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The Bible, the Economy, and the Poor

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12. Financialization and the Changing Face of Poverty

Christian and Muslim Perspectives

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Introduction

The work of Nobel Prize-winning economist Amartya Sen has transformed discourse on poverty to encompass more than the existence of groups falling below certain income standards derived from reductionist economic models. Sen advanced a definition centering on the capabilities and functionings of individuals in their unique social contexts to show that material deficiency is an inadequate measure of what it means to be poor. His notion of poverty as "capability deprivation" along with global evidence showing how "*relative* deprivation in terms of *incomes* can yield *absolute* deprivation in terms of *capabilities*" expanded the debate from a narrow focus on wealth to a broader consideration of life's possibilities (1999: 89). According to Sen, poverty is determined as much by the absence of social conditions and relationships that enable human flourishing – a minimum standard being the ability to take an active part in the life of one's community – as by economic circumstances that impact the material standard of living.

Sen's capabilities approach is in many ways consistent with religious perspectives on poverty and its cultural dependencies. For theologians and religious ethicists, assessments of material welfare must be complemented not only by measures of social integration but also by discernments of human purpose and well-being derived from distinct theological positions such as those highlighted in this volume. Religious explorations help illuminate the crisis of poverty for what it always has been – a spiritual and moral problem as much as an economic one. Proposed solutions that address only the latter inevitably degenerate into public policy exercises that offer shortsighted fixes, ignoring core issues that perpetuate the miseries of those in need.

Contemporarily, what is often called "financialization" – the continuous shift of resources from the production of *real* goods and services to the financial sector and the rising influence of financial values and logic in all institutions – is altering the global culture in which poverty persists. Technical advances have left much of the world behind, yet they also may limit the capabilities and functionings even of those whose monetary wealth has been enhanced by the explosion of financial technique. Owners increasingly are unable to control or, in many cases, even to know what they possess, much less direct their investments toward any particular notion of "good." Capitalism's evolutionary course has lessened the possibility for stewardship over possessions, deconstructed traditional relationships that foster social and moral development, and promoted increasingly narrow views of both society and the human person. Religious perspectives can help restore balance and recover social imagination that has faded with capital concentration in financial assets beyond the understanding of even savvy investors as the gap between rich and poor expands and the social commitments of all classes deteriorate. While evidence suggests the nominal poor are bearing the brunt of this transformation, the rise of instability and damage to social relationships and ethics revealed in recent crises affect us all because of finance capitalism's pervasive reach.

Theological perspectives also complement Sen's capabilities approach in the belief that poverty is an inherently teleological concept. Assessments of material need for individuals or groups without reference to their life goals or the cultural setting in which those goals can be pursued have little meaning. Importantly, the financial system that today is critical in providing resources for so many to realize their aspirations, *at its best*, is similarly teleological. Gauging either the efficiency or justice of a financial system is impossible absent some basic understanding of what finance is for; yet recent changes, while enhancing capital mobility and distributing risk in ways *theoretically* beneficial to economic growth, also have contributed to teleological confusion. Loss of vision regarding the purpose of financial institutions and growing distrust of industry practices contribute to our present angst, both spiritual and economic. Traditional social and moral roles of finance are being lost in the contemporary obsession with maximizing return by whatever means without consideration for what good the return to capital produces.

Christianity and Islam, in particular, offer vital resources for rethinking the very nature of poverty that is occurring as successive calamities rock the economic system and uncertainty grows. Long-established doctrine and practices of these traditions concerning justice in economic relationships, offering spiritual and moral perspectives on commercial activity, and establishing priority for the needs of the poor serve to balance the materialism

of a civilization that looks chiefly to economic reports for measures of its well-being. While Christian and Muslim contributors to this debate are critical of financialization's impact on wealth distribution and other measures shown to disproportionately harm those less well off, they also emphasize how economic changes are altering traditional values and social relationships that, in certain ways, impoverish us all. They reveal how "spiritual deprivation" and social disintegration, as much as economic insecurity, have been the products of the global "financialized" economy. Solutions to these problems must come from *beyond the economic system* because, for the most part, the progressive expansion of finance capitalism has been logical even as it becomes more socially and morally harmful. Intensified development of "theological economics" and discovering some meaningful method of integration with social policy offers hope in meeting the challenges of financialization that seem to defy the capabilities of economic theory and eclipse the policy potential of governments.

The Financialization of Capitalism

The financial industry's rise to dominance was a transformative economic development in the last-half of the twentieth century. Scholars such as Greta Krippner and William Lazonick have produced a substantial literature on the growing influence of financial interests, values, and practices beginning around the 1970s that was subsequently amplified by the information technology explosion of the 1990s. While debate continues concerning its overall impact, financialization of the economy has been accompanied by undeniable changes that many see as destabilizing: further widening in the distribution of income, acceleration of commodity price volatility, explosion of government deficits, increases in corporate and household indebtedness, and a pervasive short-termism in corporate management policy designed to maximize "shareholder value" often at the expense of other values and interests. Argitis and Michopoulou cite the growing body of statistical evidence contributed by numerous scholars of a dramatic income shift in favor of the financial sector (145). Organizationally, the authors note how even for non-financial companies this change "has pushed managers to act as financial market players" (148). Moreover, financial markets that at least until recent crises were so alluring have changed significantly regarding expectations for return on investment. In many cases investing has become akin to gambling, spurred on by an attitudinal change Crotty observes where formerly "patient" financial markets that targeted long-term growth have become "impatient," increasingly coercing the companies they supply with capital to pass along a greater share of their profits to investors in the form of dividends (cited in Argitis and Michopoulou: 148). Financial criteria have become progressively deterministic of corporate behavior and highly influential in the *overall* assessment of corporate performance.

Financialization's reach, however, extends well beyond corporations. In the United States, government programs to boost home ownership have combined with the easy money policies of the Federal Reserve System and lax credit standards of banks and mortgage companies to significantly restructure the income-debt-savings relationship in American households. Government-sponsored entities (GSEs) such as Fannie Mae and Freddie Mac were congressionally chartered to facilitate widespread homeownership in the United States. Indeed, the subprime crisis involving millions of mortgage loans to homebuyers who lacked the means to repay them, suggests these institutions succeeded in accomplishing their goals;

the problem appears to have been in knowing where to stop. Dynan observes a rise in the median household debt-to-income ratio from 0.14 to 0.61 between 1983 and 2008 (54). Some see the easing of credit policies as an intentional effort to ameliorate the widening of income distribution associated with changes in macro finance. As Caruthers and Kim citing Rajan (2010) observe, "letting poor people borrow may have been more politically palatable than overtly redistributive interventions such as increasing tax progressivity" (246). Yet attributing this liberalization in debt-tolerance to the actions of any one entity is too simplistic. Rather, it has been a collaborative effort among governments, lending firms, credit rating agencies, and consumers themselves who have taken advantage of historically unprecedented access to credit in their pursuit of the "good life."

At the same time, globalization has enabled multinational corporations to shift operations to regions where low-wage labor is abundant, offsetting some of the labor-cost escalation from the economic boom period in the 1990s and early 2000s. This worldwide redistribution of production has had negative consequences for workers in developed nations not only through rising unemployment but also in stagnating real wages and gutted health insurance programs. And, as witnessed in the April 2013 collapse of a factory building in Savar, Bangladesh that claimed over 1000 lives, it has had hazardous consequences for laborers in developing countries (Manik, Greenhouse, and Yardley). Intense global competition in the production of low-cost products and, increasingly, even skilled professional services, is also causing corporations to turn to innovative and riskier means of profit-seeking. American automobile companies and electronics conglomerates, for example, turned to their credit services and investment divisions to seek out new sources of revenues. To give the impression of financial health, American corporations have engaged in stock repurchase programs to an unprecedented degree in keeping their share prices inflated (Lazonick: 695-697). These changes resulted in a turn from traditional forms of investment in plant and equipment to greater investment in technologies and human capital that are increasingly "financial."

Financial innovation today involves more than human inventiveness in seeking to increase return on capital in the face of rising costs and international competition. It carries with it a whole new set of values and assumptions about the nature of work, the composition and allocation of wealth, and the role of financial intermediation in economic development. Securitization of mortgages, for example, the process of aggregating individual mortgages into mortgage bundles that can be traded in secondary markets, has had the effect of transforming a traditionally illiquid asset (mortgage) into pools of mortgages that can be bought and sold. Liquidity was improved and risk distributed to more players in the economy, facilitating ease of capital movement in the market. Yet securitization's emphasis on pooling and reselling mortgages led to the practice of loan originators holding mortgages for shorter periods of time, which, in turn, encouraged more lax screening of loan applicants. What was damaged in this implicit social bargain was the traditionally stable relationship between mortgagor and mortgagee and the security- and community-enhancing effects of that relationship. While the long-term impact of this change cannot yet be determined, the immediate result has been a loss of fidelity and diligence in the mortgage origination process that appears to have contributed to significant increases in delinquent loans and foreclosures in the U.S. (Keys, Mukherjee, Seru, and Vig).

Importantly, the social sciences are limited in addressing these concerns because positivism's influence in economics, sociology, and other disciplines largely excludes fundamental issues – first principles involving what "should be" appropriate economic relationships – from the conversation. Progress is, among these fields of study, a simple object of inquiry; its rate is a mere variable to be calculated. Financialization rides the wave of technical complexity in generating additional paper capital even as it allocates wealth in ways beyond the comprehension of most market participants. This transformation of "ownership" places the very concept outside religious conventions of what it means to possess a part of creation and exercise stewardship over it. Ironically, our overwhelmingly financial capitalism has facilitated an explosion of what some call virtual wealth even as it lessens the possibility for real possession in any traditional sense.

Financialization's Impact on the Poor

Emphasis on the ways poverty is changing as the global economy financializes is not intended to ignore the crisis of "traditional poverty" that persists. Material scarcity remains the rule for a majority of the world's residents. Beck, Demirguc-Kunt, and Levine, provide statistics based on Purchasing Power Parity exchange rates produced by the World Bank to show that around the turn of the twenty-first century over 50 percent of global citizens existed on less than $2 per day, and of that number approximately 40 percent were forced to survive on less than $1 per day (1, n. 1). Wade observes the consequences for political stability as "most actual or potential 'failing states' have most of their populations in the bottom 20 percent of world income distribution" (18). Shocking measures of relational poverty also persist such as Mark Nixon's observation that average consumption expenditures on pets in the United States exceed the per capita incomes of the bottom quintile of people worldwide (40). Countless instances of material deprivation and its discouraging persistence are well documented.

Global capitalism's financialization appears only to be making matters worse. Complexity in the relationship between finance and poverty grows by the day, making policy formulation difficult. Only a few years ago, economists were ebullient over prospects for the expansion of modern finance to the developing world. In a working paper for the National Bureau of Economic Research, Beck, Demirguc-Kunt, and Levine built on the substantial literature showing that "financial development produces faster economic growth" with evidence demonstrating that finance also has a disproportionately positive influence on income growth among the poor. The World Bank and other international financial institutions (IFIs) developed microfinance-based programs – the targeting of small loans to individuals and impoverished communities for start-up businesses and other projects with the intent of helping them achieve economic self-sufficiency. Such programs were thought to mesh well with some traditional cultures because of affinities between program goals and the values of countries targeted for development. It was believed, for example, that existing Islamic financing principles encompass "moral and ethical attributes that can effectively motivate micro-entrepreneurs to thrive" (Abdul Rahman: 284). The profit and loss sharing practices of Islamic finance, where lenders maintain an ongoing stake in the success or failure of enterprises funded, were believed to be highly consistent with the principles of microfinance.

There is evidence that microfinance programs, at least initially, had positive social as well as economic benefits. The "Grameen Model" of microfinance implemented in Bangladesh, for example, has realized significant gains in overcoming the "finance gender gap" in that country. At one time as many as ninety-five percent of borrowers obtaining loans from the Grameen Bank of Bangladesh were women who demonstrated greater reliability in loan repayment than their male counterparts (Gibbons and Kasim, cited in Abdul Rahman: 285). Yet the microfinance approach to poverty has not been without its critics as charges of political influence and corruption have accompanied the provision of funds.

While the politics of microfinance has long been a concern, an even more intransigent problem appears to be forming that defies the philosophy behind microfinance and is closely tied to financialization. Christa Wichterich investigated microfinance programs in the South Indian state of Andhra Pradesh, which has seen the most extensive penetration of microfinance institutions (MFIs) anywhere in the world (406-407). The extension of microcredits to women, in particular, was "held up as a panacea to reduce poverty, empower women and promote small entrepreneurship" (407). However, growing competition among (especially European) financial firms in supplying capital to the microfinance market has combined with aggressive marketing and led to the formation of a "subprime mentality" – not unlike the one that formed in Western mortgage markets – to undermine the system. Lenders began to "encourage women below the poverty line to borrow who had no realistic repayment prospects," forcing those women to approach local money lenders who charge exorbitant interest (often more than 50 percent) for help in repaying their microfinance loans (408). This effectively forced poor women in Andhra Pradesh back into the same oppressive financial relationships from which the microfinance program initially sought to liberate them.

Yet Wichterich sees international finance as playing an even more insidious role. Liberalization of financial markets and the extension of Western "client and profit chasing" practices to India resulted in a turn away from government-supported development projects to private MFI programs. This transition shifted the overall emphasis of the program "from saving to borrowing, from need- and community-oriented activities to market and business-driven service, from empowerment of women to returns for the investor, from poverty reduction to growth of the sector, and from solidarity to competitiveness" (409). The entire culture was transformed from one of long-established traditions to one based on debt and immediate access to credit – what Wichterich refers to as the "financialization of everyday life" (409).

What is of particular concern is that changes in the global financial system are rendering the world economy less able to address conventional poverty such that efforts toward its elimination, which some believe possible through the spread of market capitalism, have diminished in priority. Financial crises in countries once economically prosperous such as Italy and Ireland have, in recent years, garnered much of the world's economic attention. Dreams of eradicating poverty are fading not because capitalism has proven incapable of producing sufficient output to feed and clothe the world, but rather because its evolution has led to structural unemployment, extreme concentrations of wealth, and government budget deficits that weaken the ability of developed nations to aid those that lag behind.

Global economic problems not only impact the ability to aid poor nations, but they also affect the capability of advanced countries to assist their domestic poor. Income distribution that is thought to be exacerbated by financialization grew significantly between 1983 and 1989, a period of intense financial deregulation. At that time, 62 percent of the total gains in marketable wealth went to the top 1 percent of wealth holders and 37 percent of gains went to the next 19 percent, while wealth for those in the bottom 80 percentile rose only 1 percent (Wolff: 12-13, cited in Persell: 155). The belief that finance has the potential to alleviate poverty and even reduce the income gap has been shaken by the volatility reflected in recent crises that has aggravated macroeconomic instability and worked against the poor. In a working paper for the International Monetary Fund, Baldacci, de Mello, and Inchauste found that "financial crises deepen poverty and income inequality" resulting from "a more-than-proportional fall in the income share of the lowest income quintiles of the population and an increase in the income share of the richest one-fifth" (2). Regardless of the specific effects, what we can say with sobering confidence is that financial developments of recent years are altering the very nature of poverty and expanding its reach, if one accepts the comprehensive explanation of what it means to be poor advanced by Sen and many theologians and ethicists.

Poverty Redefined

If a legitimate measure of poverty includes denial of opportunity for stewardship over what one owns – a fundamental denial of freedom – then contemporary forms of ownership impoverish us all. Even standard methods of investment today such as mutual funds, often comprising hundreds of stocks, bonds, and other instruments, make it essentially impossible for average investors to know whether their portfolios conform to their values. The purely economic logic that guides investment decisions clash with religious obligations to stewardship and forge capitalism's principal challenge to freedom, an essential condition for human flourishing and a serious impediment to the elimination of poverty.

Given the realities of the new financial culture, efforts to harmonize religious and secular views of poverty must look beyond material distinctions. Sen's work is invaluable to this effort because it emphasizes the essential relationship between poverty and freedom. Our humanity hangs in the balance between these conditions, yet rationalism often distorts the relationship by imposing its own deterministic logic. According to Sen, "it is important to reclaim for humanity the ground that has been taken from it by various arbitrarily narrow formulations of the demands of rationality" (2002: 51). Economic rationalism, in particular, has worked its way into even our most sacred institutions, exaggerating material welfare above all else and projecting a one-sided vision of freedom that cannot represent the many dimensions of the human person.

A traditional source of liberty in Islamic and Christian societies has been the connection between owner and possessions. The ability to work the land and to shape an "asset" from natural resources using one's own hands and according to one's unique intentions in advancing some greater good is fundamental to both traditions. Significantly, the owner-possession connection and the stewardship function that derives from it and that enables human freedom must be preserved in the context of community. Yet this communal aspect

of ownership is being challenged by value changes associated with modernity; modern finance is at the forefront of that challenge.

Historically, religious views of poverty see disconnection not only from property but also from God and from relationships essential to human welfare in all its forms – material, spiritual, and social – as sources of unfreedom that are intimately tied to privation. Augustine viewed almsgiving as pedagogical for the almsgiver's soul as much as it is materially beneficial for the recipient. The process of almsgiving reinforces a social connection between economically unequal persons that underscores Christian teaching that all are equal before God. Augustine offers the example of a senator who rejects a beggar's pleading, saying, "the senator is repulsing in the beggar the status to which he himself might come through the precariousness of human fortunes, whereas God never lapses into baseness of character" (quoted in Kamimura: 293). Similarly, Thomas Aquinas's theory of property emphasizes its social character; absolute property rights belong only to God and all Christians are obligated to promote the communal benefits of their possessions (Small: 7-8). In speaking of the Catholic Church's preferential option for the poor, Pope John Paul II reminded all that "this option is not limited to material poverty, since it is well known that there are many other forms of poverty, especially in modern society – not only the economic but cultural and spiritual poverty as well." He also warns of complacency in assuming that modern systems of political economy will render the Church's responsibility mute, for "poverty is threatening to assume massive proportions in spite of technological and economic progress" (57).

Financialization is changing the nature of property and ownership in ways that, perhaps ironically, limit possibilities for flourishing by contributing to unfreedom. The financial system offers the illusion of choice in that we seemingly are free to choose among myriad investment alternatives and to expand consumption choices through greater reliance on debt, yet the increasing isolation of those choices and growth in the complexity of options often confuse as much as they clarify. Cryptic entanglements in financing arrangements restrict the freedom of debtors, a term that has come to describe most citizens of even affluent nations in some way. These forces combine to impoverish the system as a whole.

Freedom also is limited in that the ability to target one's economic resources toward particular ends is fading even as the economy expands. Value expression through the market is being lost. Theologian William Cavanaugh insists that "the absence of external force is not sufficient to determine the freedom of any particular exchange" (2003: 4). Cavanaugh paraphrases Augustine on the need for *telos* to determine true from false desires, stating "that freedom in fact depends not on the autonomy of the will, but on the end to which the will is moved" (2003: 3). Movement of individual wills is dependent upon some moral grounding reinforced by social relationships or, in Cavanaugh's words, "a community of virtue is needed in which to learn to desire rightly" (2003: 3). Financialization presents us with conditions such that even if the ability to desire rightly exists, the mechanisms for translating desire into action may not.

Many Muslim social thinkers also see the new financial order as promoting materialism and denying freedom to unwitting participants who assume risks on behalf of a powerful few who have the resources to play high-stakes financial games. They often characterize the

global system as prone to crisis because it fosters increasingly "imaginative" instruments for wealth generation, promotes wide fluctuations in interest rates, and inequitably distributes risk (Ahmad). Among large investment vehicles, derivatives are contracts between parties that effectively enable gambling on whether "underlying entities" – for example, the prices of commodities, interest and exchange rates, defaults on mortgages, and virtually any other economic phenomena – will change in particular ways. Derivatives are designed to reduce exposure to specific market events, yet their complexity and hedging function lessen the ability of big investors to express any conception of good through investment. Investors today regularly take "positions" to minimize risk rather than targeting objectives toward which they direct resources.

Securitization in the bundling of debt instruments and the development of the derivative contract represent in the Islamic view merely greater sophistication in the attempt to stray from basic stake-holding relationships in which risk and return should be equitably distributed. Thus, risk distribution that accurately reflects the claims of Muslim stakeholders (owners/investors, managers, employees, and other associated parties) in business ventures is considered fundamental to social justice and an essential component of the Islamic investment ethic. The "trading of risk" among investors who have no real stake in the underlying assets that are the subject of transactions sets the table for exploitation of those who participate in the production of tangible goods and services by speculators who have mastered financial technique. Prohibiting such practices is considered by advocates of Islamic finance to prevent the institutionalization of poverty that they believe is endemic to the "usurious" financial systems of liberal societies.

If what we mean by freedom also includes the ability to allocate one's time across a range of activities that correspond to the full expression of human personality, then even the monetarily richest among us may be growing poorer by the day. In his essay, "Economic Possibilities for our Grandchildren," John Maynard Keynes predicted that by the year 2030 modern society would have achieved the productivity necessary to allow the average person to labor around 15 hours per week while continuing to improve the standard of living. He envisioned that this great expansion of productivity would free us "to return to some of the most sure and certain principles of religion and traditional virtue – that avarice is a vice, that the exaction of usury is a misdemeanor, and that love of money is detestable." The Keynesian vision today appears utopian in terms of what constitutes the good life and simply wrong with regard to the human labor necessary to maintain living standards. The dramatic growth in two-earner families and commonly noted dwindling of the middle class are sufficient evidence for the last statement. Keynes was also wildly optimistic in believing we can overcome our materialism and move on to the better things in life. Given the demands of business, are even the rich today freer in terms of their ability to pursue non-economic forms of self-development, direct their wealth toward specific purposes, or even to take more active roles in the lives of their communities? Evidence shows that both public and private donations have been hard hit by recent economic troubles. Private philanthropic donations fell by $13 billion (approximately 13 percent) during the recession from 2008 to 2010 that was associated with the financial crisis (*Philanthropy Journal*). Is it possible that the waning tangibility of wealth in this era of financial complexity has harmed charitable giving due to a lack of confidence in assets held?

Financial instability also impacts the capacity of poor nations to provide even basic foodstuffs for their populations. Commodity price volatility has been closely associated with financialization and is thought to have inspired food riots in Cameroon, Senegal, Morocco, and elsewhere. Wild price swings associated with speculation in wheat, corn, and other crops have positioned these staples beyond the monetary resources of many poor countries. And it is not simply price *increases* that hurt those in poverty; Wray observes of price *decreases* that "already tight global food supplies will be restricted further if farmers react the way they usually do to falling prices: by destroying crops and slaughtering animals" (76). Governments now commonly pay farmers to idle production or plow fields under in cases where harvests are thought to be "too plentiful" and will likely drive prices below desired levels.

Although Keynes likely would not agree, theology is today as essential as economics in getting at the reasons why his predictions are not being realized. We are not advancing toward a 15-hour workweek and an appreciation for the finer things in life; rather, we seek to wrest ourselves from an economic system that grows evermore deterministic. Spiritual malaise results from feeling encased in complex algorithms alongside our assets. The loss of personalism in economic relations alone has been a heavy cost to progress that cannot be negated simply by greater acquisition. Theology is necessary to help assess the spiritual and moral consequences of the transformation that has occurred. It is also needed to determine whether it is possible to maintain the remarkable economic growth of the last half-century and extend those benefits to the poor while reclaiming some of the spiritual and social capital that have been sacrificed along the way.

Christian Views on Financialization and Poverty

In 2009 Pope Benedict XVI published the encyclical *Caritas in Veritate* (*Charity in Truth*) as a re-articulation of many of the ideas expressed in Paul VI's *Populorum Progressio* (*On Human Development*) four decades earlier. Benedict's encyclical, however, was more than a tribute to a predecessor; it was a response to monumental changes in the financial component of human development that has served not only to destabilize the global economy but also to fundamentally reform social relationships. While Benedict acknowledges the expansion of the global economy "that has lifted billions of people out of misery," he expresses concern about "the damaging effects on the real economy of badly managed and largely speculative financial dealing" and the exploitation of both human and natural resources that have resulted (21). The encyclical demonstrates Benedict's awareness that the form of poverty is changing with significant shifts in the world economy. While acknowledging global wealth increases "in absolute terms," there are renewed concerns about the inequalities that more intensely financial forms of growth entail.

The former pope laments that the idea of development has modernized such that much of the world has turned away from maintaining institutional networks that offer services for the poor (27). He implores the world to put away financial games that lead to the enrichment of a few but little real development for the many; such manipulative growth forgets the need for charity in the hope that finance can provide some kind of magic bullet for the social problem. He also notes how changes in the financial system are narrowing the scope of business to a singular focus on the return to shareholders. That myopic vision leads to "a speculative *use of financial resources* that yields to the temptation of seeking only short-term

profit, without regard for the long-term sustainability of the enterprise" even as it deters "further economic initiatives in countries in need of development" (40). Here, Benedict unmistakably connects a principle value of financialization (maximizing shareholder wealth) to the neglect of impoverished nations that are in need of real and sustainable growth. In this regard, finance has strayed from its original purpose as a culturally and ethically reifying institution.

Caritas in Veritate recognizes how even those who benefit monetarily from speculative dealings are diminished because such practices strain solidarity and obscure meaning in society. The encyclical even advocates what might be considered an absurd goal from the perspective of contemporary finance: "to launch financial initiatives in which the humanitarian dimension predominates" (65). Benedict clearly sees this proposal not as something new but rather as seeking a return to finance's noble past that cannot be accomplished through state enforcement alone; it requires ethical commitments by financial professionals and their associations, investor groups, and even consumers, who have a responsibility to become educated in their choices.

Recently, Pope Francis has taken up the financial reform mantle, blaming corruption and the deregulation of markets for inspiring a "cult of money" that has led to rising income inequality. Francis notes how this "imbalance is due to ideologies promoting markets' absolute freedom and financial speculation, which prevent governments from exercising their right to control [on financial institutions] for the common good" (quoted in Bacchi). It is markets that are being granted freedom rather than people – a perverse twist of means and ends that elevates economic systems over the people they are designed to serve.

Cavanaugh's exploration of unfreedom in the marketplace actually extends theological development in the Christian tradition that calls attention to differing conceptions of liberty between Christianity and systems of political economy grounded in classical and Enlightenment philosophy. The liberal notion of freedom as it has evolved in the West and been expressed in the market "is conceived as the absence of interference from others"; yet this view is inadequate as revealed in the thought of Augustine, Aquinas, and others in the Christian tradition (2003: 1). Cavanaugh states that what is needed is "a substantive account of the ends of earthly life and creation, so that we may enter into particular judgments of what kinds of exchanges are free and what kinds are not" (2003: 1). He describes the consumerism of contemporary culture in a way that is analogous to the financialization of capitalism where he states that consumerism "is not so much about having *more* as it is about having *something else*" (2005: 8). It is a spiritual more than a material orientation that reflects restlessness with what we possess and with ourselves generally and that leads to the commodification of everything, even the most personal and sacred elements of life, which enables new possibilities for exploitation (2005: 8).

The same spirit of restlessness and lack of care for possession might be said to have inspired the development of derivatives, which played a huge role in recent financial crises. Commodification is further extended by these contracts that allow parties to place bets on whether most any economic phenomena will change in particular ways. The ability to wager on virtually anything through derivatives, whether or not the contracting parties have any real stake in underlying assets that are the subject of their bet, conforms to the spirit of

restlessness that Cavanaugh observes in consumption. Their phenomenal growth over the past decade saw the monetary value of trade in interest rate derivatives alone grow to around $390 trillion by 2009 (Leadbeater: 12). The volume of such contracts might be seen as reflecting the *degree* of restlessness in society.

Cavanaugh's concern with consumerism has much to do with the isolation of consumers from the products they purchase and even from their work that provides funds with which to purchase them (2005: 12). The shift to increasingly complex financial instruments has contributed similarly to isolation of investors and lack of concern for the objects of investment. Both conditions lead to a kind of economic anomie, promoting an impoverished spirit in consumption and investment that extends across the income spectrum. Even those privileged with wealth often no longer care for what they own because, in many cases, they no longer understand what they own, much as consumers remain aloof from the byzantine processes that supply our retail goods.

Protestant and Eastern Orthodox thinkers too are beginning to explore how poverty is impacted by the new financial culture. Nimi Wariboko reveals how theology has relevance even to international finance and monetary policy; specifically, how the dominance of particular currencies can aid the exploitation of developing countries. He notes how theologians such as Paul Tillich have ascribed "ultimate" qualities to money; national currencies like the Euro and American dollar "claim universality and absoluteness" even as they "serve only particular national (imperial) interests," furthering hegemony and preventing developing nations from truly developing (149). Gerasmos Makris and Dimitri Bekridakis observe how financial crisis has resulted in an odd configuration to the poverty in Greece where "conspicuous consumption still thrives next to 27% unemployment (more than 50% among the youth), people searching the rubbish for food and malnourished children fainting in school" (116). They see the influence of neoliberal capitalism in the country creating a kind of "kleptocracy" that reveals a total lack of concern by those in the upper income bracket for those at the bottom (117). Continued proliferation of these conditions worldwide exposes the rising contradiction between a wildly free market capitalism fueled by an out-of-control financial sector and the central values of Christianity.

Mark Nixon observes how "free market anthropological assumptions" conflict in three essential ways with the anthropology of the Judeo-Christian tradition. First, free market anthropology is "rigorously asocial" in contrast with the "strongly social" conception of the person in Judeo-Christian culture. Second, the radically individualistic concept of ownership promoted by the free market exists in opposition to the religious view of the owner as responsible for "stewardship of resources for the benefit of the community as well as the individual." Finally, the absence of a "historical time dimension" and consequent emphasis on immediate consumption and gratification promoted by the market diverges from the religious understanding of a culmination to history where immediate decisions are informed by knowledge of ultimate consequences (41).

One problematic anthropological assumption that Nixon observes in his exploration of consumer theory is the notion of "consumer sovereignty" where emphasis is placed on isolated individuals seeking to maximize their personal utility without reference to social and moral communities (42). Individual consumers in this paradigm become solely responsible

for the morality of consumption – producers of goods and services are absolved of responsibility. An analogous "investor sovereignty" might be theorized in this era of financialization where individuals demand investment products with a view toward ever-increasing returns and producers seek to meet those needs with little consideration for the social or moral consequences of their actions. Banks and investment firms follow changing industry norms in the development of "innovative" products with little concern for the rise of systemic risk, much less the ethical sustenance of the investment community. From a cultural standpoint, investor sovereignty may be just as unsound as consumer sovereignty because investors arguably are in no better position than consumers to know the societal impacts of their ventures.

Contradictions between free market anthropological assumptions and the Christian view of humanity have existed from the beginnings of modern economics, but the remarkable productivity of capitalism has offered a huge incentive to postpone attempts to resolve them. Financial instability in our present stage of development suggests that further procrastination may have dire consequences. We have attempted to bypass an essential dialectic – that between the spiritual and material represented by theology and economics – which must be addressed to explore the true nature not only of poverty but of "progress" as well. Reconciling these contradictions will require the economic education not only of theologians but also academics, ethicists, and ministers, so that they may use their platforms to call attention to the fact that the very nature of poverty is changing as the economic system evolves.

Islamic Views on Financialization and Poverty

Commerce and finance were critical to the construction of Islamic civilization as the religion of Muhammad spread, largely via established trade routes, from its origins in Mecca. Financial innovation for the security of those engaged in trade was one of the distinctive contributions of the Meccan economy. The city not only established protective agreements (*ilaf*) to enable the safe passage of merchants along these routes but, led by Hashim ibn Abd Manaf ibn Qusayy, it also developed forms of business partnerships (*mudaraba*) that enabled the pooling of capital among merchants to stem the tide of ritual suicide (*i'tifad*) as responses to bankruptcy (Ibrahim: 344). These and other economic institutions were incorporated into Islamic society as it formed on the Arabian Peninsula to address the fact that loss, even catastrophic loss, is always possible in market economies. Moreover, the development of *ilaf* reinforced the Arabian value that economic activity takes place within community; all merchants joined together such that the prosperity or failure of any one member was experienced by all.

Institutions to support economic justice and the alleviation of poverty also have been pivotal to the development of Islamic society. Two fundamentals of Islamic economic theology – *zakat* and *riba* – clearly delineate the approach to poverty in predominantly Muslim countries. *Zakat*, commonly interpreted as "alms-giving," is in fact a considerably richer concept and refers to one of the five pillars of Islam that requires financially able Muslims to give some portion (often 2.5 percent) of liquid wealth to the poor. A multitude of Qur'anic verses demonstrate Allah's requirement of Muslims to engage in charity, such as "God loves the charitable" (1:134), although the 2.5 percent figure is said to have its origins

in *hadith* – the sayings of Mohammad or those of his companions describing actions of the Prophet that have sacred authority in Islam. Charles Tripp observes the conceptual breadth of *zakat* as a "key component of the moral economy," citing numerous Islamic scholars who interpret *zakat* as reinforcing the Islamic belief that individuals serve as "trustees" for God in holding property, ensuring that it "must be used for a higher end, such as the sustenance and support of those in a less fortunate position than yourself" (125 and n. 67). *Zakat* has a social integration function commonly missing in state-based welfare systems; some proponents even contend that redistribution is accomplished more efficiently through *zakat* than through secular institutions, though evidence for this claim is mixed (125).

While *zakat* is more commonly associated with the Islamic approach to poverty, the financial emphasis here and the broader sense in which poverty is being used make the Qur'anic prohibition on *riba* (often too simply defined as "interest" or "usury") more important for our purposes. *Riba* includes not only interest-based transactions but also various investments that "make money on money," as well as transactions involving excessive markup where one party is thought to benefit unjustly (Iqbal). *Riba*'s centrality to Islamic explorations of economic justice is unquestioned; according to Tripp, it "enjoys a central place in the imagination of the Islamic economy and it can plausibly be argued that its negation lies at the very heart of Islamic views of a moral economy" (126). Continuation of the *riba* debate in Islam has served as a constant reminder that interest-based, collateralized loans have the effect of placing most of the risk in debt transactions on a weaker party while guaranteeing returns to a stronger party who has far less at stake in the venture being financed. Muslim jurists, who follow tradition in declaring the practice of *riba haram* (violation of Islamic law) have endured criticism by those who insist such attitudes contribute to the Muslim world's economic backwardness.[1] What these critics appear not to have considered, however, is the potential for the financial system, when theological and ethical questions as to the fairness of financing relationships have been put away in the interest of "progress," to go spinning out of control. While legalistic proscriptions on interest may have had negative implications for the material development of Muslim society, it is also possible that they have helped preserve certain social connections and ethical standards for commercial transactions that have been lost in the West.

Muslim critics of global capitalism often contend that Islamic finance could have prevented many consequences of the financial crisis by disallowing the reckless and unethical behaviors that have been uncovered. Ironically, they see the persistence of crises as resulting from efforts by Western investors and financial institutions to *escape risk*, an unIslamic and unnatural position for any human enterprise that inevitably burdens other groups unfairly. Hossein Askari, Zamir Iqbal, Noureddine Krichene, and Abbas Mirakhor are among Muslim financial analysts who observe a recurring pattern in the instability of global markets and perceive Islamic financial practices as potentially stabilizing. The authors note how previous

[1] Mahmoud El-Gamal, a professor at Rice University in Houston, Texas who describes himself as an economist who happens to be Muslim, suggests that Islamic finance in particular thrives on what he calls "incoherent pietism." Gamal sees dualism (and thus incoherence) in justification for the growth in Islamic financial instruments where financiers sell their customers on the "efficiency losses" of such financing methods vis-à-vis Western instruments as the "cost of being Muslim" (2).

historical crises were "preceded by rapid credit expansion, a speculative boom and excessive price volatility in one or more asset classes"; in each case, it resulted in real income and real GDP being reset to levels far below that of the pre-crisis period (6). One culprit in the authors' views is securitization, which can over-expand money and credit growth and enable the credit multiplier to become "theoretically infinite" (6). In their estimation, the recent crisis is not aberrant but predictable: a cost of doing business in conventional modes of finance where real income gains are periodically wiped out and the system is destabilized, disproportionately impacting those with fewer resources.

Kurshid Ahmad insists that the point of Islamic banking and the vision of an Islamic economy generally, are to preserve "ethical norms and social commitments." According to Ahmad, "Islam wants the economy, its major monetary and business dealings, to move from a debt-based relationship to an equity-based and stake-taking economy" (63). More than ten years ago, Ahmad noted the growing divergence between what he sees as measures of real progress and the kind of activity based on *riba* and increasingly sophisticated financial instruments. He suggests that the latter has disproportionately contributed to economic growth in the West and is inherently unstable: "with over $150 trillion worth of derivatives circulating in the world and where the combined GDP of all the 188 countries of the world is only around $30 trillion, where are we heading?" (61). By 2008 measures of derivative trading had nearly quadrupled from the time of Ahmad's comment before the full extent of global financial problems was known. For Ahmad "real economic progress and development consist in the expansion of the physical and human aggregates of the economy via the creation of assets, products and services, and not merely in the form of fiduciary expansion" (61) In other words, emphasis on monetary gains in the financialized economy today has come at the expense of human development and social relationships, which are integral to "real" progress. Recent bailouts and the steadily widening distribution of income suggest that new financial techniques are enhancing wealth for the few even as they shift the risks of investment to the many, encroaching upon the freedom of those who have little to gain from the risks taken.

Such practices, in theory, are forbidden in the legalistic structure of Islamic finance. But legal restrictions are said to provide only a framework for philosophical differences that distinguish the Islamic approach to banking and investment from the conventional, interest-based system. Belouafi and Belabes believe the prohibition on interest and the "asset-backing norm" for pooling of funds so as to maintain connection to specific assets combine in ways that determine whether financial operations are "being carried out *Islamically*" (151). In Islamic finance, asset-backed securities must truly be "asset-backed" in the sense that documents representing wealth must tie to tangible resources and cannot be derived simply from changes in prices, interest rates, and other variables, in ways that conform to modern derivatives. It is relationships – between market participants and between investors and the objects of their investment – that matter. These principles contribute four primary effects that Belouafi and Belabes believe can help remedy some of the flaws of conventional finance: 1) market confidence; 2) financial stability; 3) consumer protection; and 4) the reduction of financial crime (158).

Islamic finance expert Adil Hussain observes that Islamic investment products are rated according to whether they are "*Shariah*-compliant" or "*Shariah*-based." Shariah-compliant

instruments are those that technically meet the standards established by Islamic law whereas shariah-based products go farther in conforming fully to "real spirit of *Shariah* and are observant of *Shariah* principles in substance." Islamic theology is thus "built into" Islamic finance through a network of organizations such as the influential Accounting and Auditing Organization for Islamic Financial Institutions (AAOFI) based in Bahrain with scholars who are knowledgeable of both economics and Islamic law, and who are responsible for assessing commercial practices and investment products. There has been controversy in the "practice" of Islamic finance with charges that at times it can actually destabilize markets as when, for example, fatwas are issued by high-ranking clerics concerning whether particular investment instruments are *halal* or *haram*.[2] These controversies can shake the confidence of Muslim investors but, similar to the *riba* debate, they also help keep alive the idea that theology and economics must engage each other at some level to ensure moral, sustainable growth and to preserve equitable relations among Muslims as necessitated by the Islamic economic ethic.

M. Umer Chapra, research advisor at the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank (IDB) in Jeddah, Saudi Arabia, and past winner of the King Faisal International Prize for Islamic Studies, has long been one of the most prominent spokesmen for Islamic economic principles. According to Chapra, three major problems have contributed to the global crisis, all of which can be addressed through implementation of Islamic finance: "inadequate market discipline in the financial system resulting from the absence of profit and loss sharing (PLS); the mind-boggling expansion in the size of derivatives, particularly CDSs [credit default swaps]; and [the] too big to fail concept of banks that believe[d] that the central bank would come for their rescue" (quoted in Abdul Ghafour). In Chapra's view, derivatives and similar instruments are merely sophisticated extensions of inherently exploitative contractual relationships enabled by a global economic system that permits *riba*. The ultimate casualties in such relationships are fidelity and solidarity. Mohamed Ali Trabelsi also sees a crisis of trust at the heart of the recent financial panic, stemming from lack of transparency resulting from additional layers of intermediation between lender and borrower that has been magnified by the rising global interdependence of financial institutions (15-16).

Muslim critics are virtually unanimous in believing that volatility in the global economy and the obscuring of market relationships by layers of contracts and financial processes has caused social and ethical harm. That damage often affects those most vulnerable because stable employment and access to financial resources are in many cases a lifeline for an increasingly large segment of the world population. Like many Christian ethicists, they see fundamentally a moral problem in the development of a financial system with incentives that clash with religious values – one in which players scramble for positions of guaranteed profit and attempt to eliminate all exposure to risk. But achieving that "dream" – the illusory vision of material security – has required the depersonalization of economic life, acquiescence to

[2] Pakistan's Taqi Usmani, a well-known scholar of Hanafi Islamic Law who chaired the AAOFI board in 2008, called the "halalness" of most *sukuk* (Islamic bond) issues into question because the majority requires borrowers to repay the principal value at maturity, regardless of the performance of assets funded by the bond offerings. The comments by Usmani brought talk of "*Shariah* risk" to a *sukuk* market already being hammered by the real estate bust (Flynn: 44).

higher debt loads, greater economic volatility, and significant loss of community as individuals pursue their goals in increasing isolation. Even the rosiest secular solutions to present economic problems do not address the religious concerns. No amount of growth capable of rescuing us from the global debt crisis will succeed in reestablishing communal ties; if anything, efforts to address the problems through purely economic means likely will only drive us further apart. The persistence of the *riba* debate and prohibitions on various forms of commercial activity in Islam, while perhaps exacting a "cost for being Muslim" as Gamal contends, also serves as a reminder that financial relationships can evolve in ways that are inherently exploitative. *Riba* also serves to remind Muslims of the teleological element in finance – that there is social and moral purpose to financial relationships beyond the purely economic.

Theology and the Poverty of Financialization

Viewing the financial excesses of recent years merely as technical issues in need of correction leads to an attitude that any abuses in the system can be eliminated through public policy alone. Despite comprehensive and unsettlingly voluminous legislation passed in the U.S. and Europe (the Dodd-Frank Bill and several EU regulatory enactments) designed to close loopholes and reduce systemic risk of the kind that led to recent crises, there is little evidence that the system is changing. There is also little evidence that the financialization of the economic system as a whole is abating, regardless of whether it erodes traditional values, or whether it causes economic instability as some economists and financial analysts contend. Regulation may help slow the advance, but the economy, pointed in the direction of even greater asset complexity and more unpredictable financial methods, knows no turning back of its own devices. The problem is not so much where we are today as where we are headed. Financial innovation likely will continue along the present course, absent some "external shock" capable of reorienting values.

Theology is one of the few resources capable of addressing the poverty of financialization. Economics and finance are today descriptive "sciences" that, for the most part, reinforce the status quo. Business ethics programs in Western universities, having largely bought into neoclassical economic philosophy, are hard-pressed to provide reasons why we should not financialize further. But theologians have unique resources at their disposal with which to counter the intensity of economic rationalism that even some economists, such as Sen, see as a problem. They also have unique challenges in becoming effectively involved in this debate. One reason financialization may have arrived at this moment in history, beyond growth in technical sophistication that enables it, is that religious viewpoints have increasingly little sway over the direction of the global economy. Christianity's influence has been impacted by the broader culture war in the West that has driven a wedge into Christianity itself, lessening its moral authority. Moreover, the triumph of neoliberal philosophy has caused a rift between religion and economics and reduced institutional avenues for the development of Christian "economic theology." A very different situation is found in some parts of the Muslim world, where the formal disciplines of Islamic economics and finance, built on shariah, guide adherents in consumption and investment choices. The legalism of Islamic economics is a non-starter for most members of the global civilization (including many Muslims) who have come to see the continual

expansion of individual autonomy as essential to the proper operation of the world economy.

Given the free-for-all that financialization has initiated and the ways in which it tends to widen the gap between the haves and have-nots, limit owner control over assets, and heighten volatility in global markets, religious perspectives are essential to illuminate the impoverishment of culture resulting from these forces. Re-exploring religious motives for either enabling or restricting types of commercial activity, even when there is no realistic desire to return to those practices, can be important in understanding that efficiency, especially when it comes at the expense of social relationships and traditional values, cannot be the only consideration in cultural development. Pure efficiency is the stark and singular goal of a purely materialistic society. Purposeful lives of the kind Sen sees as enabled by freedom require the preservation of intentionality, the liberty to act, and the ability to discern the consequences of our actions. There are reasons why Judaism, Christianity, Islam, and other faith traditions have attempted to restrain certain economic practices that are now commonly accepted. There is wisdom in the principle of the Jubilee Year from Leviticus 25, for example, that requires a year after each period of seven sabbatical years for the forgiveness of debts and other measures to bring about justice. "Sabbath economics" works toward restoring equilibrium "by restraining the activity of the productive members of the economy and opening it up to those the economy has marginalized" (Premawardhana: 231). It recognizes that human beings and their institutions are fallible in ways that often harm those most vulnerable. At worst, there is criminal activity and corruption; at best, there are imperfect resource allocations, instances of moral hazard, and unintended consequences to economic action. Acknowledging these flaws does not condemn the market system, but it does suggest that the kind of progress befitting the innate complexity of human beings and their institutions cannot be accomplished through economic activity alone.

In another venue, I suggested a need for the ecumenical development of theologies of the "real economy," a term often employed (even in this essay) in criticizing financialization but used with little specificity (McDaniel: 13-26). One reason for the lack of specifics in identifying what is real in economic life is that technical sophistication combines with bureaucratic structures and the esoteric nature of many markets (finance being a prime example) in obscuring truly productive work from the superfluous, opportunistic, and even corrupt behavior not too uncommonly found in corporations and in market relations. Returning to scriptural and other traditional sources for religious understandings of what constitutes real production could be invaluable to a culture whose financial and commercial activities are growing beyond not only control but also comprehension. Much of the work of theologians and ethicists in this area thus far has involved censure of certain practices with little reflection on what gives meaning to work and wealth. Identification of the kind of genuine productivity that advances spiritual well being and social good alongside material development must be a key component of any theology of the real economy. Constructive examination of religious sources for determining the goals of economy can aid not only identification of those elements of real production but also broaden our understanding of poverty in the way Sen and others have attempted. The two concepts – poverty and real economy – are intimately intertwined because persons whose work provides no discernible benefit to others or whose compensation is wildly out of proportion to their contribution are

socially and spiritual impoverished, whatever their level of income. Theological examination of one must necessarily engage the other.

Development of other theologies related to the poverty of financialization hold great promise as well. Although much of it was developed before the recent crisis, Niels Gregersen's work on a "theology of risk taking" can help reveal how traditional financial values were transformed into the gambling culture that has crippled world markets and done so much economic damage. Gregersen shows how a basic contribution to the concept of risk is the religious conviction that there can be no certainty in human action (356-57). Efforts to achieve anything involve some degree of hazard and, importantly, in the context of modern investment instruments, attempts to eliminate risk altogether can have tragic consequences. He points to evidence from the early Church and the actions of Jesus to show how risk to some extent must be assumed collectively; fully individualizing risk and enabling its transfer via contract will realize the limitations and risk the potential abuses of all contractual relations. The same wisdom Gregersen observes of the early Christian community also was recognized in Mecca as noted previously, which formed institutions for communally risk-spreading that were carried over into the financial culture of Islam.

A theology of "financial intermediation" might well be called for to show how, from a religious perspective, the provision of capital can be accomplished in ways that benefit borrowers' moral development and social integration; yet the intermediation function also can also be performed in ways detrimental to solidarity and ethics (McDaniel: 22). Presently, Muslim scholars are attempting to balance the need for financial instruments to deal with risk in modern forms of trading against the economic principles of shariah. While Islamic law traditionally has prohibited most types of derivatives, the concept of "Islamic derivatives" is being explored as Muslim scholars and business professionals recognize the need for better managing risk in the global economy. Syed Aun Raza Rizvi and Ahcene Lahsasna provide a framework for development of such instruments that would enable hedging (taking positions so as to counter exposure to risk) by Muslim traders without violating the shariah contract law that sellers may not sell what they do not physically possess at the time of transaction (7). The authors lay out guidelines by which contracts for hedging price risk in certain goods could be established while maintaining direct connection to the underlying assets that are the subject of these contracts.

Exploring financial methods from the perspective of Islamic principles may well have benefits not only for Muslims but for non-Muslims as well, offering insights into economic problems that appear to stump regulators and academic researchers who recognize something has gone wrong but seem lost as to what exactly it is. Mason notes how in the U.S., both Congress and regulators are scrambling to apply new restrictions to derivative trading even though they are unable to explain how derivatives contributed to the crisis. Speculation was enabled by the fact that there was no requirement that parties entering into derivative contracts have any stake in the underlying assets that were the subject of these agreements. Yet speculation is common; there is no "economic" reason for such a rule to exist. Ease of entering into these contracts along with the perceived laxity of credit rating agencies, lack of centralized data to help monitor system risk, and the formation of a gambling ethos in the financial system enabled the total value of derivatives, in many cases, to far exceed the actual value of assets that were the subject of these contracts. This

condition led to the collapse of companies that made too many unwise bets, precipitating bailouts, increases in government debt, and a general weakening of the world economy that increased the number of those in poverty even as it has lessened the ability of the wealthy to aid the poor. "Economic theology" has no answers to these problems per se, but what it does offer is recognition that just as there are financial fundamentals that we seem to stray from during periods of irrational exuberance, so too there are religious fundamentals concerning economic life that can help prevent us from going over the edge into an abyss of economic rationalism. Religious wisdom has the potential to expose the foundationless basis of much economic activity and offer insights as to its potential social and moral consequences in ways economic models cannot.

While Islamic scholars have the challenge of resisting the temptation to interpret shariah on economic issues as if their interpretations will be implemented with the force of law, Christian theologians have the obligation to recognize the influence of wealth in the very institutions in which they carry out their tasks. Regarding Islam and economics, Tariq Ramadan hosted an Internet series called "Islam & Life" in which he interviewed Islamic finance experts for a multi-episode program on the financial crisis and appropriate responses to it. Most of his guests were agreed that the reality of Muslims in minority status in developed countries and the reality of a global economic system necessarily influences attitudes and approaches; Islamic economic principles must work to reform the global system from within, at least to some extent. While Islamic economics poses no real alternative to global capitalism, its values and practices (in particular its financial values) are uniquely able to illuminate and correct some of the moral corruptions and damage to social relationships that have resulted from recent market instability.

Christian theology must deal with the reality that "greed is infused through the church, as the people of the church in most parts of the world are immersed in economic systems that are based on greed" (Premawardhana: 226). No better evidence for this comment could be found than in the financial troubles of the Anglican Church, which had a significant part of its investment portfolio in hedge funds even as it vigorously criticized the short-selling of securities (a common practice among hedge funds). The Church has also come under intense criticism for engaging in highly risky investments with its clerical pension fund that reached a deficit of some 352 million British pounds by December 2008 (Jones and Cohen). In the United States, the collapse of the Arizona Baptist Foundation, which invested heavily in Arizona real estate and functioned much like a bank in paying interest on deposits and loaning funds to investors, some of whom would then buy the ABF's properties at "inflated prices," exposed a similar lack of concern with care for possessions. The collapse of the Arizona real estate market led to the Foundation's insolvency and heavy fines for its law and consulting firms (Norris). What both situations reveal is capitalism's penetration into our religious institutions and its possible weakening of voices that might call attention to corruption and injustice. The intricacies of finance today are such that theologians and ethicists who wish to reveal system abuses may well have their own retirement assets invested in instruments that are the subject of their work.

Similar to Wariboko, Philip Goodchild has proposed a starting point in addressing situations like those above in development of a "theology of money" to explore the ways in which money has affected relationships as an integral part of what he calls the "new

theological agenda." According to Goodchild, new credit instruments effectively deny money's finite nature, allowing the infinite expansion of paper wealth that has no backing in anything real. Financial innovation thereby gives the illusion of a culture growing in wealth when in fact it is becoming poorer in any cultural sense of the word. An appropriate starting point for such a theology is understanding money's influence on houses of worship and religiously affiliated organizations.

Virtually all religious peoples can perceive the social and ethical harms of recent economic events and the ways in which the materialism that has been intensified by financialization contributes to spiritual poverty. Common recognition of the problem insists that the possibility of interfaith dialogue, not only between Christians and Muslims, but among members of many faith traditions, has never been greater. As Premawardhana observes, however, taking up this challenge must not involve returning to the kind of interreligious "dialogue for dialogue's sake" as has occurred too many times in the past; rather, it must be "a process that leads to a particular goal" (226). The goal suggested here is marshaling theological resources to aid the "definancialization" of global culture and stemming the dehumanizing tide of economic rationalism that even some academic economists, such as Amartya Sen, recognize is occurring. Economic theology is capable of revealing the core problems we face in a way secular economics cannot. At the very least it reveals that however disempowered macro-economic forces may make us feel, the composition of our growth is always a choice. Moreover, the social character of Christianity and Islam offers a foundation for the possible re-communalization of investment in ways that, much as financialization sought a wider distribution of the risks to investment, might similarly broaden responsibility for its ethical consequences. Religious perspectives on present problems can help reestablish the purpose of finance while calling our attention to the fact that poverty is more than simply material deprivation just as development, of the kind articulated in Christian and Islamic traditions, must enable the expansion of an ennobling freedom that conforms with the inner liberty of each person. No rise in income or access to credit lines can overcome a life deprived of social, spiritual, and moral content.

Conclusion

The first decade of the twenty-first century heralded the advent of the "ownership society." George Bush, Tony Blair, Alan Greenspan and other advocates of neoliberal philosophy united in common cause with the idea of extending the benefits of ownership to as many people as possible. They envisioned a means by which the economic progress of the last century might be expanded to the developing world and to classes within the developed world bypassed by the amazing growth of the post-World War period. Yet much like the rather vague notion of "freedom" promoted by some of these same leaders in Western military ventures in the Middle East and Central Asia, ownership was left largely undefined. It was unclear whether the form of ownership they championed would have any connection to traditional understandings of property and stewardship, or even whether or not such connections mattered. Modern finance has accented problems associated with a lack of articulation of what ownership society means. Is it accomplished by expanding "paper wealth" representing shares in assets often beyond their owners' comprehension and where the contribution of those assets to the greater good is indeterminate? Does it require actually

holding possessions and having a true stake in their development and responsibility for their care? In short, does the expansion of *any* form of ownership necessarily serve to spread wealth and lessen poverty?

Religious leaders have much to say about the form such an ownership society will take. Theological reflection on the forces of financialization is critical because the cultural effects of recent changes appear to be a natural development in our capitalist evolution. Construction of mathematical models utilizing information and computer technology to distribute the risks associated with investment is a logical result of advancements in the financial industry. Yet that reality makes public outrage at the perceived irresponsibility of certain players and the rise of systemic risk that has accompanied their actions little more than cathartic exercises that have little real effect. Exploitation of regulatory loopholes is not unlawful and, for many, not even unethical; in fact, it has become for many an accepted means of pursuing competitive advantage. The short of it is that real change of the kind needed to ethically reinvigorate the industry will not come from within the system, however much regulatory institutions are expanded and improved.

Economic theology is no longer some esoteric discipline to be pursued by scholars at the margins of the academy. The financialization of capitalism and rising inability to reconcile its value demands with those of our religious traditions make theological exploration of economic issues a vital part of modern discourse. The hope is that religion will grow in importance in this increasingly high-risk society and come to be more formative in the direction of our progress. Importantly, Christianity and Islam have not been averse to risk historically; in fact, they have aided society in dealing with temporal risk by pointing to greater truths and appropriately relativizing worldly concerns. They insist that risk be undertaken in advancing ends that conform to their values and conceptions of good. Financialization risks collapsing those ideals into a monistic yet ambiguous vision of "more" and reducing measures of progress to quantifiable targets that have uncertain ends. This oversimplification of human purpose threatens the spiritual basis of life altogether. Religion thus remains the greatest asset in repelling the reductionist influence of economic rationalism, seen vividly in the financialization of capitalism, and in preserving ethical and social commitments that in the end are the ultimate solution to our collective impoverishment.

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