Opinion
Guest Voices



A pedestrian passes a Silicon Valley Bank branch March 13 in San Francisco. (RNS/AP photo/Jeff Chiu)



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The recent threats to the banking system show that libertarian capitalists are hypocrites. They hate government regulations — until they are in trouble and expect the government to bail them out.

The seeds of the current crisis were planted years ago when Silicon Valley Bank invested its depositors' tech-boom winnings in U.S. Treasury bonds, socking the deposits away in long-term instruments to maximize their gains. This strategy looks smart as long as nothing goes wrong. Of course, something went wrong: Inflation hit, the Fed raised interest rates, reducing the value of the bank's bonds, and when the depositors suddenly wanted their money back, Silicon Valley Bank had to sell their bonds at a loss to cover the withdrawals.

Medium-sized banks such as SVB are the very ones that lobbied Congress to free them from regulations set after the 2008 crash to protect depositors. The safe banking rules prevented them from taking greater risks, which could lead to losses and bank runs. Campaign contributions from these bankers greased the legislative wheels so that they got what they wanted.

The government, in other words, is now guaranteeing the deposits of those financiers who complained the loudest and lobbied hardest to reverse government regulations.

It's the same lesson Turkish property owners learned after the recent earthquakes exposed widespread ignoring of building codes by developers and government officials. Building codes also have an impact in the United States on whether a home survives a hurricane, a flood or a forest fire. But developers want to build as cheaply as possible to make greater profits.

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Libertarians hate government regulations because they claim they want to leave the market free to determine what businesses should and should not do. In truth, the marketplace cannot work without government regulations. Government laws and courts protect and enforce contracts, patents and copyrights, without which the marketplace would be a jungle.

Catholic social teaching has always acknowledged a role for government regulation of the economy. The economy is to promote the common good, not benefit owners and investors alone.

Catholic social teaching is founded on a respect and concern for human dignity, especially the dignity of workers. A top concern has been protecting workers in dangerous occupations. The church has supported outlawing child labor and ensuring a living wage and health care for workers and their families.

More recently, papal teaching has demanded that the environment be protected from destruction by unregulated exploitation. The world belongs to everyone and must be developed not just for individual profit but for the common good of humanity. Destroying the environment threatens humans today and in the future.

Those who wish to ignore the moral foundations of Catholic social teaching should at least recognize that good government regulations are in their own economic interest.

In this case, bankers put good banks at risk by refusing to settle for lower returns. But we have also too often seen the agricultural and livestock industries put at risk by producers who cut corners and bring tainted goods to market. Time and time again, bad actors put good business people at risk. Good regulations protect not only consumers but good business people.

No one should think this means all government regulations are good. Regulations should be as simple as possible, especially for small businesses. If there is a simpler and easier way of accomplishing the same goal, governments should adapt.

What is good for the planet is good for national security and economy

Regulations can also be abused. Zoning laws have been used by NIMBY (not in my backyard) activists to stop multiple-family dwellings being built in California suburbs. Environmental and zoning laws are being used to stop the construction of solar and wind farms, as well as transmission lines, necessary to respond to global warming.

Government regulations have to be reasonable and support the common good. Debate about their proper use is essential to the democratic process, but opposing regulations and then coming to the government trough for a bailout is hypocritical and immoral.