

## SEPTEMBER 2017

Dear Friends,

### 'The Crash'

9<sup>th</sup> August this year marked the tenth anniversary of the Crash, when the entire financial system in Europe and the United States was brought to the brink of collapse. Few people appreciated at the time, when a French bank (BNP Paribas) first flagged up concerns about the American sub-prime mortgage market, how serious the situation would become, but the suspension of three of its funds sparked off a crisis which rapidly spiralled out of control. As the hapless chancellor at the time, Alistair Darling, has wryly observed,

“An apparently small ripple in the water can become mountainous seas very quickly!”

Banks stopped lending to one another, the government found itself pumping billions of pounds of taxpayers' money into cash-strapped *Northern Rock* and *RBS*, and this country witnessed the first run on its banks for 150 years.

Alistair Darling recalled on the anniversary the chilling moment when he left a meeting of European finance ministers to take a phone call from the then chairman of *RBS*, which was not only the biggest bank in the world but one with a turnover about the same size as the entire British economy, and heard how it was haemorrhaging money fast:

“I said to him, 'How long can you last?' And what he said to me shook me to the core. He said, 'Well we're going to run out of money in the early afternoon!’”

At the height of the crisis up to fifty businesses were going bust every day and unemployment rose dramatically. Ten years on we still feel the effects. But have the lessons been learnt?

Mark Carney, the Governor of the Bank of England, has assured us that the larger banks are much stronger now and the kind of problems raised by the sub-prime mortgages in the States could never recur. But concerns remain: the high level of household debt, the endless drive for economic growth and profit tempting people to be greedy and take foolish risks, the interconnected nature of economies making us vulnerable to problems occurring elsewhere in the world, memories fading and mistakes that led to the crash being repeated once those in the banking industry who experienced the crisis have all retired or died, or banks simply becoming too big and economically important for governments to allow them to fail.

There are dangers and uncertainties, and the resources we need to tackle them are spiritual as much as technical. The promotion of Christian principles such as service to others (Mk.10:43-45), simplicity of lifestyle (Mt.6:25-43) and social justice (Mic.6:8) would significantly help. If those in the financial sector (including the ordinary savers) genuinely sought to serve others and not just themselves, for example, we would see more constructive, ethical investment and the right kind of risk-taking. If all of us aimed to live more simply and within our means, we would be more careful and wise in the use of our limited resources. And if we were all truly committed to social justice, we would seek a more equitable sharing of the risks and rewards.

“What does the Lord require of you? To act justly, love mercy, and walk humbly with your God.” (Micah 6:8)

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