

Evangelical Lutheran Church in America Statement on Financial Situation

September 26, 2008

The ELCA's social statement on economic life tells us that "there are difficult and complex trade-offs and ambiguities in the dynamic processes of economic life." The current financial crisis and the subsequent discussions about how best to address the crisis are cases in point. A number of major financial institutions have essentially collapsed, and economic uncertainty and insecurity are on the minds of Americans, from individuals facing foreclosure to families struggling to meet basic needs to seniors concerned about the future of their retirement savings. The government has already stepped in to stabilize several of those teetering companies, and discussions about how to further stem the broader financial instability remain on-going.

First of all, this crisis was preventable. At the heart of this situation is a human-made housing bubble, whose bursting has significantly reduced home values and caused a wave of home foreclosures, of which there were about 100,000 in August and estimates of as many as 3 million for 2007 and 2008 combined. Just as these bad debts have metastasized throughout the financial system, causing great instability and mistrust, the blame for the crisis is also widespread. Certain borrowers, lenders, regulators, speculators, and politicians of all parties – either by omission or commission – played roles in the creation of the artificial bubble and its subsequent burst. *As individuals and as a nation, we must take responsibility and repent for having turned a blind eye to the greed and corruption that we have allowed to prevail in our lives and our financial markets.*

Lutheran theology calls for good government, meaning in part that "government is intended to serve God's purposes by limiting or countering narrow economic interests and promoting the common good." This includes the possibility of sensible, targeted, and well-reasoned intervention into the market to bring stability, restore confidence and credibility, and avert greater crisis. Our theology also calls for individuals to live responsibly and within their means and for corporations to consider the social implications of company practices and to practice good stewardship of creation (Genesis 1:26), pursue justice (Amos 5:24), care for people in need (Matthew 25:40), and seek things that make for peace (Luke 19:41-42).

With this in mind, the ELCA believes that any proposed solution to the current financial crisis should be narrowly constructed to truly get at the problem at hand, thus making maximum use of any contributions required from taxpayers. Additionally, any proposal should, as much as possible, hold accountable those parties responsible and not impose additional burdens on the marginalized and poorest. The ELCA calls for the following:

measures of accountability, transparency, and oversight in any plan;
adequate protections for taxpayers and public funds, including safeguards that ensure public equity and hence the possibility of return;

relief and support directed at the root of this crisis – home foreclosures – including the possibility of mortgage re-financing for those facing foreclosure and protection for renters who face eviction from properties foreclosed upon; investments in the real economy, especially support for the low-income people most vulnerable in times of economic distress; and limitations on executive compensation and shareholder bailouts funded with taxpayer money.

Going forward, the ELCA calls for appropriate regulatory reform of the financial services and housing sectors so that the government can monitor practices more effectively and efficiently.

The ELCA's social statement on economic life includes the following charge: "Governing leaders are to be held accountable to God's purposes: 'May [they] judge your people with righteousness, and your poor with justice. . . . May [they] defend the cause of the poor of the people' (Psalm 72:2)." Any proposed solution to the current financial crisis must conform to this biblical standard.

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"Foreclosures.com Reports More Than 100,000 Homeowners Lost Homes in August; One Million Foreclosures Expected in 2008,"Forbes, (September 8, 2008).

Vikas Bajaj, "Housing Lenders Fear Bigger Wave of Loan Defaults," New York Times (August 4, 2008).

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