

Britain is in the depths of an economic depression, Archbishop warns

Britain is in the depths of an economic depression from which it could take a generation to escape, the Archbishop of Canterbury claimed last night.



The Archbishop Of Canterbury Justin Welby has called for a radical overhaul of the financial system
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The Most Rev Justin Welby, a former City oil trader, called for a radical overhaul of the financial system including the break-up of at least one major state controlled bank and a return to smaller, regional banks, curbing the dominance of London.

He also called for banking itself to be turned into a proper profession with its own set of professional standards rather than being “something that people drift into”.

And he advocated creation of a so-called “bad bank” to take on toxic assets, similar to the model adopted in Ireland and other crisis-hit economies.

His comments, at an event organised by the Bible Society in Parliament, are the most wide-ranging glimpse of his prescription for the economic crisis since his enthronement as Archbishop last month,

but will be listened to far beyond the Church, not least given his position on the Banking Standards Commission.

Significantly, they also echo comments by the leader of the Roman Catholic Church in England and Wales, the Archbishop of Westminster, the Most Rev Vincent Nichols, in an address in St Paul's Cathedral last week.

An enthusiast of Catholic Social Teaching, the Anglican leader insisted that companies have a responsibility not just to their shareholders but to the “common good”.

He said the economic “mess” was essentially a crisis of confidence which had led to vast amounts of money being hoarded by companies rather than invested in the economy.

“Historically, economic crises are a major problem when they are severe: when they are accompanied by a financial crisis and a breakdown in confidence then they become a generational problem,” he said.

“Historically the great failures in banking have led to very, very long periods of recession at best.

“And I would argue that what we are in at the moment is not a recession but essentially some kind of depression.

“It therefore takes something very, very major to get us out of it in the same way as it took something very major to get us into it.”

He described the bail-out of HBOS in particular as the largest banking bankruptcy in history but said it was symptomatic of a larger failure.

In addition to introducing new professional standards in banking, he called for the market to be opened up to new operators and much less money to be concentrated in London.

“Distance from where a bank is based to where it is lending and operating lends ignorance to credit scoring and is repaid with economic lethargy,” he said.

“One of the great dangers in the present mess is that we retain an extraordinarily, even now more concentrated banking industry which remains incapable of localisation.”

He went on: “At least part of the banking system should be local not London-based and have its roots in its own community at a size where it has efficiencies in scale and is manageable.

“We need to recreate the local and the easiest way to do that, as well as bringing new entrants in, is to kill two birds with one stone by recapitalising at least one of our major banks and breaking it up into regional banks.

“This would also have a major impact on remuneration, an area which is essential.”

