CORPORATE INVESTMENTS, ETHICS, AND EVANGELICAL POVERTY: A CHALLENGE TO AMERICAN RELIGIOUS ORDERS

During the past three or four years an intense debate and self-examination has been underway in the American churches over the question of the ethics of church investment. The discussion has been brought about by a growing realization that the way the American economy functions is intimately intertwined with the freedom and well-being of men and women in the United States and in the poor nations of the world. The concern of the churches to aid in the attainment of a just society and to provide moral leadership based on the message of Christ has made this discussion an inevitable development in our increasingly interdependent society. Also, because the relationship between social responsibility and investment mores challenges the churches to address evolving social structures and social values in an innovative way, this development is highly significant for the future shape of the church-society relationship. It would not be extreme, I believe, to compare the present state of the movement for social responsibility in investments to the early days of the involvement of the churches in the American labor movement.

The issue of what the church should or should not do with its investment funds is a highly complex one. It involves the disciplines of economics, finance, and law. Any concerted effort by the church to deal with this question in a sustained and systematic way will require reliance on the expertise of persons trained in these fields who are at the same time trained in and sensitive to the ethical questions which are at the heart of our modern economy. But the knowledge of law and economics is not sufficient. There are ethical, theological, and religious questions which themselves must be dealt with in evolving an appropriate stance for the church in the United States. This article will try to clarify a few of these ethical and religious matters for one segment of the Roman Catholic Church: orders or congregations of religious men or women who have committed themselves to a particular style of the Christian life through the vow of evangelical poverty.

How much money the religious congregations of the United States have invested in stocks and other securities is difficult to determine. The amount varies greatly from order to order, and the highly decentralized financial organization of the American Catholic Church puts all attempts to discover the amount on shaky ground. In his recent and lively study of the wealth and financial power of the Catholic Church in the U.S., James Gollin estimates that the holdings of the

American orders in cash and securities amount to about $150 million.[1] This figure represents what Gollin calls private holdings, to be distinguished from the investments held by institutions such as colleges and universities with which the orders are affiliated and over which they exert diminishing direct control. Also not included is the worth of religious houses, seminaries, novitiates, and all real estate held as capital investment. Though hardly a significant chunk of the corporate wealth of the United States, this investment presents men and women vowed to a life of poverty with both a challenge and an opportunity.

The Code of Canon Law grants the right to acquire property of this sort to religious orders and to their provinces and houses (canon 531). A lengthy discussion of the theological and religious basis of this provision would be out of place here. But to put the matter briefly at the risk of oversimplification, the foundation of the appropriateness of such investment funds in religious congregations founded since the sixteenth century is their usefulness in apostolic endeavors and in preparing members of these congregations for apostolic engagement in society. For example, the *Statutes on Poverty* of the Society of Jesus, which were promulgated in 1967 at the direction of the Jesuits' 31st General Congregation, approve and legitimate the accumulation of such funds for the support of those in studies, for the care of the infirm and the aged, for the construction of houses and establishment of certain types of foundations, and for the support of certain works such as retreat houses, social action, the teaching of Catholic doctrine, and other projects which would otherwise not have sufficient financial resources.[2] It is not specified how large these investments may be, what kinds of corporations are appropriate for investment, or how these funds are to be administered.

Some general norms for the administration of this type of property are given more specifically in the Code of Canon Law:

The administrators of ecclesiastical property are required to fulfill their responsibility with the diligence of a good family head, therefore they must:

1° Be on guard that the property entrusted to their care shall not be destroyed or damaged;

[1] James Gollin, *Worldly Goods: The Wealth and Power of the American Catholic Church, the Vatican, and the Men Who Control the Money* (New York: Random House, 1971) p. 369.

[2] *Statutes on Poverty and Other Matters That Go with Poverty*, translation of *Statuta de paupertate et de ceteris quae eam consequuntur*, by T. L. Bouscaren, S.J., and J. S. O'Connor, S.J. (privately printed and distributed by the Society of Jesus, 1967) Part 3, chap. 2, art. 8, pp. 21-23, especially no. 84.

2° Observe the requirements of both canon law and secular law, as well as those specified by the founder or the donor or imposed by legitimate authority;

3° Collect promptly and in full all income and profits, safeguard them, and distribute them in accordance with the intention of the founder or with established laws or norms;

4° Invest for the benefit of the church itself the money of the church which is left over and above expenses and which can be thus profitably employed;

5° Keep well posted books of receipts and expenditures;

6° Put in proper order and file in the archives or in a suitable and adequate safe belonging to the church the documents and deeds on which the rights of the church are based; and, where it can readily be done, deposit authentic copies of them in the archive or safe of the curia.[3]

The guiding principles here are prudence, faithfulness to the wishes of the donor, and concern that the funds produce an income for the support of the works of the church. Together with canon 1524, which specifies that administrators of church property are bound to pay their employees a just wage and to provide them with human working conditions, these principles present a profile of the church's economic ethic as envisioned by the Code. Bouscaren and Ellis make an illuminating aside on these norms: "Comment on this miniature of the Church's social polity would be out of place here except, perhaps, to remind clerics and religious of their obligation to take the lead in carrying it out and thus affording a good example to the laity."[4]

What must be questioned here is the adequacy of this economic ethic or social polity in the atmosphere of the changed social conditions of our day and the developed framework of recent Catholic social teaching. Prescinding from the important question of fidelity to the restrictions of the donor, these norms conceive of invested funds solely as a source of income for the church's work through their profits and of security through the principal. These assumptions seem reasonable enough within the framework of social analysis with which we have been operating in the United States until quite recently, and in fact within which most Americans operate today. This analysis sees individual freedom, and consequently individual decisions about the use of money, as existing in a relatively autonomous sphere, a sphere which is influenced only indirectly by the structures of the social system of which each individual is a part. In this view social structures, such as the corporate system of the United States, are to be *used*. They are a means or tool

[3] *Codex juris canonici*, canon 1523. The translation is that of John A. Abbo and Jerome D. Hannan, *The Sacred Canons: A Concise Presentation of the Current Disciplinary Norms of the Church* 2 (rev. ed.; St. Louis: Herder, 1957) 727–28.

[4] T. Lincoln Bouscaren, S.J., and Adam C. Ellis, S.J., *Canon Law: A Text and Commentary* (Milwaukee: Bruce, 1946) pp. 761–62.

for the production of wealth. Its weakness lies in the fact that it fails to realize that all of us, both investors and those whom they use their income to serve, have to live inside these tools, much as we live in a city.

In much recent discussion of religious poverty, apostolic or social effect has been considered an end to be pursued by means of a simple or unencumbered life. Evangelical poverty has often been regarded as one of the tools in the box of those who work for the kingdom, a tool which is especially useful if one is seeking to serve the poor. But this means-end distinction is overly facile. It fails to recognize the intimate relationship between the conditions in which a person lives—his style of life—and the way he perceives, feels, and thinks—his life of faith. Consequently the means-end or functionalist approach to religious poverty ignores the fact that many of the demands of the kingdom will remain unnoticed by those who are bound by the perceptions which accompany certain life styles. The gospel story of the rich young man is a biblical example of this intertwining of means and end. Just as the means-end distinction in the area of life style is specious, it is similarly specious in the area of corporate investments by religious congregations.

Why? In the Spring of 1972 the first issue of a new journal, *Business and Society Review*, appeared. Significantly, this is the first major new financial journal to begin publication in over twenty-five years. In this first issue there is an illuminating contrast between positions taken on the social impact of investments and corporate activity by economist Milton Friedman and political scientist Robert Dahl. Friedman, a consistent libertarian, maintains:

> The question is, do corporate executives, provided they stay within the law, have responsibilities in their business activities other than to make as much money for their stockholders as possible. And my answer is that they do not.... The executive's job is to do whatever the shareholders would like to see done, and most of the time the shareholders only want to make money.... There is nothing that would in fact destroy the private enterprise system more than a real acceptance of the social responsibility doctrine.[5]

Dahl challenges Friedman's assumption directly and effectively. For Dahl, to adopt Friedman's commitment to profit maximization for the benefit of shareholders is equivalent to conceiving a large corporation and its stockholders as a family, with only incidental relations to the rest of society. Such a conception can only be due to an ideologically induced tunnel vision. It excludes from view the social and political impact which the large corporation has on many other men and women throughout the world. Dahl details some of these effects:

[5] "Milton Friedman Responds: A Business and Society Review Interview," *Business and Society Review*, Spring, 1972, pp. 6–8.

By its decisions, the large corporation may:
-Cause death, injury, disease, and severe physical pain, e.g., by decisions resulting in pollution, inadequate quality control, plant safety, working conditions, etc.
-Impose severe deprivations of income, well-being and effective personal freedom, e.g., by decisions on hiring and firing, employment practices, plant location, etc.
-Exercise influence, power, control and even coercion over employees, customers, suppliers and others by manipulating expectations of rewards and deprivations, e.g., by advertising, propaganda, promotions and demotions, not to mention possible illegal practices.[6]

It should be kept in mind that the influences Dahl lists here apply not only to American citizens but especially to the poor of the nations of the Third World. Also, the deep involvement of many American corporations in military production has very significant social and political effects.

On this basis it must be concluded that it is socially and politically shortsighted to conceive of the corporation simply as a tool for producing income. It is correspondingly shortsighted to believe that a Christian investor, and even more so a community of religious men or women as a corporate investor, can regard their endowments simply as a tool for the enterprise of profit-making, no matter what worthy goal these profits may serve.

This statement contains a value judgment. It is a judgment based on an analysis of what the decisions of some American corporations are in fact doing to the peoples of the world, especially the poor. It is also a judgment supported by the developments of Catholic social theory and ethics in *Mater et magistra*, *Pacem in terris*, *Populorum progressio*, *Gaudium et spes*, and the 1971 document of the Synod of Bishops in Rome, *Justice in the World*. The key turning point in the recent history of Catholic social thought was John XXIII's affirmation of the fact of a growing socialization of all human affairs in *Mater et magistra*. Jean-Yves Calvez, in his analysis of this Encyclical, characterizes socialization as the fact that

every man, as it were, has become a crossroads or center of social relations that are constantly expanding both numerically and extensively. As they multiply they form a more complex skein of relations. We become—or at least we can become—more keenly conscious of our social interdependence. Then, finally, these social relations are reflected in a multitude of institutions, organizations and as-

[6] Robert A. Dahl, "A Prelude to Corporate Reform," *Business and Society Review*, Spring, 1972, p. 18.

sociations whose influence runs through the warp and woof of our existence.[7]

The corporations in which religious congregations invest are among the institutions described in the last sentence of this quotation. To the extent that these corporations and their shareholders fail to consider the social impact of their activity in determining policy, they are ignoring the fact of socialization, and consequently acting irresponsibly. It is precisely this irresponsibility which Marxists classify as bourgeois, and which recent Catholic social ethics must judge to be a failure of morality and justice.

The awareness of this process of socialization and its moral demands is evident throughout the Roman Synod's document *Justice in the World.* The church and its members do not exist in society or in the economy as autonomous, but their actions and the structures of society are interpenetrating realities. Consequently the Synod stated: "While the church is bound to give witness to justice, she recognizes that anyone who ventures to speak to people about justice must first be just in their eyes. Hence we must undertake an examination of the modes of acting and of the possessions and life style found within the church herself" (Part 3).

Does this mean that religious orders must become involved in attempts to control the behavior of the corporations they invest in? Several objections are consistently raised against this conclusion. First, it has been argued that it is not the responsibility of the shareholder to attempt to exert such control. Clearly, not everyone is responsible for the elimination of every harm being done in the world. In his penetrating dicussion of the ethics of shareholder responsibility, Charles Powers has isolated four elements whose presence constitutes a moral responsibility to assist a person who is being harmed. He calls his theory the Kew Gardens principle, since he has derived it from reflection on the gruesome murder of a young woman in the Kew Gardens section of New York several years ago while thirty-eight people stood by and watched her stabbed to death. This principle claims that a person or group of persons are responsible for eliminating social injury when (1) someone is in genuine need, (2) they have knowledge of this need, (3) they are capable of doing something about it, and (4) they are in some sense the last resort of the person in need.[8] I believe that shareholders such as religious congregations bear the onus of such a responsibility to help in the attempt to redirect the behavior of American corporations.

[7] Jean-Yves Calvez, S.J., *The Social Thought of John XXIII: Mater et magistra,* tr. George J. M. McKenzie, S.M. (Chicago: Regnery, 1964) p. 4.

[8] John G. Simon, Charles W. Powers, and Jon P. Gunnemann, *The Ethical Investor: Universities and Corporate Responsibility* (New Haven: Yale Univ. Press, 1972) pp. 22–25.

Human beings are being injured and exploited by some of the behavior of these corporations; we have some knowledge of this situation now and can learn more if we look into the matter with more seriousness; through our shares in some of these corporations and in concert with other religious congregations, the American bishops, other religious groups such as the Corporate Information Center of the National Council of Churches, universities, and secular groups such as the Project on Corporate Responsibility based in Washington, we are capable of action; and we are apparently the last resort, for neither government nor the directors and management of these corporations give evidence of sufficient desire to alter the situation of their own accord.

On the basis of this reasoning I believe that religious orders have a genuine ethical responsibility to move in this area, and to move quickly. The second objection to this view is that we are constrained legally by what is known as the "prudent man rule" of trust law and the law of charitable corporations. According to this rule, a trust or charitable organization must invest its funds prudently and with concern for good financial return. This principle is evidently at work in the norms of canon law mentioned above. John Simon, professor of law at Yale, has argued persuasively from a legal point of view that if the aims of a charitable corporation are consistent with its investment policy norms, fear of legal intervention should be minimized. The goal of eliminating human suffering and exploitations which would be part of a socially responsible investment policy are clearly integral to the purpose of the church and of religious orders; so we can conclude that this objection will not stand up. The legal arguments are subtle here, but there is clearly room for action within the present legal framework.[9]

Another question which is frequently raised when discussing socially responsible investment is whether all stocks which are in some way "tainted" should be sold or rather shareholder responsibility through informal communication with directors, attending annual meetings, proxy fights, or legal suits should be pursued. In other words, should we seek purity or effectiveness? The differing emphases of spirituality among the traditions of religious life may call for differing answers to this question. Benedictines, Franciscans, Dominicans, Carmelites, Jesuits, and the other traditions in the church have different perceptions and emphases in their relation to society and in their use of material goods. For Franciscans, the appropriate response may well be the pursuit of purity. But for orders such as the Jesuits and those influenced by the Ignatian tradition, effectiveness seems called for. Effectiveness here does not mean solely the pursuit of maximum income through

[9] *Ibid.*, chap. 5.

prudent portfolio management to be used for apostolic purposes. Rather it means making an adaptation of perception, policy, and action in order to make the values and the relationship to Christ which are at the heart of the religious life active in American life and in the pursuit of justice. Once again, the means-end dichotomy does not apply.

Simply to sell stock in corporations which are socially irresponsible would be somewhat akin to a decision to sell one's slaves when one's moral sensitivity has been awakened to the inhumanity of the institution of human bondage. Though this action may well assuage guilt feelings and create a feeling of righteousness at not being a slave owner in a slave-owning culture, this fact would not be especially impressive to the slaves. The goals of alleviating social injury and the pursuit of justice in today's world call for concerted action and an attempt to produce a change in the structures and values which influence decision-making in American corporations. Further, these corporations are not simply good or bad, though this article has necessarily stressed the negative side of the issue. All produce some effects which are beneficial from a social point of view and not just those effects which can be called social injury. Because of the systematic interlocking of modern social institutions, it would be virtually impossible to find corporations which are entirely "uncontaminated." So, for active apostolic orders the sale of stock should be reserved as a last resort after efforts to influence policy have failed.

Such attempts to influence corporations to consider the social consequences of their activities more carefully will demand the development of a new form of expertise among the religious congregations of the United States. This will cost money and manpower. The investment of this money and manpower would be a manifestation of the magnanimity, detachment, and self-emptying which are among the chief characteristics of religious poverty in its behavioral manifestations. Also, an attempt to influence corporations to direct their priorities away from an exclusive concern for profits is really to call America to develop a new consciousness of its own identity and a new self-understanding. Consequently, I believe that the ethics of investment responsibility and the vow of religious poverty intersect. Religious are uniquely suited to this task because of their vow. However, one cannot call others to choose diminished profits in an honest and credible way unless one's own life is noticeably different from the prevailing life style of the surrounding culture of economic expansionism. Paul M. Boyle, C.P., President of the Conference of Major Superiors of Men, stated this eloquently in a recent letter to the members of the Conference:

Ideally, the religious by his eschatological commitment should be the "just" man par excellence. He should be able to inspire if not build "just" processes and institutions. Ideally, he should be able to think globally, to transcend both narrow nationalisms and enslavement to prevalent mindsets. Social analysts suggest that rich nations can escape their present idolatry of an overly narrow technological process and find solidarity with the poor only through voluntary austerity. If this is so, then our austerity, properly and publicly lived, should constitute a key element in forming that counter-culture, that person-centered mindset necessary to form the "new man" who is "just" and can build a "just" world society.[10]

Here the how and the what of poverty fuse once again. We need a life style which calls for less monetary support. We also have to be prepared to take significant financial steps which will produce a low financial yield on investment or which have a relatively high risk for our invested capital. If we are not prepared to do so, we cannot ask others to take these steps. If the vow of poverty means anything on the corporate level, it means taking such risks.

In conclusion, I would propose the establishment of a committee on social responsibility in investments within each religious congregation, a committee which will move toward collaboration with a central committee of the same sort organized jointly on the national level by the Conference of Major Superiors of Men and the Leadership Conference of Women Religious. These committees should be charged with the task of actively and effectively challenging corporations of which religious orders are shareholders to account for the social consequences of their decisions, decisions which are made in the name of religious investors. Such a move would be an effective apostolic action and a manifestation of a renewed understanding of religious poverty in the light of the signs of the times. I would further propose that religious who are teachers in colleges and universities, who are trustees on the boards of these colleges and universities, who are participants in priests' senates, or who have any connection with other institutional investors should press vigorously for the adoption of such policies by these institutions. The social-science curricula of schools and colleges should include serious consideration of the ethical questions involved in modern economic and corporate life. Religious orders in the United States, especially those with international membership, should establish an effective means of communication with their counterparts in the Third World so that information about the effects of American corporate activity in the poor nations can be given effective voice here in the

[10] Paul M. Boyle, C.P., "Letter to the Members of the Conference of Major Superiors of Men," March 17, 1972, p. 7.

United States. Active co-operation among the different religious orders is essential, as is co-operation with the American bishops and with Christians of other churches. For the long run, this new awareness of the place of social responsibility in economic matters should be given expression in the revised code of canon law now in preparation. But above all, religious communities need a renewed perception of their place in society and a deepened life of faith which visibly dissociates itself from a value system which seeks economic growth for its own sake.[11]

Yale University DAVID HOLLENBACH, S.J.

[11] BIBLIOGRAPHICAL NOTE: Much material has been published in the past few years on social responsibility in investments. Charles W. Powers' *Social Responsibility and Investments* (New York: Abingdon, 1971) treats the question from a specifically religious and theological point of view, and draws conclusions for the churches. John G. Simon, Charles W. Powers, and Jon P. Gunnemann, *op. cit.* (n. 8 above), address the problem within the framework of the modern secular university. It should be noted that the conclusions and guidelines presented in this book are necessarily minimal because of the commitment to "academic neutrality" which characterizes such universities. Churches and church-related colleges and universities should be able to pursue a somewhat more aggressive approach because of their value commitments. The Council on Religious and International Affairs (CRIA) recently conducted an important seminar on this topic, published as *People/Profits: The Ethics of Investment*, ed. Charles W. Powers (New York: CRIA, 1972). A report, *Investing Church Funds for Maximum Social Impact*, is available from the United Church of Christ, 297 Park Avenue South, New York, N.Y. 10010. The Corporate Information Center of the National Council of Churches, 475 Riverside Drive, New York, N.Y. 10027, has published a number of helpful documents, including *Corporate Responsibility and Religious Institutions* (1971). CIC also publishes a newsletter, *The Corporate Examiner*, available by subscription. The Project on Corporate Responsibility, 1609 Connecticut Ave. N.W., Washington, D.C. 20009, is engaged in organizing groups concerned with social responsibility in investments but too small to engage in research and action on their own. They also publish helpful literature and a newsletter. The Catholic initiated Center of Concern has recently published *The Quest for Justice: Guidelines to a Creative Response by American Catholics to the 1971 Synod Statement, "Justice in the World,"* by William R. Callahan, Peter J. Henriot, and William F. Ryan. It can be obtained from the Center at 3700 13th St., N.E., Washington, D.C. 20017. Brian Smith's "Physicians, Heal Yourselves . . . ," *America*, Oct. 17, 1970, is an early Catholic statement on the question. William F. Ryan's and Grant Maxwell's report on the American position at the 3rd United Nations Conference on Trade and Development, "Planet Earth after UNCTAD III," *America*, July 8, 1972, gives a discouraging picture of the values and attitudes of much of corporate America toward the poor of the world. Additional bibliography is available in the notes of *The Ethical Investor* (n. 8 above).