

THE BOTTOM LINE

The Politicization of Banking

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What happens when everything in society becomes political? I really don't want to find out. The political pendulum is swinging higher and faster than ever. Sincere communication and debate are non-existent. Learning is considered weakness. Reality is twisted to support any number of preferred narratives, which are then used as justification to push the reactive political pendulum higher in the opposite direction.

We all need to be more thoughtful, more honest, more disciplined, more respectful, more kind...the list could go on. But rebuilding and maintaining these attributes in our public dialogue cannot be achieved through collective individual will, it requires institutions. Entities that integrate us, structures that bring us together and promote rules and norms that help create a successful and functional society. The greatest contributor to the deficits that plague our society are the attacks on the institutions that promote the behavior that breeds our success.

There are many institutions critical to this outcome, but in my role, I focus on one in particular – Banks. Banks bring communities together. They safely guard the collective resources of a community and prudently deploy them into every corner of the economy, driving the greatest potential benefit for all by diligently pursuing the best and highest outcomes. A bank is a reflection of the community it serves; it cannot outperform that community. If there is a problem in a community, no matter where it is, it will impact the bank. That's why good bankers are actively engaged in solving problems in a community.

Like every other institution in our society, banks have been under constant attack – some deserved, some not deserved. But banks are strong, and fundamentally, they are trusted. And as long as they perform their institutional functions well - focusing on the needs of their communities and complying with the rules and norms of safe financial behavior - they will endure any and all attacks, and foster the type of behavior in a community that breeds the collective success.

But all that is at risk. There are loud voices in the political sector that want to politicize the function of banks. They have learned that in a capitalist economy, the fastest way to achieve a political outcome is to alter the flow of capital. Even though banks accept deposits from Republicans and Democrats alike, they want to direct those resources exclusively to uses that support their political agenda. These advocates don't have time to wait for debate, dialogue, and the dysfunctional political process. They are willing to tear down the institutional role banks play in communities throughout the country and turn them into political organs. In their minds, their passion for their public policy ends justifies any means.

I view the politicization of banking as the greatest risk to banking, and a significant threat to the continuity of our communities. If we go down this road, banking will become as polarized as

everything else in our society. Republicans will put their money in banks that make loans that meet Republican approval, and Democrats will segregate their resources into banks that lend only to those borrowers that are acceptable to their ideology. As a result, we will lose a durable and constant institution that has traditionally brought our communities together, and end up with banks that are weaker and more susceptible to economic shocks because of the concentration of their activities.

It's a slippery slope that a few banks - at the urging of politically active shareholders - have begun to explore. This is a horrible mistake. These banks and their shareholders absolutely have the right to do this, but they need to understand that they are trading in their role of community institution to become just another political organ, which will fan the political flames that segregate and separate so many aspects of our society today.

Today, more than ever, we need our institutions to resist the political winds, and provide a refuge where our communities can integrate and find durable and consistent access to the norms, rules, and habits that lead to a successful and functional society. Every aspect of our society does not have to be political. Leave the political debate to those processes intended to set policy. When there is sufficient consensus to create law, we can all adjust our behavior. But the current trend to use banks to bypass this process to hasten a particular political agenda will not serve any of us well in the long run.