment in order to receive an income is fraught with ethical dilemmas (seemingly unbeknownst to many church treasurers). Most difficult of all, if the flow of income is to be preserved into the future, the capital sum must go untouched. And yet, there are always more calls on a congregation's resources than can be met at any one time. Hence, an endowed church is continually placing the prerequisites of its own survival above pressing, current needs.

iv) Maintain the distinction between savings and insurance

To advocate honesty with regard to insurance claims may seem trite and obvious, but there is a popular fallacy abroad in this regard that is gaining ever-greater currency. This is the supposed right of claimants to inflate their claim in order to regain the value of the premia they have paid. This attitude turns catastrophe insurance into a form of savings scheme, whereby withdrawals are to be made through claims against damage or theft. Yet, clearly, this is not how such insurance schemes are structured. They pool the risks and premia of numerous policyholders in order to pay out much larger compensation to the minority who suffer mishap. Only life assurance policies are designed to act as both an insurance and a savings medium.

The fallacy is most apparent in the widespread belief that people have a right to National Insurance benefits (state pensions and unemployment benefit) because they have made their contributions. Unfortunately, National Insurance contributions have long since ceased to cover the benefits paid, and the system was never established on an actuarially sound basis in any case. They are simply taxes by another name. There is no pool of assets from which contributors have a right to repayment.

Conclusion

Both the ‘birds of the air’ and the ant teach valuable spiritual lessons. The Christian is both to trust God wholly for material security and to be ready to save prudently when the circumstances require it. While there may be tension within the biblical teaching on wealth, there turns out to be no contradiction. As far as faith versus prudence goes, the Christian is faced not by either/or, but both/and.

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[1] The last major evangelical discussion of the issue was initiated by the Lausanne Congress on World Evangelisation in 1974. The resulting Covenant commended a simple lifestyle for the furtherance of poverty relief and evangelism. The ensuing debate ranged widely over the causes of world poverty and the supposed culpability of capitalist nations in its continuation (e.g. R. Sider, *Rich Christians in an Age of Hunger*, Hodder & Stoughton, 1977; cf. D. Chilton, *Productive Christians in an Age of Guilt Manipulators*, Institute for Christian Economics, 1985). However, the practicalities of deciding the level and instruments of saving were barely touched upon.

[2] E.g. Psalms 62:8-10; Matthew 6:25-34; Luke 12:22-31; cf. Proverbs 3:5-6.

[3] E.g. Deuteronomy 8:13, 14; Mark 4:19; Luke 12:16-21; 18:18-25.

[4] Cf. Proverbs 23:5; Matthew 6:20; 1 Timothy 6:17.

[5] Attributed to James Hill. See also Ecclesiastes 5:15; Zephaniah 1:18 and 1 Timothy 6:7, 19.

[6] Matthew 6:19-21; Luke 12:33-4; cf. Zephaniah 1:18; James 5:1-3.

[7] E.g. Genesis 1:28; 2:15; Matthew 25:14-30; Luke 16:1-9; 19:11-27.

[8] E.g. Proverbs 30:3-6; Ecclesiastes 5:18, 19; Philippians 4:11, 12; 1 Timothy 6:6-8.

[9] E.g. Proverbs 14:15; 22:3; 27:12; cf. Luke 14:28-33.

[10] Mark 7:9-13; 1 Timothy 5:8; cf. 2 Corinthians 12:14.

[11] E.g. Ephesians 4:28; 1 Thessalonians 4:11-12; 5:14; 2 Thessalonians 3:6-12.

[12] E.g. Acts 4:34, 35; 1 Corinthians 12:26; 1 Timothy 5:3.

14 Investing as a Christian: reaping where you have not sown?

Paul Mills June 1996

Summary

Who should you trust with your savings? Is the highest return all that counts, or should this he sacrificed to moral principle? This paper discusses the appropriate ways for Christians to save and invest by outlining general and specific biblical instruction on the subject. Although there are few forms of saving that can be wholly endorsed, biblical principles offer far more discriminating guidance on financial investment than is commonly supposed.

Introduction

Consult any financial advisor about where to put your savings and four things will guide their counsel - risk, return, personal circumstance and tax. It is unlikely that the ethical status of your investments will enter into their calculations. This outlook is shared by the financial markets. Modern capitalism is founded on the belief that the maximisation of financial return is its own justification. Ethical considerations have no place in determining how and where resources are invested, since the free play of market forces is meant to ensure the greatest overall benefit to society. The profitable end justifies any (legal) financial means.

Surely Christians should strongly challenge such a view. Is not *how* a return is made on savings more important than *how much*? However, while some Christians, such as the present Bishop of Oxford, have been at the forefront of the 'ethical investment' movement, teaching on these issues at grass-roots level remains surprisingly scarce. In the main, Christians (and church treasurers) are given precious little guidance on where and how to invest their resources.

This essay attempts to redress the balance by outlining the biblical teaching concerning savings and investment, and then assessing how the most widely available forms of saving compare.[1] It will not seek to give detailed financial advice but rather an ethical framework against which the advice of others can be evaluated.

General biblical principles for personal saving and investment

i) Stewardship

The most widely quoted principle of biblical teaching to the practical issues of saving and investment is that of stewardship. The Creation narrative teaches that, while God is the source of all material resources, he has condescended to entrust their preservation and development to humanity. [2] In a number of parables, Jesus develops this theme by picturing his disciples as servants given charge of property. Their performance in its use will be assessed at the consummation of the kingdom.[3]

These parables apply to our use of all resources, both spiritual and material, entrusted by God to his servants until the coming of the kingdom. The servants' performance is assessed purely on the basis of financial return. Praise is reserved for those servants who have achieved a healthy profit through business ventures. The lazy servant is condemned for not even attempting to make a return. Superficially, this implies that the sole priority for a Christian is the maximisation of financial return.

This would be a misguided interpretation of the parables. First, the 'return' spoken of is wider than just the pecuniary and includes the total good done to others. Second, the means by which profit is obtained matters to God. The Old Testament law accepts the legitimacy of trade for profit *per se*, since trade is presupposed but profit is unregulated. However, any wealth that results from dishonesty, theft, monopoly or exploitation of the poor is legislated against[4] and denounced by the prophets.[5] Consequently, the righteousness of any monetary return is conditional on the absence of the exploitation of customers, workers, creditors and suppliers. The ethic of stewardship applies not just to how productively we deploy God's resources, but also influences to what righteous purposes we deploy them.

The immediate problem this poses for most Western Christians is that we have relinquished the stewardship of our savings to intermediaries, such as fund managers and banks. In most cases, we have no idea of the activities and methods used to derive a return on our money. It seems contradictory, therefore, to bemoan economic exploitation and injustice and yet fail to realise that our own interest payments and pensions are being secured by the same exploitation perpetrated in the name of shareholders and creditors.

Financial returns must come from somewhere - they do not spring automatically from the action of impersonal 'market forces'. Rather, investment affects the distribution of assets, the products and services supplied and their relative prices. It has an inherent moral dimension. In practice, there are few morally flawless forms of investment. We have to choose the least of numerous evils. However, the absence of a first best option does not mean that we are absolved from the responsibility of making such a choice.

ii) The cultivation of relationships

Scripture is unequivocal in preaching the subjugation of wealth to the cultivation of loving relationships. Not only does it teach the ever-present duty of supporting one's dependants[6] but Jesus specifically urges the use of this world's wealth to develop friendships, since the good done to others will be the only return on investment that will ultimately last (Luke 16:9).

Knowing exactly who is using your savings and for what purpose is a prerequisite for this. Not only do the close ties between saver and investor ensure a ready flow of information about how the money is used and how the business is going, but investing in this manner may help to cement the original relationship. By contrast, the trend of financial investment has been away from saving with people that you know to channelling savings through anonymous middlemen in order to reduce risk.

iii) Presumption on the future

Investment decisions are almost entirely guided by expectations of the future. Although there is no contradiction between believing in God's providential care and simultaneously making plans to meet financial needs, the wise are humble in their attitude towards the future[7] whereas the foolish presume upon future profits.[8] To believe that one can know the future, and to incur financial obligations on that basis is, in a way, to claim an attribute of God for oneself.

The need for humility in one's attitude towards future events leads to circumspection when borrowing, especially in order to speculate. It also produces a suspicion of speculative schemes that require specific future events to occur in order to generate a return (such as funds that invest in futures and options).

Specific biblical principles for personal saving and investment

i) The prohibition of interest[9]

Contrary to popular assumption, the Bible does prohibit all interest on loans within the domestic economy, and not just 'usury' or 'excessive interest' (see Deuteronomy 23:19).[10] Subsequent Old Testament references indicate no exceptions to the prohibition while underlining its moral gravity by associating it with bribery and theft.[11] In addition, Jesus commends a radically liberal attitude towards lending (Luke 6:34, 35).

Crucially in this context, the Parables of the Talents and the Ten Minas do not reverse the Old Testament opposition towards interest. While the master chastises the lazy servant for burying his talent, and unfavourably compares this with putting the money out at interest, he judges the servant 'by his own words'. If the servant had truly believed that his master was a 'hard man', then he should have put the money out at interest, since this is what would be expected. Receiving interest is 'reaping where one has not sown' - it is what hard men do (Luke 19:22, 23). Implicit in this parable, therefore, is a distinction between risking money actively in a business venture and putting it on deposit at interest - reaping where one has not sown.

This hints at why such antipathy is reserved for interest-bearing loans. In such a loan, the lender takes no explicit share in the risks of the business, yet requires a return. Not only does this presume that future profit is certain but, if the venture fails, it is the entrepreneur rather than the lender who is liable. Similar problems arise when interest-bearing loans are incurred to finance consumption or house purchase - little consideration is given to changes in borrowers' circumstances by the inexorable logic of compound interest.

ii) The sanctioning of risk-taking and profit-share

The corollary of this criticism of interest is that financial contracts that explicitly share risk, through partnerships or equity shares, can be positively sanctioned. No specific biblical warrant exists for such contracts and so their legitimacy must be inferred from the support given to reasonable commercial profit fairly obtained, the acceptance of rental contracts (see below) and the support given to trade and risk-taking.[12] However, two of the previous principles point to the validity of such profit-sharing contracts. First, they explicitly acknowledge that profit is uncertain and is not presumed upon. Second, a profit-share contract is more risky for the provider of finance, 'this necessitates greater information flows between the user and supplier of capital, so reinforcing their relationship.

iii) Rent and hire contracts

Interest on money and rent on property derive from different forms of contract. In a loan, the ownership of the money and its associated risks are transferred to the borrower, whereas in a rental contract, ownership and ultimate risk remain with the original owner. This distinction is set out in Exodus 22:14-15 where hire charges act as compensation for the owner retaining the risk of the objects used by another (see also Leviticus 25:14-16; 29-31). These precedents give tacit sanction to the renting or leasing of property for a return.

iv) Hoarding and speculation

Hoarding can range from stuffing banknotes in a mattress to amassing valuables in a bank vault. Although the practicalities of life require some degree of storage, hoarding to protect one's wealth receives short shrift from the biblical writers.[13] Hoarding is an anti-social act in that it deprives the economy of the employment-generating consequences of the resources being spent, donated, lent or invested.

A related activity is that of speculation, whereby assets are acquired solely in the expectation of their appreciating in value. This can range from investing in shares that are thought to be takeover targets to borrowing heavily in order to 'invest' in property, futures contracts, art or antiques. To the extent that such speculation achieves a return, it is the result of favourable circumstances and superior knowledge rather than productive activity. Risks are taken not in providing benefits to others but in gambling upon future events. Indeed, in volatile markets, speculation is essentially motivated by the desire to gain at the expense of the next sucker who buys high and sells cheap. As such, it is merely redistributive and presumes upon the future.

Savings alternatives in the real world

These general and specific principles give various pointers to how a Christian should invest. How do the most widely available forms of savings and investment match up?

i) Bank deposits

The ethical status of money-lending is no longer questioned. Commercial banks lend to a wide variety of ventures, from the smallest of businesses to multi-national corporations, in whatever activity is expected to yield the bank the highest return. Depositors have no control over whether their money is being used to finance employment creation in the inner cities or international arms deals, other than through occasional boycotts (e.g. over Barclays' involvement in South Africa in the 1980s).[14] Neither do depositors have any influence over how their bank conducts its relations with its borrowers vis-à-vis the level of collateral, interest rate margins or the severity of foreclosure. Banks have been widely criticised for their non-forgiveness of low income country debt, for lending too freely in booms and foreclosing too harshly in recessions. Yet it is in the interest of the great bank-depositing public that such deeds are done.

ii) Building society deposits

Fewer of these concerns apply to building society deposits. Regulations ensure that societies can only lend to property-related activities and for consumer purchases. Also, societies are mutual organisations, so depositors are members with a stake in the reserves and assets of the society and voting rights at the AGM. Hence, a greater degree of stewardship can be exercised through a building society deposit, while there is less chance of involvement in 'unethical' business operations.

Nevertheless, through their involvement in interest-based lending, societies share some of the failings of banks. For instance, in order to keep their savings returns competitive, societies resort to standard repossession procedures despite the membership status of their borrowers and do not lend readily in deprived housing areas. Also, the influence that any one member can have on society policy is marginal.

iii) Government debt

UK government debt is held directly by the public through National Savings deposits and holdings of bonds ('gilts'). The debt is the accumulated borrowing of governments since the seventeenth century, largely to finance wars but more recently to cover recurring budget deficits.

The whole gamut of government spending from overseas aid to defence spending is financed by government borrowing, since it makes up the shortfall in taxation that would otherwise be needed. Essentially, public borrowing takes current savings and uses them to finance the present and past unwillingness of governments to impose upon their taxpayers the full costs of their spending decisions. As such, buying government debt serves little productive purpose. The interest payments are merely transfers made by taxpayers to current debt-holders for the 'time value' of their money. (Government debt interest is the fourth largest expenditure programme, exceeding defence.) There is not even the risk of default to justify this return, and future generations of taxpayers are burdened to finance current expenditure.

iv) Property and other durables

Wealth is often accumulated through durable assets that have either a practical use (housing, antique furniture) or aesthetic appeal (jewellery, art). They are often a hedge against inflation and may offer the prospect of capital gains. Owner-occupied housing clearly serves a useful purpose, contributes towards rootedness, and can be used for the benefit of others. However, other objects acquired purely as inflation hedges or as a speculative gamble provide few practical benefits. As such, they cannot represent a 'stewardly' use of one's savings, and face the criticisms of hoarding and speculation. One of the evils of high inflation is the encouragement it gives to speculate in durables rather than to invest in productive activity.

v) Company shares

The principles outlined earlier seem to sanction individual investment in shares. Their return is related to the profitability of the business through dividends and is a reward for supplying risk capital. Shareholders can influence company policy - they receive the company's accounts and statements, they can put forward motions and can vote at AGMs on the composition of the board and on the outcome of takeovers. If the company is involved in an unethical practice or product, the matter can be raised formally with the company and the share sold if no change is forthcoming. It would seem, therefore, that shares are a more principled outlet for a Christian's savings than a bank deposit, especially if they are owned in a small local or family business where sufficient time can be devoted to be concerned with the management of the firm ('Business Angel' investment).

These ethical benefits are also enjoyed by workers who own shares in their company. Not only is return related to risk-taking, but employees are in a better position to know how their company is behaving and to object if this is immoral. (The one caution about employees owning a substantial part of their savings in the form of their company's shares is that they are very vulnerable if company bankruptcy means they lose their jobs, shares and maximum pension rights.)

However, a blanket commendation cannot be given to investment in shares. Buying shares is risky. Their prices are more volatile than those of other assets because the tax system encourages firms to borrow heavily and pay out their return in capital gain rather than dividends. This prompts shareholders to diversify across a number of companies, so diluting their 'stewardship' interest in any one firm.

There are other concerns. Principally, shares can only be widely traded because the liability of shareholders for the firm's debts is limited to the value of their holdings. In the case of the bankruptcy of such a company, shareholders are not obliged to make good the debts incurred in their company's name. Although limited liability facilitates trading in shares and the growth of large corporations, it breaches one important ethical principle - the small matter of paying one's debts.

This is the root of the other ethical qualms with shares. Limited liability permits the separation of a firm's ownership from the exercise of managerial control. This allows shareholders to treat their shares as purely financial investments and take little interest in how their company is being run. Indeed, they will own so little of a large company that it is not worth their while making the effort to monitor the management. It is easier to sell their shares if they dislike management performance than to make an effort to improve it.

In addition, the impression that the stock market is another arm of the gambling industry is strengthened by the prevalence of takeovers as the principal form of corporate discipline in Anglo-Saxon economies. Not only are takeovers one of the least successful forms of improving company performance in practice, they also permit absentee shareholders to determine the destinies of thousands of employees on the basis of the largest speculative return. Consequently, although individual shareholdings seem to fulfil more of the initial biblical criteria for personal investment, in practice limited liability and the development of a liquid market in shares make it increasingly difficult for shareholders to discharge their stewardship responsibilities.

vi) Pensions, endowments and unit trusts

Some of these difficulties of shareholding can be overcome by investing through shareholding intermediaries - notably private pension funds, endowment policies and unit trusts. These hold a diversified portfolio of shares, so reducing risks and dealing costs. Between them, UK fund managers control around 70 per cent of the shares in UK quoted companies and so should, collectively, be able to exercise sufficient discipline over company managers to ensure the long-term efficiency of most businesses.

Unfortunately, this is generally not the case. Diversification of risk means that individual fund managers often hold too small a proportion of shares in any one company to make close monitoring worthwhile in the long run. It is usually easier to sell shares (especially in takeovers) than to try to influence company policy. 'Index-tracking' funds do not even pretend to monitor companies but just mechanistically buy and sell shares based only on their size relative to the benchmark index.

The situation is made even worse for the Christian investor through the vast majority of funds being managed with the sole intention of maximising the funds' return, irrespective of the activities that the companies concerned are involved in. Hence, as with bank depositors, most pension fund holders and endowment policyholders are given little information on the means by which their profits are made.

This problem has recently been addressed by the establishment of 'ethical' and 'green' funds for both pension funds and unit trusts. These limit the range of shares that can be invested in through use of a variety of criteria. 'Negative' funds will not invest in companies in certain areas of business (e.g. tobacco, alcohol, arms, pornography, etc.). 'Positive' funds are those that seek out companies that are a definite benefit to the community or environment, or which operate their trading and working practices according to various ethical criteria. These funds constitute a small (around £1 billion, 0.1 per cent) but growing share of UK funds under management and have tended to perform at least as well, if not a little better, than their competitors since establishment.[15]

Ethical funds offer a definite improvement on ordinary funds, but they are not a panacea. Some funds apply mechanistic criteria to particular business activities but do not discriminate concerning business methods (e.g. predatory pricing, late payment of suppliers). Neither do all funds employ a long-term strategy of trying to influence managers rather than simply selling out at an acceptable return. Consequently, care must be taken in the choice of ethical fund, just as in the choice of individual company shares. Nevertheless, the steps taken thus far are in the right direction and offer a more principled alternative for those without the time or expertise to engage in the stewardship of specific shares.

Conclusion

Christian principles for investment rest uneasily with most of the widely available savings media in the UK. That the range of options is not, in general, congruent with the principles of biblical teaching is no coincidence. At virtually every turn, UK laws and regulations are biased against investing one's money on these principles. Banks are effectively underwritten by the taxpayer through deposit insurance and the Bank of England as 'lender of last resort'; the prospect of short-term windfall payouts is sounding the death-knell of a viable building society sector; companies are encouraged to borrow by the corporate tax system; and tax relief for ISAs and pension funds encourages saving through institutions rather than direct shareholdings. CREST, the new electronic share-dealing system, has made the responsible ownership of shares even costlier by charging more for individual registration.

Clearly, the ethical drawbacks of the various forms of saving need to be traded off. For instance, scrupulousness on the interest question might lead to foregoing opportunities for charitable lending to credit unions or Christian development agencies (e.g. Shared Interest). Alternatively, sensitivity over the 'gambling' aspects of shares could entail relinquishing the chance to invest in a local company and create employment or aid the cause of ethical investment. To facilitate such choices, the table below gives a subjective ranking of the alternatives against some of the criteria discussed here.

As ever, the Christian has the challenging task of living in the world without being part of it. While there are still no easy answers, the Bible gives more down-to-earth financial advice than is usually presumed. It may not offer the secret of financial success, but at least reaping and sowing will be more closely related.

Table of investment instruments measured against various ethical criteria

	Personal stewardship	*Knowledge of use*	*Equity/rent v interest*	*Non-hoarding*	*Non-speculation*
Employee share ownership/ 'Business Angel' investment*	✓✓	✓✓	✓✓	✓✓	✓
Owner-occupied housing	✓✓	✓✓	✓✓	✓	-
Personal shareholding	✓	✓	✓✓	✓	?
Ethical unit trust/ fund	✓	✓	✓	✓	-**
Building society deposit	✓	✓	✗	✓	-
Pension fund/ unit trust	✗	✗	✓	✓	-
Govt debt / National Savings	✗	-	✗	✓	-
Bank deposit	✗	✗	✗	✓	-
Cash	-	-	-	✗✗	-

* 'Business Angel' is the term used to describe an outside shareholder in a small business who also supplies managerial advice and expertise.

** Some building societies have attracted depositors speculating on whether the society is to change its mutual status.

[1] This paper works from the assumption that someone has spare resources to save and invest - an irrelevant presumption for many. The preceding chapter discussed the grounds for a Christian to own wealth legitimately.

[2] Genesis 1:26-30,2:15.

[3] Matthew 25:14-30; Luke 19:11-27; cf. Matthew 24:45-51; Luke 12:42-7 and 16:1-12.

[4] Leviticus 19:13, 35-6; Deuteronomy 19:14; 24:15; 25:13-15; 27:17.

[5] Isaiah 10:2; Jeremiah 17:11, 22:13; Ezekiel 18:12-13, 22:12-13; Amos 2:6-8.

[6] Leviticus 25:25; Mark 7:9-13; 1 Timothy 5:3-8.

[7] It is those 'without knowledge' who claim that 'tomorrow will be like today, or even far better' (Isaiah 56:11,12) whereas Solomon urges 'Do not boast about tomorrow, for you do not know what a day may bring forth' (Proverbs 27:1).

[8] Luke 12:16-21; James 4:13-17.

[9] Chapter 13 outlined the undesirable economic consequences that arise from an interest-based economic system.

[10] Exodus 22:25 and Leviticus 25:35-8 state the prohibition in the context of charitable loans, whereas Deuteronomy 23:19 puts it in terms of loans to all fellow citizens (cf. v. 20).

[11] Psalm 15:5; Ezekiel 18:13, 22:11, 12; cf. Proverbs 28:8; Nehemiah 5:7-11.

[12] Proverbs 31:10-31; Ecclesiastes 11:1-6.

[13] Luke 12:16-21; James 5:3; see also Psalm 39:6; Ecclesiastes 5:13; Zechariah 9:3.

[14] Since 1992, the Co-operative Bank has followed various ethical criteria in determining which activities it will not finance. These include oppressive regimes and the sale of arms to them, animal experimentation for cosmetic purposes, factory and fur farming, and tobacco.

[15] A full description of ethical funds and their track record is given in R. Sparkes, *The Ethical Investor* (HarperCollins, 1995).

About Jubilee Centre

The Jubilee Centre was founded in 1983 from the conviction that the Bible presents a coherent and relevant alternative to Capitalism, Socialism and other ideologies. This led the Jubilee Centre to conduct research into the content and application of the biblical social vision, having discovered the central theme to be 'love', i.e. the quality of relationships between individuals, nations and organisations. This then became a number of campaigns (often in partnership with others) on issues such as Sunday trading (Keep Sunday Special) and consumer credit and debt (Credit Action). It also led to the launch of the Relationships Foundation in 1994 to develop practical initiatives based on a 'relational agenda,' or Relationism, including issues such as criminal justice and health policy, unemployment, business working practices and peace-building.

Over recent years the Jubilee Centre's focus has shifted from direct campaigns to concentrate on research, training and providing the foundational material for its campaigning sister organisations. Its research seeks to understand and then apply biblical teaching to contemporary social, political and economic questions. By sharing its work widely, the Jubilee Centre seeks to equip Christians across the world to influence society to pursue the biblical social vision.

The Jubilee Centre publishes the findings of its work regularly. Updates called 'Engage' (which includes short articles and news) and Cambridge Papers (essays exploring a contemporary issue) are distributed electronically and by post each quarter. 'Friday Five' and eNews are emails sent out on a regular basis. These, and many other resources, are available through our website. Jubilee Centre is also on Facebook and Twitter.

For further information about the Jubilee Centre, to order or access other publications (most are available free of charge) or to join the free mailing lists, please visit: www.jubilee-centre.org or contact:

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About The European Christian Political Foundation

The European Christian Political Foundation aims to connect people and ideas and to influence developments in Europe. Through this process of co-operation the ECPF wants to create a platform that will give Christian inspiration a firmer place in the debates on our continent. This co-operation will also enable a creative process of bringing forward new ideas that are inspired and defined by Christian faith. These are the ideas that are a necessary inspiration for policies and policy makers in Europe.

The ECPF is the new initiative in the wider framework of the European Christian Political Movement. It has been recognized in 2011 by the European Parliament as the official European political foundation to the ECPM. Think-tanks and NGOs from all over Europe working at the crossroads of Christian faith, society and politics are members of the ECPF as well as individuals who want to contribute to this process of creating alternatives for Europe's future.

Creating new ideas and approaches to the challenges in a globalised world and a global economy is one of the main goals of the ECPF. The ECPF supports in-depth study projects that highlight and work from Christian inspiration. The ECPF wants to formulate attractive alternatives for the dominant secular dogmas in culture and economics.

We are convinced that the relational approach to life and society is the first step in this process and we are glad to present to you this publication which is based on this vision at life and does challenge the old dogmas that are at this moment dominant in economical thinking. We hope you will enjoy this fresh approach and we invite you to be part of this wider movement for renewal of our societies and political life in Europe.

Johannes de Jong, Manager ECPF

www.ecpf.info