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SUPPLEMENTARY REPORT  
OF THE  
**CHURCH AND SOCIETY COUNCIL ECONOMICS WORKING GROUP**  
MAY 2010  
**PROPOSED DELIVERANCE**

**The General Assembly:**

1. Receive the Supplementary Report.
2. Appoint a Commission on the Purposes of Economic Activity as described in the report and supplementary report.
3. Instruct all Councils and agencies of the church to cooperate fully with the working of the Commission.
4. Encourage Presbyteries and Kirk Sessions to involve themselves fully in the work of the Commission.
5. Instruct the Commission to report to the General Assembly of 2012.
6. Instruct the Selection Committee to bring names for appointment to the Commission to a future session of the General Assembly.

**REPORT**

**1.** The Council's Report includes an invitation to the General Assembly to appoint a Special Commission on the Purposes of Economic Activity. This Supplementary Report provides the General Assembly with a rationale for the remit and sets out the proposed structure.

**2.** The Justice and Markets Report to the 2009 General Assembly<sup>1</sup> reminded us that the story of God's people calls us over and over again to live responsibly with compassion in every part of our lives. Throughout the Hebrew Bible the people were instructed to care for the widow, the orphan and the stranger. When they forgot they were called to account by the prophets. No one was left out: all of us are called to common action that builds a caring, responsible, just community.

**3.** When Jesus talked of loving your neighbour and the stranger he was reminding us that there aren't any "no go" areas for God. Even economics matters to God. In their 2007 study of theology, ethics and economics, Long and Fox remind us that a theological understanding insists on asking fundamental questions about the purpose of our human economies in relation to God:

*Theology and social analysis are always already linked. When we are doing theology we are already doing political and economic analysis. When economists are doing economics they are also doing theology. The question is which theology is being done, not if it is being done. Everything is theological<sup>2</sup>.*

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<sup>1</sup> Available to download at <http://www.churchofscotland.org.uk/councils/churchsociety/downloads/csjusticeandmarkets09.pdf>

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<sup>2</sup> Long, D.S. and N. R. Fox (2007): *Calculated Futures*, Waco, Baylor University Press, p6-7; see also D. S. Long's previous volume *Divine Economy*. Routledge (2000)

**4.** In his 2008 book *Being Consumed: economics and Christian desire*, William Cavanaugh draws on the Augustinian-Thomist tradition to assert that:

*The key question in every transaction is whether or not the transaction contributes to the flourishing of each person involved and this question can only be judged, from a theological point of view, according to the end of human life, which is participation in the life of God<sup>3</sup>.*

**5.** This focus on ends, and upon the true end of human life, resonates with one of the central concerns of John Baillie from an earlier era of Church of Scotland reports. Baillie frequently invoked the first question in the Shorter Catechism:

*What is the chief end of man?<sup>4</sup>*

**6.** Baillie does so not as a piece of pious rhetoric, but to insist, as Cavanaugh does, upon the key importance of a teleological understanding of economics. In this globally historical moment, when both basic and ultimate questions are being asked about economics with renewed urgency, one of the key contributions the Church is called to make is to insist with renewed conviction that there is an end, a goal, a *telos* to all of our economic activity.

**7.** The Church approaches economics within a framework of virtue ethics. This is quite different from the utilitarian analysis typical of economics, in which outcomes are appraised according to some efficiency criterion. Economic analysis does not easily concern itself with the processes by which outcomes are achieved, or the relationships between actors: in order to justify action

leading to greater equality of incomes, economic analysis might determine whether this results in an increase in some measure of total utility across society. Whether the outcome is achieved through charitable gifts, recognition of kinship relations (as in the story of Ruth<sup>5</sup>), theft, redistribution of wealth through the tax system or the mediation of the church as the representatives of the poor in Christ is less important, except insofar as the mechanism affects the utility of each of the parties.

**8.** Within a virtue ethical framework, both the justice of the action and the outcome can be analysed. Justice in exchange represents the concept of commutative justice, (giving and receiving equally), while justice in outcomes represents the concept of distributive justice - giving to each their due. The demands of charity and justice often seem to be in opposition to each other.

**9.** Similarly, there may seem to be a tension between the practice of the virtue of temperance or moderation of tastes (in which resources are husbanded carefully to avoid risk), and the practice of the virtue of courage, which in an economic context is epitomised by entrepreneurial business activity intended to create wealth through the exploitation of innovation, on which risk necessarily attends. Such tension can be resolved by allowing for the practice of prudence or practical wisdom: the knowledge, in this case, of how to undertake a business venture so that risk is managed effectively.

**10.** The idea of value-free economics always masks beliefs and judgments, but, more importantly, prevents economists from being aware of the importance of the pursuit of virtue. Many economists understand that the belief that economics can be constructed without reference to values fails since some values are necessarily embedded in the account of human behaviour which reduces it to the simple pursuit of self-interest, unaffected by social norms or moral principles.

<sup>3</sup> Cavanaugh (2008): *Being Consumed: economics and Christian desire*. Eerdmans Publishing

<sup>4</sup> Question 1 in *The Shorter Catechism*. Banner of Truth Books (is: "To glorify God and to enjoy Him forever").

<sup>5</sup> Ruth 4: 1

**11.** All of the foregoing demands a response which challenges all those who are involved - Governments and financiers, policy makers and the public - to change how they see the act of economic exchange in meeting human need. The response needs to name injustice and recognise the power of forgiveness; it must help the nation review and re-articulate what it wants as the ethical drivers of economic decision-making and the place of wealth creation in our political and social priorities.

**12.** It is a significant task of the Church to be one of the spaces and places where that response is shaped. Not in order that the response is the Church's, but that the Church, in speaking prophetically and calling for justice, is engaging with those who have the power to make those words a reality. Our prophetic role to the nation is to name the kind of mistakes, including our own, which have taken us to where we now are. Our call for justice will be lost to the wind if it is not backed by action and witness.

**13.** As noted in Section 7.2 of the Report of the Church and Society Council to the 2010 General Assembly, the work of developing the remit and structure has largely been undertaken by a working group on economics formed by the General Assembly in 2009. This way of working was proposed close to the nadir of the financial crisis. By the time that the General Assembly met, it seemed likely that the financial system would prove to have the resilience by-and-large to survive the shocks that it had experienced. It now seems that modest recovery is underway, but that for a period of several years, economic growth may remain below trend while substantial adjustments in public sector spending take place to eliminate the current, very large deficits. The Church is well aware that when there is recession, it is those on the margins of the formal economy who typically suffer most: speculation that this recession would be different because of its origins in the financial sector has proven to be unfounded.

**14.** This Report considers the domestic economic environment. The Church and Society Council will continue to work with Christian Aid and other partners on crucial matters of international economic justice, including campaigns to ensure that the governments of countries in the global South receive tax payments from multinational corporations that fully reflect the share of these corporations activities' in these countries. While such work has great value, the Council believes that there is a very large task for the Commission in addressing domestic issues and that the complexity of problems identified in the international consultation is better addressed by organisations such as Christian Aid who have greater experience and expertise in these matters.

**15.** The working group has found evidence of two interrelated problems that the Commission should be directed to consider: problems of the use of wealth and problems of poverty.

**15.1** *Problems of the use of wealth:* In the past two years, there has been much discussion about the need for reform of the financial sector. One area of concern has been the seeming separation of reward from the bearing of risk, and more generally the attenuation of the responsibilities of ownership. Another is the presumption that the pursuit of profit motivates and legitimates most economic activity, so that other reasons for engaging in economic activity have often been ignored. The Church and Society Council invites the General Assembly to instruct the Commission to undertake work on how the Church might most effectively demonstrate its commitment to exemplary standards of behaviour, and to develop compelling arguments, to be used in wider debate, that all economic activity, properly considered, has wider purposes than the narrow pursuit of profit.

**15.2** *Problems of poverty:* The Church has much experience of public ministry that addresses problems of poverty, perhaps most clearly embodied at the present time through its work in Priority Areas. The

Council characterizes the Church's work to date as largely dealing with the symptoms rather than the causes of the problems. The Council invites the General Assembly to reaffirm its conviction that this work is a priority not just for specific congregations, nor indeed just for the Churches, but for society as a whole. The Council proposes that the Commission should bring proposals to the General Assembly of 2012 that will enable the Church to engage with wider society as it proclaims through its actions the values of the divine economy.

**16.** The terms of reference of this working group required it to engage with representatives of the financial services industry in its consultations. The working group has concluded that it is unlikely that the Commission's resources, whether in terms of time, money, or expertise, will be such that it might contribute effectively to debate on either the rebalancing of the macro economy or the detail of regulation and governance of financial services. The Council feels that the rate of legislative change in this area effectively precludes the involvement of the Commission in these areas.

**17.** Nonetheless, the Council recognizes that there is a great need for the Church to understand more fully ongoing discussion about the provision of financial services. For example despite reassurances that, as a result of the lessons learned from the causes of this crisis, there would not be an immediate rush back to "business as usual", there is a distinct impression given that this is exactly what has happened. The opportunity to do things differently has been ignored. Short term fixes, rather than long term sustainability, have been aimed for. To paraphrase Rahm Emmanuel, White House Chief of Staff to President Barack Obama, the opportunities afforded by the crisis have largely been wasted.

**18.** The Council notes that within this debate, there have been calls for the encouragement of new entrants into retail banking. It has also heard expressions of interest from Church members for greater involvement of the

Church in the provision of financial services. The capital required for all but the smallest financial sector firm is such that it is probably most useful to identify small changes in regulation or the design of services that might have large practical effects: what Cass Sunstein and Richard Thaler<sup>6</sup> have called 'nudges.' An important role for the Commission might then be to contribute to the rhetoric of responsibility in the use of financial, physical and other assets. Careful consideration should be given to how best the Commission and the Church might engage in debate with professional bodies in relation to matters of ethics, especially in the context of stewardship and service.

### **Poverty**

**19.** The Council is firmly of the view that the proper use of the resources of creation is the support of human flourishing. The working group's work has perhaps extended beyond its initial remit in this area, being informed by the Church's long-established ministry to the poorest in society. The working group believes that it is essential for the Commission to draw on the expertise of the Priority Areas Committee. Valuable insights are also to be gained from the work of the Poverty Truth Commission.

**20.** While the Commission will not work primarily with the marginalized in society, the remit has been drafted to compel it to consider their needs. The Council considers that marginalization can best be understood in terms of lack of opportunity, or the existence of barriers to human flourishing, some of which affect whole communities. While some of these barriers are financial, some are social, and some are physical. A child may have to care for a parent, whose disability results from an industrial accident; many people continue to rely on financial services such as doorstep lending, that, compared with community based

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<sup>6</sup> *Nudge: Improving Decisions about Health, Wealth, and Happiness.* R.H. Thaler and C. R. Sunstein. Yale University Press. 2008. ISBN 978-0-14-311526-7.

alternatives such as credit unions, are deeply exploitative; and some structures, which depend on the ability to demonstrate a capability on a CV rather than the ability to benefit from opportunities, risk discriminating against people on the basis of background.

**21.** Loss of opportunity can often be represented as a loss of connectedness: an inability to participate in networks that support human flourishing. It can also be seen as a lack of social capital, or the absence of the shared resources required for communities to flourish. The Council recognizes that there are many places in Scotland where access to quite basic services can be limited. For example, in many city districts, there are no supermarkets, and few small shops. Fresh food, particularly fruit and vegetables become relatively expensive. Access to transport and health care facilities may be limited. Solving the problems of lack of opportunity generally requires more than the resolution of questions of market access: carefully designed, multiple interventions are more typically required.

**22.** A large variety of possible approaches to such problems exist at the local level. Some of these are explored in detail in Section 9 of the Report to the 2010 General Assembly of the Church and Society Council. One of the most striking pieces of evidence heard by the working group emphasized the extent to which the role of the Church might be understood as being to stabilize situations in which the diminutions of capabilities has caused great difficulty: consoling; compensating; correcting; connecting; and caring. However, the Council believes that, important as this role has been, the challenge facing the Church is to have the courage to speak prophetically, to provide comfort within the Church, and to develop projects that are systemically transformative and which build sufficient capability that the members of communities can then individually and collectively achieve full human flourishing.

**23.** Many successful interventions are built around conversation and sharing, processes that necessarily require participants to recognize the fundamental equality

derived from their shared humanity. Such social processes may not seem to be closely related to economic ones, but the Council believes that communication is deeply embedded within economic activity. Whether it is the slick advertising used by a multi-national corporation to make its products seem more attractive, team or morale building within a work environment, or a market stall holder asking a customer about how a child is doing at school, the context of much economic activity is social.

**24.** The Church is perhaps uniquely placed to connect those sections of society that seem to have least in common. It seems quite straightforward that the Church should offer aid to those parishes that have identified potentially useful interventions that would benefit people and communities within their bounds. It may also seem quite uncontroversial that the Church should identify and adhere to exemplary standards of ethical conduct, applying these in all of its activities, including its investment policy. However, the Church has to consider multiple interests, and a variety of uses for any asset, and this may well lead to difficult choices- choices which, as the Apostle Paul reminded the church in Corinth, have been at the heart of the work of the church from the beginning:

*Our desire is...that there might be equality. At the present time your plenty will supply what they need, so that in turn their plenty will supply what you need. Then there will be equality<sup>7</sup>*

### **The remit**

**25.** From these considerations, the Council recommends that the Commission should seek to answer a number of substantial questions, including:

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<sup>7</sup> 2 Corinthians 8: 13, 14 (NIV)

- How can the Church best offer Scottish society a new vision of what might be achievable in the economic, social and community life of the nation?
- How can the Church, at local and national level, be encouraged to become more engaged in transformative economics?
- How can quality of life, well-being and values such as justice, cohesion and sustainability, become the measures for economic activity?
- How should inequality be addressed, ensuring that appropriate levels of choice are available to all?
- What changes in peoples attitudes and beliefs towards the economy might be desirable?

**26.** The Commission will have 12 members, chosen, so far as possible, to reflect the composition of Scottish society and will report to the General Assembly in 2012. It may issue interim reports under its own name prior to the General Assembly's acceptance of its final report and discharge of the Commission.

**27.** While recognising and promoting good practice and innovative approaches wherever they might be found, the Commission should enable the Church and wider society to understand better how they might respond better to problems of poverty and loss of opportunity.

**28.** The Council recommends that the members of the Commission should not be selected solely on the basis of professional expertise. The value of direct experience of disadvantage among Commission members is recognised. The working group suggested adopting a variation of the composition of the membership of the Poverty Truth Commission, so that the Commission reflects the spectrum of earnings across the country. In addition, believing congregations and Presbyteries collectively to understand the full range of lived experience of the people of Scotland, the proposal set out in the supplementary report requires the Commission to visit and work with Presbyteries. This will place a responsibility on Presbyteries and parishes to identify situations in which some sort

of church-mediated intervention is already, or may be, useful.

**29.** The working group suggests that the commission take evidence in a number of ways, including:

- By inviting those with expertise and experience at a national or sector level to give evidence and response to the questions above. Hard questions should be asked, but candour would be encouraged and judgement avoided
- By commissioning interviews with individuals and groups who cannot attend evidence sessions as described above
- By travelling to various parts of the country and, working in partnership with local presbyteries, creating opportunities for local communities and local experts to give evidence within the framework of the questions above.

**30.** The Commission will develop both

a statement of connections between moral values and economic measures of success; how changes in people's attitudes towards, and beliefs about, the economy might help to achieve wider social goals; and provide the Church with direction about how it might best engage society with this vision of the purpose of economic activity;

and

a report on the extent to which Church of Scotland congregations initiate, support and enable economic development, both locally and further afield; including an evaluation of the effectiveness of these efforts, identifying principles of good practice and making recommendations relating to the promotion of such development work within and beyond the Church of Scotland.

**31.** The Commission will consult the Church and Society Council, the Priority Areas Committee of

Ministries Council, the General Treasurer, the Church of Scotland Investors Trust and other Church Councils and structures as considered necessary. It will draw on the knowledge and experience of Presbyteries and Kirk Sessions in developing its understanding of existing and potential future ministries and will hold meetings in some Presbyteries throughout Scotland in order to engage fully with the lived experience of the whole people of Scotland as well as relevant local ministries and other socio-economic activities.

**32.** The Commission may engage with any person or body in addition to those identified in paragraph 32 in order to fulfil its remit. The Church and Society Council will arrange for the provision of secretarial and administrative support for the Commission. A special grant for these purposes has been agreed by the Finance Committee, and external funding is also being sought. Total expenses incurred by the Church will not exceed £20,000.

**33.** The Council reaffirms the evangelical counsel that the scandal of poverty is an affront in the sight of God and that overcoming the pain and suffering that poverty causes is the work not only of the local church in parishes identified as priority areas but of the whole people of God. It further recognizes that, in the context of the ongoing crisis in financial markets, there is an urgent need for authoritative guidance and imaginative use of all the resources that have been left to us in God's providence for his glory and for the building of his kingdom on earth at this time. Therefore it recommends that the General Assembly should set up a Commission on the Purposes of Economic Activity.

*In the name and by the authority of the council*

IAN F GALLOWAY, *Convener*  
ALEXANDER G HORSBURGH, *Vice-Convener*  
EWAN R AITKEN, *Council Secretary*