

MONDAY EVENING

manufacturers, and the branches of the United States Armed Forces which use Native American names and images to market products such as "Jeep Cherokee," "Winnebago," "Redman Chewing Tobacco," and the "Apache" helicopter.

BE IT FURTHER RESOLVED, the Eighteenth General Synod calls upon the Commission for Racial Justice and the United Church Board for Homeland Ministries to make available to these teams, sponsors, and manufacturers the Pastoral Letter on Contemporary Racism.

Subject to the availability of funds.

12. RESOLUTION "CONCERNING CRISIS IN FINANCIAL INSTITUTIONS"

Mr. Danny Roman, the Chairperson of Committee 13, moved that the Synod adopt the Resolution "Concerning Crisis in Financial Institutions found on page 9 of Committee Report 3. Mr. Roman spoke to the resolution. There was some discussion.

91-GS-48 VOTED: The Eighteenth General Synod adopts the Resolution "Concerning Crisis in Financial Institutions."

CONCERNING CRISIS IN FINANCIAL INSTITUTIONS

WHEREAS, the United Church of Christ in its Seventeenth General Synod Pronouncement "Christian Faith, Economic Life and Justice" has declared that "Through our covenant with God, we are responsible to our sisters and brothers for the justice of the economic institutions in which we participate" and has called "the various bodies of the UCC ... to increase their advocacy on behalf of economic justice in the economic life of their nation;"

WHEREAS, in the past eleven years, the economy has become less just as evidenced by the relative decline in income and living standards of the middle, working and lower classes and a relative increase in the wealth and income of the affluent and very rich;

WHEREAS, the takeover of Savings and Loan institutions by wealthy investors, executives and depositors has contributed to the general shift in wealth and income away from the middle and working classes to the affluent and very rich;

WHEREAS, the takeover of the S & Ls was accomplished through the Federal Government's policy of deregulation of the S & L institutions, a policy which allowed "business insiders" to crowd out small local depositors, to direct investments away from middle-class residential housing to commercial enterprises, and to invest in high-risk ventures that were insured by U.S. taxpayers;

WHEREAS, in this climate of deregulation, powerful and affluent S & L owners and entrepreneurs committed what Attorney General Richard Thornburgh calls "the biggest white-collar swindle in history," and whose fraud, insider abuse, or outright criminality were factors in 60 percent of the failed S & Ls according to William Seidman, the chairman of FDIC;

WHEREAS, in 1989, Congress passed the S & L bailout law (Financial Institutions Reform, Recovery and Enforcement

Act), a law which sells bonds to pay for purchase of insolvent S & Ls and the reimbursement of insured depositors' accounts at an estimated cost of \$300 - \$500 billion to U.S. taxpayers over this decade (\$5,000/taxpayer) and up to \$1,369 trillion in the next forty years (\$15,000/taxpayer);

WHEREAS, Federal prosecutions have recovered less than one percent of taxpayer funds attributable to fraud and currently the Bush Administration is backing efforts by big accounting firms, banks, S & Ls and Wall Street investment houses to eliminate key civil provisions of the Racketeer Influenced and Corrupt Organizations Act or RICO, the statute used to prosecute Charles Keating;

WHEREAS, the 1989 S & L bailout law and the lack of vigorous prosecution of S & L investors will benefit wealthy bondholders and the S & L officials who ruined those institutions at the expense of U.S. taxpayers; and

WHEREAS, the deregulation of the S & Ls, the undermining of efforts by the Federal Home Loan Banking Board Chairman Gray to rein in the S & Ls and expose the scandal, the passage of the S & L bailout law which socializes private gain, and the efforts of the Bush Administration to now deregulate commercial banks are all a consequence of the concentration of political power in the hands of business and the lack of effective countervailing power among the citizenry.

THEREFORE BE IT RESOLVED, the Eighteenth General Synod of the United Church of Christ condemns with righteous indignation the criminal behavior and governmental ineptitude which have damaged the savings and loan industry;

BE IT FURTHER RESOLVED, the Eighteenth General Synod of the United Church of Christ calls upon the Office for Church In Society through the Christian Faith: Economic Justice Working Group to work with other appropriate instrumentalities and ecumenical agencies, to engage in further study of problems and injustices related to the management and regulation of financial institutions and to develop study resources for local churches, associations and conferences;

BE IT FURTHER RESOLVED, the Eighteenth General Synod of the United Church of Christ urges its members, local churches, associations and conferences to study the problems of financial industries and organize people to work for a greater degree of justice in the financial institutions of our country.

Background

Historically S & Ls were financial institutions that were owned by depositors in local communities; they offered mortgages to middle and modest-income families in those communities. Though S & Ls underwent changes through the years, as late as the 1970s, 67% of that assets of S & Ls were invested in home mortgages and the 4,732 S & Ls financed nearly 80% of the home mortgages in the U.S.

A major reason the S & Ls remained true to their mission was that, in the 1930s, the government created an insurance (FSLIC) and regulatory structure to safeguard deposits and ensure that deposits would be used primarily for home mortgages.

In the 1970s and early 1980s, the federal regulatory structure was dismantled. Prior to deregulation, only depositors were permitted to own S & Ls; new rules changed that — investors

were permitted to obtain stock in S&Ls in order to raise more money thereby transforming the S & Ls into profit-making enterprises. In 1982, the transformation was completed — single investors were allowed to own S & Ls. To allow the S & Ls to compete for investors (who were attracted to the high yield interest accounts such as money markets) the federal government repealed the regulation that put a cap on interest rates (a measure which benefitted investors but hurt borrowers seeking mortgages). FSLIC coverage on investments were increased to \$100,000, making the S & Ls attractive to large investors. And the requirements that deposits had to be used for home mortgages was lifted, paving the way for investments in more profitable commercial ventures.

Once deregulated, many S & Ls were taken over by wealthy depositors such as real estate developers and other entrepreneurs who loaned money to themselves and others to invest in profitable but risky ventures such as shopping centers, hotels, and office complexes and in high-risk junk bonds.

Deregulation led to the destruction of the S & Ls. Of the 4,732 institutions that existed in 1980, 2,227 had collapsed nine years later. Mismanagement was part of the problem — S & L officials using taxpayer-guaranteed deposits invested in high-risk markets; when the markets collapsed, so did the S & Ls. Additionally, “fraud, insider abuse, or outright criminality were factors at 60 percent of failed S & Ls” in the words of William Seidman, FDIC chairman. Fraudulent schemes such as “land flips” (where developers and mortgage brokers sell land back and forth among themselves at a higher price each time, yielding profits for the developers and brokers fees and “points” for bankers) created inflated “paper” values and the illusion of solvency.

The growing insolvency of the S & Ls and the mismanagement and criminal conduct of the S & L officials was detected by regulators at the Federal Housing Loan Bank Board (FHLBB) in the mid-1980s. However, due to the White House’s Office of Management and Budget decision to cut regulatory staff, the ineptitude of the FHLBB auditors and direct interference by the White House and a number of Congressmen’s efforts to block FHLBB’s Ed Gray’s efforts to crack down on S & L officials and to expose the impending disaster, the S & L crisis was allowed to continue until the end of the decade. Congressional interference — largely a response to the campaign contributions of financial industrial PACs and intensive lobbying by the U.S. League of Savings Institutions and other financial lobby groups — breached the limits of ethical conduct leading to the indictment and resignation of Speaker Wright and other influential Congressmen and the indictment and subsequent Congressional hearings against the group of Washington legislators known as the “Keating Five.”

In response to the collapse of the 2,227 S & Ls, the Bush administration proposed the Financial Reform, Recovery and Enforcement Act of 1989 (FIRREA). Among other things, the bill proposed a taxpayer bailout of the insolvent S & Ls. Through the sale of these bonds, to be paid back over 40 years, the federal government would take over hundreds of insolvent S & Ls and reimburse depositors’ accounts. More than half the cost of the bailout would consist of interest payments on the bonds. The bill passed in both Houses and was signed by President Bush on August 10, 1990. It is now clear that the proposed bailout will cost between \$300-\$500 billion in this decade alone (\$5,000 per taxpayer) and could cost \$1,369 trillion over the next 40 years when the additional S & Ls that are expected to fail are added along with the interest payments that have to be made to pay off the debts.

13. RESOLUTION “CONCERNING NATIONAL PRIORITIES”

Mr. Roman moved the adoption of the Resolution “Concerning National Priorities” found in Committee Report 3, page 12. He also drew attention to Advance Materials III, page 13. He spoke to the resolution.

91-GS-49 VOTED: The Eighteenth General Synod approves the adoption of the Resolution “Concerning National Priorities.”

CONCERNING NATIONAL PRIORITIES

Theological Rationale

As stated in both the 1988 Illinois Conference “Just Peace” Pronouncement and resolution on “Christian Faith and Economic Life,” it is the biblical sense that God calls Christians to seek the well-being of those victimized by poverty, injustice, and violence by engaging in sacrificial acts of mercy and justice (Deut. 15:11, Jer. 21:12, Micah 6:6-8, Psalm 72, Matt. 5:9, 23:23 and 25:31-46, Luke 4:18-19, James 2:15-16, etc.) Such actions are to go beyond mere works of “charity” and to include efforts that influence institutions and governments to structure society as to establish and ensure economic justice and peace.

This is an age in which military spending and activities worldwide has oppressed rich and poor nations alike into deeper indebtedness and strengthened their reliance on violence to secure political and national objectives. The churches of Eastern Europe have shown a leading role in changing the structures of their own oppressive governments to provide better socio-economic conditions and democratic opportunities for their people. It is no less necessary for Christians in already democratic nations, with much less risk of violence, to press our own governments to reorder our national priorities toward a common global and national security based on economic justice for all and to reduce significantly our dependence on military spending.

At the very least it is requisite that Christians seek together a deepened understanding — through prayer, biblical study and theological reflection — of what God is calling us to do in this time of immense social injustice and violence both at home and abroad. Such communion with each other and the Holy Spirit must, however, lead to actions that “let justice roll down like waters” (Amos 5:24); otherwise we risk the guilt of the pharisees whom Jesus charged with having “neglected the weightier matters of the law, justice and mercy and faith” (Mt. 23:23-24). As Jesus himself was unafraid to challenge the religio-political structures of his own people — sabbath laws and table fellowship sanctions that denied well-being to the poor and oppressed — so we must not hesitate to witness to our faith that “those who oppress poor people . . . insult the God who made them” (Prov. 14:31). For those privileged to dwell in a land of democratic rule, it is our responsibility as “the people” who govern themselves to see that our faith expresses itself to ensure “that justice is done everyday” (Jer. 21:12). These convictions lead us to respond with the following resolution.

WHEREAS, our biblical faith and Christian heritage resound with God’s call for justice and peace;

WHEREAS, General Synod over the years has shown deep