



# Franciscan Action Network

Transforming the World in the Spirit of St. Francis and St. Clare

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## Franciscan Perspective on Financial Reform

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Far from being an obtuse, technical issue – one with interest only to those with money invested in financial markets, it is now clear that the current debate about financial reform is of great importance to anyone who has a credit card, a car loan, a student loan, a home mortgage; anyone who has turned to a payday lender or a pawn shop to make it through the month; anyone whose family in another country depends on the remittances they send from the U.S. In fact, the outcome of this debate also will have a major impact on the ability of some of the world's most impoverished communities to feed themselves – and on the health of the planet.

Just financial reform should be of great concern to the followers of Francis and Clare whose embrace of poverty, commitment to marginalized people and relationship with the rest of creation helps them see the human suffering and ecological destruction being caused by the present unaccountable and opaque system.

In neighborhoods across the United States and around the world where Franciscans live and work, ordinary people are suffering as a result of the financial crisis. Long, hard periods of unemployment, lost homes, devalued pensions and shattered dreams have placed once financially secure people in precarious positions. Many who were already vulnerable have slipped into deeper and deeper poverty.

The roots of the financial crisis are multiple and complex. They are personal, structural and systemic. In addition to uncovering the greed of some powerful individuals, the crisis also has exposed a deeply flawed and immoral economic system that was deregulated over the past several decades in pursuit of profit without concern for the common good.

Behind every unreasonable risk taken by banks, investment firms and other financial professionals were ordinary people saving to retire, to send their children to college, to buy their first home. The hopes and dreams of real people have been destroyed or put on hold.

But even before the recent crash, poor people were particularly disadvantaged, for example, by check cashing businesses, payday lenders and even mortgage companies that charged outrageous fees described in almost indecipherable documents. How many borrowers have been caught off guard by variable and/or ballooning interest rates that were not made sufficient clear to them when they signed for a loan? How much money has been taken in exorbitant and undisclosed fees by unscrupulous agencies transferring remittances overseas?

The insult to poor people by such an unfair system would have outraged Francis as did the reality of poverty in his own day. Just financial reform should level the playing field by requiring, for example, that loan documents be written in clear language so that people have the information necessary to make good decisions.

Around the world, the impact of an unregulated financial system is equally serious for poor people. Since the early 1980s and increasingly since the end of the Cold War, dominant economies in the global north have promoted worldwide a deregulated, neoliberal, free market economic model that in many countries has generated deep human poverty and ecological destruction, while benefitting a small group of wealthy people.

Growth, used universally as the measure of a “healthy” economy, has had little to do with genuine improvement in quality of life; and any commitment to the common good, poverty reduction or global solidarity has been lost in the quest for maximum personal wealth.

Economic globalization has been driven by values that put profit in a primary position; created needs over real needs; and speculative investment over investment in a real economy. This kind of unregulated speculative investment in food commodities futures markets has contributed to high and volatile food prices and resultant food insecurity in poor communities and poor countries around the world.

In the 1990’s and again in 2000, the U.S. government deregulated the commodities futures markets to allow large institutional investors to participate in these markets for the first time since the Depression. The bursting of the stock market bubble in 2000 resulted in huge flows of money from stock markets into real estate, contributing to the housing bubble. As the housing market collapsed, investors transferred massive amounts of money from housing into commodities futures markets, contributing directly to large increases in global prices for energy and food. Financial reforms to bring transparency and oversight to transactions like these are crucial. In fact, given the reality of a globalized economy, much of the needed regulation, such as antitrust laws, should be international in nature.

Proponents of an economic model that is deregulated to give capital maximum mobility assume that poor people and their communities around the world would be better off if the rich got richer and bought more “stuff” than the poor grew or produced. In this process a very significant percentage of the human community has been locked into dehumanizing poverty and Earth has been almost irreparably destroyed.

By its very nature, an unregulated free market economy allows for the exploitation of cheap labor and the externalization of environmental costs like damage done to soil and water sources, resource depletion, or carbon emitted when products travel long distances from factory to consumer. It is based on a worldview whereby a few powerful human beings are the subjects, millions of human beings are usable and/or discardable objects, and nature is there only for humans to exploit.

In lieu of this one global “open” economy, we need authentic economies that produce measurable improvements in real quality of life for marginalized and impoverished people – in

fact, for all of us. We need to pursue sustainable communities, not economic growth that depends on the expanded exploitation of natural resources, and to put the common good, poor people and Earth at the center of financial reform efforts.

Francis' example is extremely important. He moved to the side of marginalized people by embracing poverty and he nurtured relationships with the natural world that revealed his deep understanding of creation's inherent dignity and worth. To follow him in these times is both difficult and necessary. His "way" - that so carefully followed Jesus' Way - goes directly against some of the deepest values promoted by the unregulated economic system we are now trying to reform.