

## REGULATION AND THE FINANCIAL CRISIS

### **Resolution B009**

**Title: Regulation and the Financial Crisis**

**Committee: Standing Commission on National Concerns**

**House of Initial Action: House of Bishops**

**Proposers: Rt. Rev. Gene Robinson, Diocesan Bishop of New Hampshire**

**Rt. Rev. Stephen Lane, Diocesan Bishop of Maine**

**Rt. Rev. Jon Bruno, Diocesan Bishop of Los Angeles**

**Rt. Rev. Douglas Theuner, Retired Bishop of New Hampshire.**

*Resolved*, the House of Deputies concurring, that The Episcopal Church support comprehensive government regulations over economic transactions in the financial and banking sectors, particularly to prevent practices that negatively impact moderate and low income people.

### EXPLANATION

Since the 1980s the United States has been deregulating corporations and has often relaxed enforcement of legislation meant to protect consumers, workers and the environment. Recent administrations have also reduced regulatory agency funding, personnel and resources, making enforcement of existing legislation difficult if not impossible.

There is general agreement that government deregulation of the financial industry is largely responsible for the fiscal crisis of 2008-09. For example, lending institutions engaged in abusive and even fraudulent practices in the sub-prime mortgage market and exploited many low and moderate income families who actually qualified for prime loans. They also made questionable loans to many who were ineligible or at best only marginally eligible. The banking crisis led to the devaluation of the nation's housing stock, a major loss of share values on the stock market, the virtual cessation of loans to businesses and families, the closing or scaling back of companies, a corresponding loss of jobs and income, and a significant loss of retirement savings.

Corporations have multiple stakeholders: the owners (stockholders), management, workers, consumers, the environment, and the larger community. The board of directors primarily represents the owners (stockholders). The other stakeholders are not officially represented on the board of directors and often no one within the corporation is charged specifically with safeguarding their interests. The government acts as the advocate of last resort through regulatory legislation to protect their concerns. Examples of this regulatory activity include paying a minimum wage, recognizing workers' rights to organize, monitoring product quality and safety, and environmental protections.

Every organization, precisely because it consists of fallible and fallen human beings, is capable of and even prone to diverging from its original purpose as it strives for self-preservation.

Each human organization, including churches or religious communities, needs built-in mechanisms to help them remain faithful to their mission. These regulatory mechanisms can be from inside or outside the organization. A corporation or any other organization may easily lose its mission, its soul, the positive reasons that it was created, (such as meeting the needs of all its stakeholders,) and succumb to greed, power, and other temptations. Moreover, such a fall can create a negative atmosphere in this “corporate person” that affects everyone in the corporation. Because of the public purpose of the corporation and its licensing by the State, government bears an important role in monitoring the corporation for the common good.