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**NEWSLETTER**

**August 2009**

*Editorial by Bruce Duncan*

## Will we lose this chance to reform our economies?

There is still much uncertainty about whether the international economy is through the worst, or if it might make another plunge into deeper recession. Some are cautiously optimistic, pointing to signs of some pick-up in the United States.

But are we making the urgent changes needed, first, to address the looming consequences of climate change; and secondly, to ensure greater equity, not just in our own country, but so that people in poorer countries also can achieve better livelihoods?

What is in question here is the dominant economic growth model, one of the chief villains in our profligate use of resources and damage to the environment.

The danger is that we will struggle through the current economic crisis but not learn from it. In that case, we are very likely to repeat the whole terrible fiasco, with possibly even greater disasters ahead.

The danger signs are already flashing about the unchanged culture of extravagance and greed in financial markets. A report by the New York Attorney General's office on 31 July said that the culture of lavish bonuses on Wall Street encouraged excessive risk-taking, and that pay scales had not dropped last year despite the catastrophic losses.

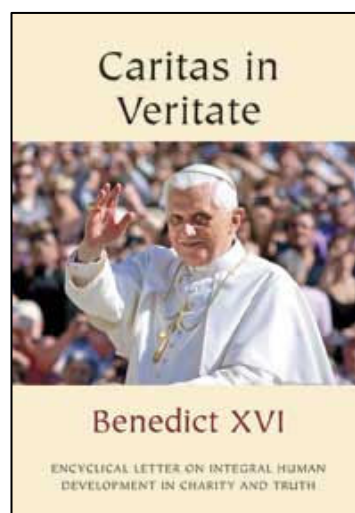
### **Perverse incentives**

Nine big banks paid out \$32 billion in bonuses at the same time as tax payers were pumping in \$US175 billion in emergency support. Almost 5000 people received bonuses of \$1 million or more in the midst of this crisis. Citigroup and Merrill Lynch each paid nearly \$US 9 billion in bonuses despite their huge losses. Goldman Sachs Group paid its employees an average of \$160,000 each, with the top 200 earners receiving almost \$1 billion in total. The top 14 people took more than \$143 million between them. Goldman Sachs has accumulated \$US11.4 billion so far this year, enough to give each of nearly 30,000 employees an average bonus of \$US770,000.

The very people who have done so much to cause the financial crisis have been rewarded with astonishing largesse. Have we learned nothing? Perverse incentives will likely lead to a repeat fiasco.

Yet it is other people who suffer most. Currently 9 million Americans rely on unemployment insurance for their income, and the number is increasing. Since December 2007, 6.5 million US jobs have been lost, resulting in an unemployment rate of 9.5% in June 2009, and which is expected to rise to 10% by year's end. In coming months, 1.5 million Americans will exhaust their unemployment benefits.

Though Australia has so far escaped relatively lightly, globally the situation is worse, particularly for the developing and poorer nations. The optimism at the end of the Cold War that we could focus on lifting living standards everywhere has been badly frayed. Those years of plenty have been squandered.



### **How might the encyclical help?**

As Pope Benedict's new social encyclical argues, we must do better if we are to manage the great challenges facing humanity: the threat from climate change, the large numbers of people still living in inhumane conditions, threats from violence and terrorism, the proliferation of

nuclear weapons and increasing military spending, the great scale of migration, resettlement of refugees and asylum seekers, and the scandal of vast wealth in the hands of a few while so many lack necessities.

Dr Paul Rule pointed out in our July newsletter how the Pope is calling for a renewed effort to set our moral compass more accurately, by giving a high

### **Coming Events**

#### **"The Global Financial Crisis: Opportunity for Transformation?"**

by **Dr John Langmore**

*Professorial Fellow, School of Social and Political  
Sciences, University of Melbourne*

**Wednesday 9 September, 7.30pm**

*New Study Centre, Yarra Theological Union  
98 Albion Rd., Box Hill, or via 34 Bedford St  
Tea/coffee available afterwards*

priority to social justice and equity. We need to redesign our policies so that our culture and economies are sustainable for future generations, and truly serve the needs of everyone.

Yet Pope Benedict's encyclical is heavy-going, and lacks the sharp focus and direct appeal of Pope Paul VI's *Development of Peoples* in 1967. We are going to need to put effort into making it work for us.

The encyclical is important not just for Catholics as the Church's most authoritative statement on these most urgent issues. Many other Christian traditions also look to the Pope's document to further the conversation in their own assemblies about the moral implications of the crisis, and how we might best respond. Indeed, all concerned people of whatever religious or philosophical persuasion will welcome any help to galvanise public opinion about the urgency of these issues.

Some right-wing Catholic commentators in the USA have reacted negatively to the new encyclical's call for a more equitable distribution of wealth, even condemning it as socialist and hostile to American capitalism. What they fail to see is how central to Christian thinking is concern for justice and equity.

They also fail to see that other versions of capitalist economies produce far more equitable social outcomes than does that of the USA. Some northern European economies, among others, combine secure prosperity with high levels of social equity.

President Obama and his colleagues have a herculean task ahead of them in trying to reform the US version of capitalism. They face extremely powerful and entrenched interests which will fight tenaciously to maintain their influence and dominance.

The outcome is still very unclear, but unless citizens insist their governments give greater emphasis to fostering sustainability, along with equity and opportunity for everyone, then this chance for deeper, systemic reform may indeed be lost.

The commitment to improving human wellbeing for everyone is fundamentally a moral one. It is also a most insistent demand of the great religious traditions. The challenge, of course, is to work out how to embody these values and hopes in social and economic practice.

***SPC members have published several articles on the new encyclical. See our SPC website's homepage, and Paul Rule's editorial in our July newsletter.***

### **Ecumenical Forum on the Encyclical**

To better respond to the complex new encyclical, SPC will delay its ecumenical forum to debate issues in *Caritas in Veritate* for a month or so.

*Science Week @ The Cathedral,  
16-23 August*

### **FREE PUBLIC LECTURE**

19 August 6.15pm

**St Paul's Cathedral, Melbourne**

**Paul Holper, Manager of the CSIRO  
Climate Change Science Programme**

**'Climate Change Fact or Fiction?  
Where to from here?'**

### **Australian theologian questions morality of war in Iraq/Afghanistan**

Disturbing ethical issues continue to surface about the conduct of the wars in Iraq and Afghanistan, according to a leading Australian moral theologian.

Professor Brian Johnstone, a Redemptorist priest visiting his home city of Melbourne, was speaking to about 50 people at an SPC forum on the war in Iraq at Yarra Theological Union on 23 July.



Fr Johnstone summarised the opposition to the war by authorities in all major churches. He said that it was clear that the reasons given for the war were spurious, and that it had been prosecuted in an unjust way, with massive destruction of civilian infrastructure such as sanitation treatment works, resulting in the deaths of tens of thousands of innocent Iraqis.

He said that historically just-war theory had often been used to rationalise the interests of rulers, but in recent times it was being recast to limit war far more tightly than in the past. Pope Benedict saw the United Nations as a necessary step beyond tribalism, as part of securing peace for 'the whole human family'.

Fr Johnstone was particularly critical of the use of drones in the Middle East. Because of faulty or inadequate intelligence, operators in another continent were often killing innocent men, women and children.

*Fr Johnstone lectured at YTU until the 1980s, and later taught at Rome's Alphonsian Moral Academy and, now, at the Catholic University of America.*