



DOLLAR SIGNS OF THE CROSS

TWO PROMINENT
ALUMNI TAKE ON
THE CATHOLIC
CHURCH'S COMPLEX
FINANCIAL DEALINGS
FROM DIFFERENT
ANGLES.

BY MARK SCHAPIRO

James Stang '80



Attorney James Stang '80, who represents hundreds of claimants in sex-abuse lawsuits against Catholic dioceses, wants to pierce the veil of secrecy that covers the Church's finances.

One of the country's leading bankruptcy lawyers, **James Stang '80** is deeply committed to examining the means by which the Catholic Church has tried to protect its complex web of assets. Probing into how Roman Catholic dioceses try to shield themselves from millions of dollars in damages claims by sexually abused parishioners, Stang is committed to obtaining, as he says, "some form of justice."

Stang took a somewhat unorthodox route to the center of the legal effort to hold the Church accountable for sexual abuse. He graduated from UC Hastings just as the repercussions of the 1978 Bankruptcy Reform Act were being felt. The reform opened bankruptcy protection to still-functioning companies, enabling them to stay in business while undergoing financial reorganization and shedding obligations. Bankruptcy law was suddenly a far livelier arena in which to practice than it had been in the past. After two and a half years at the legal giant Sidley Austin, Stang and a lawyer friend, Richard Pachulski, created their own Los Angeles-based firm, Pachulski Stang Ziehl & Jones. "Bankruptcy law has a lot of interesting challenges," Stang said. "This has really come through with the Church cases, especially because of the enormous social aspects of the crime of sexual abuse. You don't see impact of this kind when you're representing widget manufacturers."

Stang began to notice a consistent pattern in the response of the Church to the surging numbers of aggrieved parishioners filing suit: Dioceses attempted to dodge the impact of the accumulating liabilities on their operations and finances by declaring bankruptcy. And because bankruptcy law does not require balance-sheet insolvency, the dioceses did not have to prove they were moneyless in order to secure

bankruptcy protection.

In 2004, the Roman Catholic Diocese in Portland, Ore., was the first to pursue this strategy. Stang was called on to consult with plaintiff attorneys, and he realized he could use the knowledge he had gained in creating bankruptcy protections to undo them. By 2011, with Stang's help, a coalition of some 500 abuse victims was awarded \$166 million by a Portland bankruptcy judge. (The settlement was funded by insurance companies and the Society of Jesus, Oregon Province.)

Stang's expertise became invaluable as one diocese after another declared bankruptcy in response to sex-abuse lawsuits. The evidentiary trials of those cases are, of course, unlike the average bankruptcy; they are traumas of a very different nature. "The most significant difference is that tort plaintiffs typically have not reduced their claims to a specific dollar amount, which makes for a lot of disputes with the debtor as to the extent of the liabilities," Stang said. "And sex-abuse survivors' litigation is also different because of the confidentiality of the claims and the emotional impact of the testimony. It can be difficult to read this material. It may take decades for people to address the abuses they suffered. People are afraid to hold their grandchildren too close. You see the people who were hurt, their children, their spouses; you see alcoholism and drugs."

Stang began offering training sessions around the country to personal injury lawyers on the Church and Chapter 11, explaining how bankruptcy law applied to the protections the Church was attempting to create for itself. This led him into the midst of some of the biggest sex-abuse cases in the country, including one in Helena, Mont., where earlier this year, a bankruptcy

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judge awarded \$20 million to more than 300 victims; and another in Milwaukee, where Stang's legal victory has weakened the ability of the Church to protect itself behind the shield of bankruptcy.

In 2011, facing millions of dollars in liabilities and attorney fees, the Catholic Archdiocese of Milwaukee filed for Chapter 11 bankruptcy protection. Stang, who represented a committee for 570 claimants who alleged abuse, discovered that four years earlier, the Archdiocese had shifted \$55 million into a special fund dedicated to maintaining Catholic cemeteries and mausoleums. He challenged the maneuver as an effort to shield funds from lawsuits, and the bankruptcy court ruled that cemetery funds are not protected under the First Amendment's religious freedom guarantees. The diocese appealed, successfully, to the district court. Stang then made a key discovery: The district judge's parents, sisters, and other close relations were buried in a Milwaukee cemetery that could benefit from the Church fund. Stang argued on appeal that this amounted to a conflict that the judge had not disclosed and asked that his finding be thrown out. In March 2015, the Seventh Circuit Court of Appeals reversed, sending the case back to a different district court judge and, more importantly, sending a strong message that the Church could not hide its financial activities behind freedom of religion to avoid judgments.

Stang now focuses most of his professional time on pursuing the Wisconsin case and similar challenges in other cities. What began as a career in helping businesses move beyond their own financial crises has become a pursuit to puncture the veils of bankruptcy protection.

By doing so, Stang said, "We are affecting people's lives. We can help them hold institutions accountable for crimes against innocent children."

In his compelling new book, Gerald Posner '78 examines the Vatican's use and misuse of money and power.

When investigative journalist **Gerald Posner '78** was researching *Mengele: The Complete Story*, the 1986 book he co-authored on Nazi war criminal Josef

Mengele, he gained extraordinary access to court records in Argentina, where the infamous doctor of Auschwitz had fled after World War II. The files not only revealed how Mengele had evaded capture for decades but also contained the seeds of Posner's new book.

To Posner's surprise, the files divulged the extent to which the Vatican helped Mengele and other Nazis flee Allied forces in Europe after Germany's surrender. Many resettled in Latin America. A question nagged at Posner: How does the Vatican operate on a political level? A best-selling author of 12 books and a frequent on-air commentator, Posner decided to examine the Vatican as both a sovereign political power and a transnational business.

"When I saw that this 2,000-year-old institution had been running a supersecret bank, my journalistic instincts told me that this is where I needed to go. My legal training at UC Hastings gave me the skills to follow the evidence, to build a case, to weigh what's credible," said Posner, who no longer practices law but remains a member of the bar associations of New York and Washington, D.C. "A book is the equivalent of doing a massive brief on a big-time legal case. You assemble the evidence and let readers draw their own conclusions."

The result is his epic book, *God's Bankers: A History of Money and Power at the Vatican*, published this year by Simon & Schuster and praised by *The New York Times* as "an extraordinarily intricate tale of intrigue, corruption, and organized criminality." Posner also had the good fortune to be published on the heels of the ascension of Pope Francis, who is committed to reforming the Vatican. "I was so slow in finishing my book that I stumbled into a new papacy," Posner said. "Sometimes, you get lucky being late."

The copious evidence he assembled ranged from the evolution of the Vatican's business strategies in the 14th century, which mostly relied on the sale of indulgences, to the Papal States that fed church coffers through taxation. The later secular revolutions in France and Britain and a newly unified Italy triggered the Vatican's move into large-scale finance. As Europe's new governments began to confiscate Church properties and levy taxes on Church assets, the Catholic hierarchy needed to find a new way to make a living. So it turned to banking—of the legitimate and

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—GERALD POSNER '78



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Gerald Posner '78

over time, increasingly sub rosa varieties.

Posner dives deep into the Vatican’s collaboration with Italian dictator Benito Mussolini in the mid-20th century, a period that proved to be critical in establishing the Church’s financial solvency and its status as a religion with its own political domain, Vatican City.

In addition, Posner offers groundbreaking details about the deals cut between the Vatican and Mussolini, as well as with his ally, Adolf Hitler. Posner asserts that the Vatican agreed not to intervene in politics in Italy and Germany in return for retaining the right to collect taxes in both countries, and to maintain its hold on critical real estate and industrial interests. These connections, he states, ultimately placed the Vatican in the position to assist with the relocation of Nazis after the war.

After the war, much of the Catholic Church’s financial support system lay in ruins. The Vatican responded, as Posner demonstrates in fascinating detail, by establishing an alliance with a private bank based in Milan, Banco Ambrosiano, which began offering loans to Mafia families and laundering millions of dollars.

While the Vatican’s standing as a sovereign state aided in maintaining secrecy, it also turned out to provide unexpected leverage when Pope Francis decided to clean up the bank’s financial affairs. The currency of the Vatican had been the Italian lira. But when Italy began using the euro in 2002, the Vatican was compelled to adopt it as well. Posner shows how this transition greatly aided Pope Francis’ ability to distance Vatican finances from the practices that have colored its dealings for the past century.

Posner does not shy away from difficult topics: His previous books include investigations into the assassinations of Martin Luther King Jr. and John F. Kennedy, and he’s accustomed to weathering attacks on his findings. In the case of *God’s Bankers*, however, he has also been attacked for being anti-Catholic. (In fact, Posner was raised Catholic.) “The book is not about religion,” he explained. “It’s a story of how the men who have run the Church are as fallible as the rest of us. You take a lot of money and put it in the dark, and you are going to get problematic behavior. Only by understanding this history can we nudge this institution to be more consistent with modern international standards and laws.”