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CHRISTIAN SOCIAL THOUGHT

Christian Perspectives on the Financial Crash
Philip Booth (Editor)
London, United Kingdom: St. Paul's Publishing, 2010 (191 pages)

It would be difficult to find someone unfamiliar with the financial industry's recent troubles. However, do we understand what caused the financial crisis of 2008? Moreover, how can approaching that crisis from a Christian perspective improve our understanding of it? This book answers these questions with twelve highly readable essays whose authors are involved in faith communities, government, business, and academia.

In the first essay, Vincent Nichols, Archbishop of Westminster, explains the importance of virtue in governing market activities. Virtue is traditionally "expressed as being 'personal capacity for action, the fruit of a series of good actions, a power for progress and perfection'" (8). Practicing the human virtues—prudence, courage, justice, and temperance—promotes good working practices for one's own benefit and for the common good of all in good times and in leaner times a deepened sense of mutual concern as well as "practical relief of material poverty" (9). This essay is well placed. As the first, it lays the foundation for showing that while we consider the technical issues causing the crisis, its moral aspects cannot be ignored.

Philip Booth, the book's editor and the author of the second essay, is a professor at Cass Business School in London. His essay outlines economic problems causing the crisis in order to help clarify the book's later moral commentary on the crisis. Financial institutions and governments as well as borrowers and lenders all share blame for the crisis. Central bank authorities held interest rates too low for too long. In response, borrowers took on more debt than they could afford. Banks suffered losses on the loans, but many of the loans were bought and sold in complex securities. Due to the complexity of these securities, the loans themselves were not effectively monitored. Further, there was dishonesty on the part of borrowers and lenders alike (14–15). Both economists and ethicists have their place in solving these problems. Ethical principles can be developed to apply to financial markets. Economists can point out what technical financial market problems might arise, and how different market structures might encourage or discourage moral behavior (26).

Catherine Cowley, the author of the third essay, teaches ethics as a member of the Congregation of the Religious of the Assumption, an international congregation of Catholic women. Sister Cowley's definitional material is especially helpful. Banks traditionally followed an "originate and hold" model under which the bank originating a loan would keep it, monitoring the borrower's repayment efforts. A new model arose in the 1970s, "originate and distribute," under which lenders would bundle loans into securities and sell them to other financial institutions. This allowed lenders to recoup their loans sooner than if they had to wait for borrowers to repay them. Institutions purchasing these "mortgage based assets" (MBAs) could thus profit from these interest-bearing investments, which would have been otherwise unavailable to them. The risk that the expected interest would not be paid on the loans was passed to the asset purchasers, and that risk was reflected in the MBA prices. The MBAs were assembled reflecting different combinations of loan principal, interest, and risk (32). However, under this "originate and distribute" model, lender and borrower were no longer connected. Hence, the lender's incentive was not to ensure the ability of the borrower to repay but to sell the loan, passing on its risk, to other institutions (33). Ultimately, these MBAs were dispersed so widely, in such complex ways, that frequently it was impossible to identify the risk of particular assets (40). Due partly to this uncertainty, "banks stopped lending to each other for fear of non-repayment. The inter-bank market froze, liquidity dried up and the credit crunch came upon us" (41). In assessing the crisis, Sister Cowley suggests that risk managers must practice prudence and courage. Further, she suggests that to mitigate the effects of greed we need a common understanding of what is needed to live a good life (43–44).

Samuel Gregg, Acton Institute's research director, wrote the fourth essay, pointing out that virtuous behavior is indispensable if society is to benefit from lending and borrowing without extensive regulation (47). Gregg reminds us that moral hazard occurs "when a person or institution is effectively insulated from the possible negative consequences of their choices" (50–51). Fannie Mae and Freddie Mac, for example, are government-sponsored entities. As such, unlike private institutions, they can lend without much concern about borrower default, since they can rely on taxpayers to protect against excessive default. This occurred until September 2008 when both went into Federal conservatorship (51). Gregg advocates a return to personal responsibility, reminding us that, "there can be no markets without morality" (53, 56).

Iain Allan, a visiting professor at Cass Business School, wrote the fifth essay, discussing the relative effectiveness of rules versus ethics. Allan points out that compliance with existing rules did not avert the crisis. He further suggests that enacting additional rules could encourage simple rule dependence instead of ethical behavior necessary to control risks (74).

In the sixth essay about the morality of usury and bailouts, Andrew Lilico writes as chief economist for the Policy Exchange, a London-based nonpartisan think tank. Concerning usury, he suggests that even with modern social safety-net legislation, it may be necessary to raise traditional Christian and philosophical concerns about lending at excessively high rates to those who may be unable to repay (84). He further argues that bailing out banks involves an immoral double standard in the United Kingdom, that is, using taxpayer funds to help rich people who made mistakes, while in the 1970s and 1980s mines and shipyards were closed, permitting many regions to suffer blight as a price to be paid for the efficient functioning of markets (85–86). He suggests that given current confusion concerning usury and bailouts, input from Christian moralists is greatly needed (88).

In the seventh essay, Brian Griffiths, member of the United Kingdom House of Lords, transcends the particular issues of usury and bailouts, addressing consumer debt in general. Lord Griffiths urges that debtors need financial help. He states that faith-based organizations provide such help and can do more by, for example, teaching prudence to help people avoid financial trouble through practicing that virtue (101).

Mick McAteer is the director of the Financial Inclusion Centre, an independent, not-for-profit think tank in London. Recognizing the need to make banking, credit, and insurance services available to the poor in the wake of the crisis, he devotes the eighth essay to the role of credit unions in providing such services. He includes much valuable information by explaining what credit unions do, how they developed, and how they can help heal the wounds left by the crisis by encouraging thrift, self-help, and self-sufficiency (102–20).

In the ninth essay, Philippa Gitlin and David Redfern, writing respectively as director of the London Caritas Social Action Network and Charity Fundraising consultant, present a compelling picture of the need for services from Catholic charities in the wake of the financial crisis. They also discuss the challenges involved in funding these services (121–32).

Francis Davis, director of the Las Casas Institute at Blackfriars Hall, Oxford, discusses new strategies for Christian social action in the tenth essay. He suggests that by encouraging debate and social research Christian institutions might renew themselves and find new ways of serving the needy (133–56).

In the eleventh essay, Christopher Jamison, OSB, Abbot of Worth Abbey in southern England, returns to the importance of virtue in avoiding financial system problems. Consumers can buy within their means, borrowers can truthfully complete mortgage applications, banks can refrain from selling financial products that are inappropriate for financially vulnerable customers, and investment bankers can exercise greater prudence in developing financial instruments. Practicing virtues might yield a more sustainable financial system (157–69).

In the last chapter, Booth again picks up his pen. He summarizes crucial points made in earlier essays. He argues that both economists and ethicists have valuable contributions to make in understanding the financial crisis from their own competencies. Most importantly, he reminds us that while resulting public policy must promote the common good by allowing human flourishing, we must remember that public policy is limited in its ability to perfect the world (170–91).

This book accomplishes its task of presenting varying Christian perspectives on the financial crash. It is not so technical that only professional economists or ethicists might understand it, but its rigor in presenting the complexities of the crash and the ethical issues involved certainly do justice to the subject. I highly recommend the book to anyone interested in considering the crash and its attendant challenges to the common good.

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The Kuyper Center Review, Volume 1: Politics, Religion, and Sphere Sovereignty
Gordon Graham (Editor)
Grand Rapids, Michigan: Eerdmans, 2010 (150 pages)

This first volume of a planned annual review is from Princeton Theological Seminary's Abraham Kuyper Center for Public Theology. The Center's aim is to promote public theology from the best of the Reformed tradition—in this case suitably named after the Dutch minister, journalist, author, and statesman, Abraham Kuyper (1837–1920). This maiden volume contains papers that were associated with a 2008 conference, "Sphere Sovereignty and Civil Society."

The contributors were well chosen as leaders to comment on a variety of subjects. Oliver O'Donovan's "Reflections on Pluralism" begins with an echo (perhaps unintentional) of Kuyper's notion of antithesis when he claims, "pluralism conceives difference as a danger." His peripatetic reflections attempt to answer two queries: in what sense good theology is public and in what sense it is reason. With a single, scant reference to Kuyper (and then, in effect, contrasting Kuyper with his mentor Guillaume Groen van Prinsterer), O'Donovan avers that the "concept of an absolute public reason is therefore incompatible with the terms of any open practical inquiry, and especially with a Christian one" (7).

Jonathan Chaplin provides an interesting sociological discussion of civil society under the sway of Christian social pluralism. He, among others, notes the similarity between the Roman Catholic idea of subsidiarity and the Kuyperian notion of sphere sovereignty. However, he helpfully notes that sphere sovereignty is not merely devolutionary but that it also recognizes spheres with "irreducible identities" (18) as performing independent tasks. To be a legitimate sphere, as contrasted with mere proceduralist decentralizing, it cannot be absorbed by another, nor is it hierarchically subservient to another (22–23). There is a parity or non-coextensivity of spheres, rightly understood. In the next essay, James Bratt notes that Kuyper was not always clear as to which or how many spheres existed. His indeterminateness (*imprecise* is the term Bratt uses) weakens the concept of sphere sovereignty, although Bratt believes that sufficient determinateness existed for the political sphere in Kuyper's work. Bratt's fine article also shows how Kuyper differed from Groen van Prinsterer and why he avoided both Althusius and a later secularization of Althusius by Otto von Gierke.