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Socially Responsible Investing from a Christian Perspective

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Introduction

All Christians are called to live as a reflection of their faith in Christ. Matthew says, "You are the light of the world. A city set on a hill cannot be hidden. […] In the same way, let your light shine before others, so that they may see your good works and give glory to your Father who is in heaven."[1] With God in mind, Christians must make decisions in light of the Gospel of Jesus Christ. That includes decisions about economics. How does the ethical Christian balance an activity like financial investment with the principle of radical giving that appears in the Bible and church tradition? The Gospel of Christ expresses itself in certain concrete principles that define the kind of relationship a Christian ought to have with God, with the world, and with other people. These principles are faith, hope, and love, and they can help Christians create a sound ethic of investment.

First, "God created the heavens and the earth."[2] What people have is not theirs alone, but has been given to them. These gifts come with a responsibility. The Bible describes a series of covenants that express that responsibility in different terms, but the message is always the same. God is giving these things to you and you will do something in return. The idea that the gifts of God come with a responsibility to use them wisely is the basis for the notion of stewardship. Critics of the stewardship ethic have accused it of being synonymous with mastery,[3] but that is not a full interpretation of the doctrine. As Luke says, "Everyone to whom much was given, of him much will be required, and from him to whom they entrusted much, they will demand the

[1] Matthew 5:14, 16 (ESV).
[2] Genesis 1:1.
[3] Georges Enderle, "In Search of a Common Ethical Ground: Corporate Environmental Responsibility from the Perspective of Christian Environmental Stewardship," *Journal of Business Ethics* 16, no. 2 (1997): 176-7, accessed January 26, 2013, http://www.jstor.org/stable/25072880.

more."[4] The gifts of God are not license for abuse, though some have interpreted them that way. A robust stewardship ethic provides obligations that are in proportion to privileges. The ethical Christian has to keep in mind the fact that nothing is his own. It has been given to him as part of a trust, a covenant. People must keep faith with that covenant, and so have faith in God.

Second, because God created the world and people in it, that creation is good. The creation story in Genesis 1 ends, "And God saw everything that he had made, and behold, it was very good."[5] The world and the people in it are, as created, essentially good. This does not mean that the world is perfect. It is a fallen world, and the people are fallen in it. There are now sin and death, which did not exist at the beginning and will not exist in the end. The fall of the world into sin and death was, and continues to be, the result of people failing to keep faith with the covenants that God has made with them. Pride and a will to power, to be "like God, knowing good and evil," led Adam and Eve to break their covenant.[6] They did not trust God to keep his end of the bargain that they had made, so they did not keep their end. For that they were cast from the Garden of Eden.

Things can and do go terribly wrong, but this does not change the fact that there is something essentially good in the way the world has been constructed. After the great flood, which is the most widespread and devastating natural event that is described in the Bible, "The LORD said in his heart, 'I will never again curse the ground because of man, for the intention of man's heart is evil from his youth. Neither will I ever again strike down every living creature as I have done.'"[7] The earth and the living things in it have value to God beyond the intentions of people. Whether man is good or not, creation is good. This has been borne out by the prevailing

[4] Luke 12:48.
[5] Genesis 1:31.
[6] Genesis 3:5.
[7] Genesis 8:21.

theology. Any kind of radical dualism, where the world is evil, has been rejected since the earliest days of the church.

In addition to the world being good, people have the capacity to be good, "for God made man in his own image."[8] A man's intentions may be evil, but he was still created in the image of God, and he cannot be pushed aside. Further, from a Christian perspective, people have been, or are being, redeemed by Christ. Sin and death still exist, but they are defeated by the life, death, and resurrection of Jesus Christ. At the very least this means that there is hope for the future of mankind. As Jeremiah says, "For I know the plans I have for you, declares the LORD, plans for welfare and not for evil, to give you a future and a hope."[9] The Christian hope is Christ who redeems the world from sin. In him there is a way out of the mistakes of the past, and hope for the future.

Third, Christians are called to be concerned about others in addition to or before themselves. Christians do not exist in isolation. They were created to live in community, because "it is not good that man should be alone."[10] This is not unique to Christian groups, but it is a strong value within Christianity. People are social by God's design and function better when they are working together in groups. Ecclesiastes says, "Two are better than one, because they have a good reward for their toil. For if they fall, one will lift up his fellow."[11] Paul's classic metaphor for this is that the church is the body of Christ, and "if one member suffers, all suffer together; if one member is honored, all rejoice together."[12] People are not only part of the community to which they belong, they are also fundamentally affected by that community; it helps them to become who they are. In community people can be either built up or stomped down. Paul uses

[8] Genesis 9:6; see also Genesis 1:27.
[9] Jeremiah29:11.
[10] Genesis 2:18.
[11] Ecclesiastes 4:9-10.
[12] 1 Corinthians 12:12-27, specifically 12:26.

the language of building up to instruct the members of his churches in their relationships with one another. For him, Christians must always be mindful of the ways that their actions affect the people around them.

The other side of this coin is that Christians are called to deal with people outside of their community in a way that reflects the love and generosity of Christ. Jesus condenses the Judaic law into the twin commandments, “Love the Lord your God with all your heart and with all your soul and with all your strength and with all your mind, and your neighbor as yourself.”[13] From the parable that follows in Luke it is clear that your neighbor is whomever you happen to find bleeding on the road; love of neighbor is not limited to any one group.[14] In fact, Christians are required specifically to help those who are outside the polite boundaries of their society. They have a special responsibility to sinners, lepers, and tax collectors; the poor and the disenfranchised; and the widow, the orphan, and the stranger. These are the types of people who have been rejected by main-stream society, and for that reason Christians have a responsibility to conduct themselves in such a way as to help rather than harm the people in these groups. Ethical Christians have to take a broad view of their actions. They cannot think only about what is good for them right here and now. They have to think about their neighbors both next-door and around the world, and about both the immediate and future consequences of their actions. Remembering God’s love, they must deal with others in a loving way.

These three principles of faith, hope, and love are necessary to any Christian mindset. Paul says that even as the world passes away, “faith, hope, and love abide, these three; but the greatest of these is love.”[15] Paul, for his part, was not thinking of building a long-term ethic. He was preparing believers for the return of Christ and the end of time, but the point that he is

[13] Luke 10:27.
[14] Luke 10:29-37.
[15] I Corinthians 13:13.

making is that these principles abide both now and forever. They are fundamental and must be kept in mind.

Beyond these three principles there is a cluster of logical consequences that are a necessary foundation for any kind of ethic. These assumptions are not necessary for a Christian mindset, but they are necessary for any exercise in ethics. For one, all human actions must have effects on the actor, on other people, and on the world. That is, human action must have real consequences. If this is not the case, then any exercise in ethics becomes pointless, because doing one thing or another would make no difference. This is especially important to remember when it comes to economic ethics, because it is easy to think that economic issues are so big that no one person will have any effect on economic outcomes. For instance, whether or not one individual personally buys conflict diamonds does not determine whether or not they will be mined.

Albino Barrera specifically refutes the notion that individual actions are economically meaningless. While it is true that isolated actions have very little influence on cumulative economic effects, the actions of individuals are not thereby meaningless. Barrera uses virtue ethics and the Christian principle of familial love to bridge this gap.[16] In virtue ethics, a person does what is right in order to build or express his good character. Every action is reflexive in the sense that it also affects the actor. Individual economic actions matter because they are part of a larger lifestyle that can have greater effects. In conjunction with this, familial love for all people demands personal accountability for every action. Barrera says, “We care for one another because we see ourselves in each other.”[17] The biblical model of this is in the parable of the Good Samaritan, but also in the example of Christ laying down his life for the sake of all.

[16] Albino Barrera, *Market Complicity and Christian Ethics* (New York: Cambridge University Press, 2011), 49-51.
[17] Ibid., 53.

Because of the familial love that Christians are supposed to have for all people, the individual economic actions of one person always affect others. As Barrera says, "From a Christian perspective, there are no limits to the scope of our moral responsibility for one another."[18] These two aspects of Christian economic action can also lead to real effects in the world at large. When Christians of good character work together collectively, their actions become more than individual and isolated.

Further, in order for any code of ethics to be relevant, people must have a basic inclination to what is right and the capacity to choose between right and wrong. This inclination, whether learned or inherent, is the birthright of all people since the fall. The first couple had to leave Eden specifically because they had acquired knowledge of good and evil.[19] From the practical perspective this knowledge is essential. People, as a whole, must have some natural inclination to and some basic way of knowing what is right. Otherwise they would not be capable of doing what is right except by accident. Additionally, they must have the capacity to choose between right and wrong. It is true that Christian theology has not at all times or all places accepted a doctrine of free will. Still, any discussion of what is right and what is wrong that has the aim of convincing people to do what is right assumes that people will have the ability to choose between the two. As a concept determinism has its theological place, but any discussion of ethics must be founded on the assumption of at least a limited range of free will.

Given all this, the question becomes, how do the principles of a Christian ethic inform the ethics of financial investment in a business enterprise that needs capital to grow and develop? How ought an ethical Christian to make investment decisions in light of the principles of his faith? First, it is important to note that these principles do affect the way the ethical Christian ought to

[18] Ibid., 51.
[19] Genesis 3:22.

invest. This is contrary to what some economists have argued. In particular, the conservative economist Milton Friedman published a well-known article in 1970 called, "The Social Responsibility of Business Is to Increase Its Profits."[20] There he argues that business has no responsibility to be socially responsible at all beyond seeking to make a profit, because unless the business has been set up specifically as a charitable institution the desires of the owners (the shareholders) "will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom."[21] For the management of a business to spend money in any way but this, Friedman argues, amounts to taxation without representation.[22]

There are many problems with this analysis. First, it divests both corporate governors and shareholders of their consciences by equating conscience with personal preference.[23] Conscience, in a religious context, is not a matter of preference in the same way as a man's soccer club is a matter of preference. Conscience is one of two things. It is either a person's natural inclination to do right and avoid wrong, in which case the individual has a clear responsibility to follow it, or it is the internalized voice of the ethical customs of society, which Friedman admits is a legitimate source of restraint on the part of businessmen. In either case, both businessmen and shareholders have a responsibility to refrain from acting in a way that is contrary to their conscience. This Friedman does not allow on the basis that if a business refrains from doing something that would increase its profits then it is taxing its shareholders. That is a ridiculous assertion. Shareholders

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[20] Milton Friedman, "The Social Responsibility of Business Is to Increase Its Profits," in *Ethical Issues in Business: A Philosophical Approach*, ed. by Thomas Donaldson and Patricia H. Werhane (Englewood Cliffs, NJ: Prentice Hall, 1988), 217-23.
[21] Ibid., 218.
[22] Ibid., 219.
[23] Ibid., 218.

have an advantage over tax payers insofar as they can, with very little pain or effort, move their interests elsewhere.

From the shareholder perspective, the easy and consistent solution to these problems would be to argue that a business must be as socially responsible as the owners (the shareholders) decide that it should be by compact among themselves. From the perspective of the executive, this may still be problematic, but at least the shareholder's right to having his desires carried out by his employee (the corporate executive) would be satisfied. Friedman is clearly very concerned with this right, but he does not allow for it to be exercised in any real way. He says that when stockholders try to require corporations to exercise social responsibility it is usually a few activists trying to press their will onto the majority.[24] This must be, for Friedman, some kind of extortion, but the only way that he can argue this is by assuming that the only thing that the shareholder desires from his investment is profit at any cost. That is, he does not recognize the collective ability of shareholders to limit the actions of their company for the good of society.

In fact, most people are capable of recognizing that there are some things that should not be done for the sake of profit. Instead, what people have difficulty with is acknowledging that it is their responsibility to pay attention to those things. Friedman's attitude that considerations of social responsibility have no place in business is a popular one. Conscience is something that you use in your interpersonal relations or to decide your preferences. For Friedman, an individual has every right to give money to charity, but no right to request that a business do so. For this reason, and because of how difficult it is for an individual to truly keep tabs on his investments, it is easy for investors to see their decisions as passive and morally neutral. This is not the case. Economic activity has moral value just as all activity does, because it has real moral effects even if these effects are unintended. A basic Christian concern for neighbor requires that investment decisions

[24] Ibid., 221.

be subjected to the same moral scrutiny that interpersonal decisions are subject to. The money that a Christian invests is not wholly his own. It is held as part of a trust and belongs ultimately to God, because "all things were made through him, and without him was not any thing made that was made."[25] That includes any money that the Christian has made. He has a responsibility to use it in a way that reflects his own faith in God. This means that there is no justification for Christians, who believe that there are greater priorities than profit, to continue to make a profit in silence while one of their business investments engages in unethical behavior. The United States Conference of Catholic Bishops argued as much in its pastoral letter on Catholic social teaching and the economy. It says, "The freedom of entrepreneurship, business, and finance should be protected, but the accountability of this freedom to the common good and the norms of justice must be assured."[26] If Christian ethical principles have meaning, then the Christian must follow through with them in investment decisions as well as in other decisions.

With that in mind, this paper will use the principles of a Christian ethic to examine the limits of and moral criteria for ethical investment. First, because people invest in order to gain a monetary return, a Christian ethic requires that it be done in the proper spirit. Beyond that, there are some specific ethical considerations that a Christian should make when deciding whether or not to invest in a particular company. These considerations and the way that the Christian reacts to them are largely determined by the corporate governance structure that is prevalent in the U.S. right now. As a business, a corporation's primary functions in the economy are to produce something and to employ people. A potential investor needs to consider what kind of products a business makes, what kind of production process it uses, and how it treats its employees. Beyond these categories, there are special considerations that have to be made for multinational

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[25] John 1:3.

[26] United States Conference of Catholic Bishops, *Economic Justice for All: Pastoral Letter on Catholic Social Teaching and the U.S. Economy*, Tenth Anniversary ed. (Washington, DC: United States Catholic Conference, 1997), 53.

corporations. There are also some ethical issues in business that fall outside of these categories that an investor will want to consider. Finally, an ethical investor will be more effective and his decisions will be better informed if he works in conjunction with others. These are the aspects of ethical investment that will be explored here.

The easiest way of examining all of the different ethical aspects of a company is to use a few, relatively well-known examples. It would be convenient if companies could be easily divided into good, mediocre, and evil. That way one company from each category could be explored. Unfortunately, the kinds of companies that investors in the U.S. are likely to consider do not divide themselves easily into these categories. Lists of socially responsible companies vary widely depending on who has put them together and the criteria that have been used. Chevron, for example, appears in the top ten on some lists of socially responsible companies, while others say that it is absolutely evil. Because most companies are morally ambiguous, deciding whether any given company is an ethical investment is a complicated process. If spotting unethical companies were easy, there would be no point to discussing the factors on which that decision should be based. The difficulty lies in the ambiguity, and that is the value of discussing the subject from the perspective of Christian ethics.

The Altria Group, the Dow Chemical Company, and the Walt Disney Company can serve as models for the different kinds of scenarios that may come up when an investor or potential investor starts to look at his portfolio. The Altria Group is a stable, profitable company that produces tobacco products and wine. Its website reports, "Altria Group has outperformed the S&P 500 each year from 2000 through 2011 and increased its dividend 46 times in the last 44 years."[27] Altria Group claims that social responsibility is at the core of its mission and values.[28] It

[27] Altria Group Staff, "At-A-Glance," Altria, accessed January 9, 2013. http://www.altria.com/en/cms/About_Altria/At_A_Glance/default.aspx?src=top_nav.

has also appeared on the website of CNN Money as the fourth most admired company in the world for social responsibility.[29] This makes it seem like a safe, profitable choice for a portfolio.

Dow Chemical Company produces thousands of different types of chemicals with many different applications ranging from printing to agribusiness. The company acquired a bad reputation in the 1960's for its production of Napalm B for the conflict in Vietnam, but has since made a concerted effort to improve its image.[30] The company stresses its environmental relations and the work that it has done in sustainability. Again, this is a large, stable company that an individual might choose to invest in for financial reasons.

The third company, the Walt Disney Company, is probably the most well known of the three because of its role in media and entertainment. Disney is known all over the world as the creator of Mickey Mouse, Cinderella, and Walt Disney World theme parks. Also, Disney Media Networks include ABC and ESPN, and control about 11.5% of television programming in the U.S.[31] It is a safe, stable choice for an investment portfolio and has the reputation of being family friendly and socially responsible.

These three companies are all profitable companies that claim to have social responsibility as a core value of their business. They are American companies that are relatively well known, so there should be plenty of information available on them. Each has a relatively long history that displays trends or patterns of ethical behavior. They have thousands of different products, participate in many different industries, and employ thousands of people. Between

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[28] Altria Group Staff, "Responsibility: At-A-Glance," Altria, accessed March 22, 2013. http://www.altria.com/en/cms/Responsibility/At_A_Glance/default.aspx?src=top_nav.
[29] "World's Most Admired Companies: Best & Worst in: Social Responsibilty," *CNNMoney*, accessed February 4, 2013, http://money.cnn.com/magazines/fortune/most-admired/2012/best_worst/best4.html.
[30] PBS Staff, "Dow Chemical and the Use of Napalm," PBS Online, September 22, 2005. http://www.pbs.org/wgbh/amex/twodays/peopleevents/e_napalm.html.
[31] Federal Communications Commission, "Television Station Ownership Structure and the Quantity and Quality of TV Programming: Federal Communications Commission Media Ownership Study #3," by Gregory S. Crawford, July 23, 2007, 34. http://transition.fcc.gov/ownership/studies.html.

them, these companies have a huge variety of potential ethical issues that this paper can use as case studies. No one of these companies is perfect. They are human institutions in a fallen world and each has its own ethical problems. Investing in any of them will require the ethical Christian to make trade-offs. The challenge for the investor is to decide how to weigh a number of financial and moral considerations against one another.

Reasons for Investment

The first difficulty that arises when talking about investment from a Christian perspective is that the main purpose of investment is to increase the wealth of the investor. People invest their money in companies primarily for the sake of gaining a return. That return, in the form of money or wealth, must properly be understood as a means to an end. Physical money, whether it is represented by gold, paper bills, or a number on a computer screen, is only good for exchanging for other things. A man on a deserted island has no use for it because there is no one to exchange it with. Money takes its value from an agreement between persons, and in that way it is a sign of the high level of interdependence that society has achieved. But if wealth, and by extension investment, is a means to an end, what ends are appropriate from the Christian perspective?

For many Americans investing is a means of saving for retirement or the college education of their children. These ends are clear and limited, but people also acquire wealth in order to improve their standard of living, gain prestige in their own eyes and the eyes of their neighbors, or gain a sense of security and power. These ends have come to represent wealth as an idea. Money, the existence of which requires a high level of interdependence, has come to symbolize independence. To be wealthy means to be able to live in whatever manner you choose, to have the respect of yourself and your neighbors, and to be secure and powerful. While physically wealth is a means to various ends, wealth as an idea is often an end in itself.

From the Biblical perspective, there is no excuse for the gathering of wealth solely for the sake of becoming wealthy. To do so is idolatry. It makes a god out of that which is not God. Jesus warns, “No one can serve two masters, for either he will hate the one and love the other, or he will be devoted to one and despise the other. You cannot serve God and money."[1] These two, when viewed as guiding principles, cannot exist side by side in the heart of an individual. Even if this God were the sort who loved money, one principle or the other must still take precedence. But the God of Jesus Christ is far from loving wealth; rather he is the God of the widow, the orphan, and the stranger, and he says, "Woe to you who are rich, for you have received your consolation."[2] He is for the poor.

This was overwhelmingly the view among American Catholic Bishops in 1986 when they wrote "The fundamental moral criterion for all economic decisions, policies, and institutions is this: They must be at the service of *all people, especially the poor*."[3] The economy, then, is fundamentally a means for the betterment of people, especially the poor for whom God has a special place. It is not and cannot be viewed as an end. Prentiss Pemberton and Daniel Finn go even further than this in *Toward a Christian Economic Ethic*, claiming that the only justified Christian response is either radical poverty as a foregoer, or only slightly less radical stewardship. The stewards, the only one of these two types who have the potential to invest, should use all surplus wealth for the betterment of their neighbors and "are morally forbidden to shift surplus funds into satisfying personal and family wants and felt needs."[4] Acquisitiveness, in the sense of seeking to acquire wealth for the sake of wealth, is out of the question.

There will be some who disagree with this interpretation. The most basic claim of market capitalism is that people will tend to maximize their profit and minimize their loss. When society is structured around this basic fact of human nature, everyone is better off. William McGurn is

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[1] Matthew 6:24. See also Luke 16:13.
[2] Luke 6:24.
[3] United States Conference of Catholic Bishops, *Economic Justice for All*, 27.
[4] Prentiss L. Pemberton and Daniel Rush Finn, *Toward a Christian Economic Ethic: Stewardship and Social Power*, (Minneapolis, MN: Winston Press, 1985), 35.

the chief editorial writer for the *Wall Street Journal* and a Roman Catholic.[5] From the perspective of an economic conservative he argues, “for the poor the real danger is almost never markets and almost always the absence of them.”[6] For McGurn, the drive that makes this work is not acquisitiveness but hope, and markets are “the relationships and networks between and among human beings.”[7] This is a hopeful view that theologically is based on an interpretation of John Paul II that is not the dominant one. Ethically, this view, which McGurn shares with many fiscally conservative Christians, has merit insofar as no system has been able to create prosperity as reliably and efficiently as the market system.

Still, from any Christian perspective the efficient creation of wealth is not the ultimate purpose for humanity. Therefore, the fact that acquisitiveness leads to the efficient creation of wealth is not a reason in and of itself to excuse it, not in the face of Jesus’s observation, “Even sinners lend to sinners, to get back the same amount. But love your enemies, and do good, and lend, expecting nothing in return, and your reward will be great, and you will be sons of the Most High.”[8] The parallel observation that it is human nature to maximize gain is not enough to make that the guiding principle of all economic activity. In fact, in Christ, who lived and died for the sake of others, Christians have a reason to question the assumption that it is an inherent part of human nature to maximize gain and minimize loss. Assuming that Christ was human, and acted both according to a human and a divine nature, there must be room in human nature to seek other purposes than the maximization of gain. This does not mean that the creation of prosperity, as a part of human flourishing, is a bad thing. However, it must be done with the proper mentality,

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[5] Rebecca M. Blank and William McGurn, *Is the Market Moral: A Dialogue on Religion, Economics & Justice*, ed. E.J. Dionne Jr., Jean Bethke Elshtain, Kayla Drogosz (Washinton, DC: Brookings Institution Press, 2004), rear cover.
[6] William McGurn, “Markets and Morals,” in *Is the Market Moral*, 59.
[7] Ibid.
[8] Luke 6:34-5.

and material wealth must always be seen as a means to prosperity, not the definition of it. With that in mind, the question becomes, what are the appropriate ends for which the creation of wealth through investment is a means?

Two of the most common ends for investment in America today are saving for retirement and college. Retirement investment can either be through the employer or privately as an individual or a combination of the two.[9] In either case, the intent is to provide for a person when they are no longer able to work. To provide, in other words, for the elderly poor. This is an appropriate end for the ethical Christian. The elderly poor are a type of dispossessed person like the widow, the orphan, or the sojourner. Further, "all persons also have the right to security in the event of sickness, unemployment, and old age."[10] It is a moral imperative to ensure that these groups of persons are provided for, preferably by their own initiative, because "it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community."[11] From this perspective, the Christian worker and his employer are not only permitted to invest for the purposes of retirement, but ought to do so.

Of course, it is possible for this good practice to turn into something unhealthy and idolatrous, just like any good practice. Eating is healthy and good for the body, but it can become damaging when done immoderately or disproportionally. It is no good for anyone to eat massive amounts of coconut shrimp and nothing else. When a person goes beyond trying to provide for his future needs and tries to invest in such a way that he will gain wealth in entirely unnecessary

[9] There is also government run Social Security, but this falls into a completely different category and is outside of the purview of this paper.
[10] United States Conference of Catholic Bishops, *Economic Justice for All*, 45.
[11] Pius XI, *Quadragesimo Anno*, (Rome, Vatican City: Libreria Editrice Vaticana, 1931), 79, http://www.vatican.va/holy_father/pius_xi/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno_en.html.

amounts for the purposes of his retirement, without regard for the needs of others, then he has crossed the line into idolatry.

The second common end for investment is to provide young people with a university education. Again the investment can be on the part of their parents or guardians, or on the part of an institution, such as a university, that invests money in order to endow a scholarship. *Economic Justice for All* defines basic education as a right,[12] but university education is not basic. It is also not a necessity, at least not for any one individual. Also, the New Testament insists that it is the wisdom of God and not of men that takes precedence, “for the wisdom of this world is folly with God.”[13] But, this is not to say that education is necessarily a bad thing, only that it cannot overcome the wisdom of God, which is foolishness to this world. As long as the wisdom of God is not cast aside, there is no reason that people should not try to educate themselves to the best of their ability. Proverbs says, “How much better to get wisdom than gold! To get understanding is to be chosen rather than silver.”[14] This implies that it is beneficial to trade money for understanding. While knowledge cannot easily be equated with wisdom—certainly not the wisdom of God—knowledge can be the beginning of people understanding one another and the world. Ecclesiastes says, “For the protection of wisdom is like the protection of money, and the advantage of knowledge is that wisdom preserves the life of him who has it.”[15] Knowledge is a great benefit in this life, and it is legitimate to spend money on gaining knowledge. It also benefits society to have some number of people educated at the university level. Most Western societies have determined this and try to provide for the university education of a certain number of people in one way or another.

[12] United States Conference of Catholic Bishops, *Economic Justice for All*, 45.
[13] I Corinthians 3:19.
[14] Proverbs 16:16.
[15] Ecclesiastes 7:12.

Saving for college is a legitimate goal for investment, and investing for college is even less likely to be abused than retirement investing. It has a definite end point, both in time and amount. The assumption is that a person will go to a university directly after high-school and that the costs of that university will be fairly predictable. A family can put only so much money toward this end, and for only a limited amount of time, before they have to start shifting it to some other purpose. Assuming that the student undertakes his college education in the proper spirit, there is no fault in his parents or others using investment to provide it for him.

Both saving for retirement and college are fairly modest, specific goals. The fact that the activity can be phrased as "saving" indicates that the ideal is not so much to radically gain wealth but to conserve the wealth that one already has, often with a specific purpose in mind. A certain amount of money is stored in the economy (through stocks and bonds) so that it can grow at the same pace as the rest of the economy. Otherwise the money will depreciate in value with inflation. If it grows at a greater pace than the economy, that is excellent, but it is not really expected. In practice this is the case for most American families even though in principle every investor would like large returns. This is due to a general lack of deep understanding and involvement in the process. It is complicated. Most people more or less entrust their decisions to an agent, trusting that their money will grow at a modest but steady rate and that it will predictably be there when it comes time to retire or pay for their child's tuition. Also, the majority of people will never be able to save enough to do both of these things entirely. They will have to depend on Social Security and the support of their children to some extent after they retire. Their children will have to apply for scholarships and take out loans to pay their tuition. These people cannot be accused of being truly money-crazy in their investment practices. These ends are acceptable as long as they do not become an obsession.

Of course, there are people who have enough money that they can provide completely for these two ends and have some left over. This would be especially true if more people lived at the stewardship level that Pemberton and Finn describe. They say, “All stewards must divide their income and property into two basic funds: a use fund and a surplus fund. The use fund is the portion of their money that provides necessities, reasonable comforts, cultural enrichment values, and savings for future contingencies.”[16] The rest is surplus, and for them surplus ought to be used for the good of the community. They acknowledge that it can be difficult to tell the difference between these two funds. For those who have the money to afford luxuries, it is tempting to confuse unnecessary luxuries with “reasonable comforts”. At the same time, the concept of surplus is important because it acknowledges the fact that some people do not need all of the money that they have. From a Christian perspective, that surplus comes from God, and the ethical Christian has a responsibility to use it with that in mind, so that the needs of others might also be met.

This does not necessarily mean that any surplus must be turned immediately over into the hands of a third party for distribution. The individual may want to put some of it to work in more creative ways. For instance, investing can be a way of stimulating the economy. The U.S. Conference of Catholic Bishops argues, “The investment of wealth, talent, and human energy should be specially directed to benefit those who are poor or economically insecure.”[17] If you invest in a small start-up company it can help to fill a need for goods or services in the community and to provide jobs. One example of this is when John Calvin arranged for a state loan to manufacturing companies with the purpose of helping the poor find employment.[18] If this is truly the aim then purchasing stocks or bonds may be for the benefit of the community. That is,

[16] Pemberton and Finn, *Toward a Christian Economic Ethic*, 35.
[17] United States Conference of Catholic Bishops, *Economic Justice for All*, 48
[18] Pemberton and Finn, *Toward a Christian Economic Ethic*, 60.

so long as any profit is reinvested with the same purpose. A person might also want to invest money in order to provide some charitable service in the future, or in perpetuity. One example of this is when someone endows a scholarship. This also can benefit the community.

The best way of ensuring that these investments are made without thought of personal gain is to make them without expectation of return. As noted above, "Even sinners lend to sinners, to get back the same amount."[19] There are creative ways of doing this. For instance, Kiva is a non-profit that allows you to loan money (without interest) in any amount to start-up businesses in developing countries.[20] The idea is that this will help to alleviate poverty by allowing the poor in those nations better ways of providing for themselves. This is one way of making your money work for the community while maintaining a high degree of control over it.

Another option is to provide employment directly. Now, the values of independence and thriftiness, which are cherished in this country, say that no one should pay another person to do what they can do for themselves. The whole Do-It-Yourself industry, including books and television shows about home improvement and all the physical supplies that go along with it, was built on this idea. It is not a bad idea, as far as it goes, but it can blind people to the interdependent nature of human communities. McGurn articulates this interdependence as part of the market system.[21] Wealth is created through people providing for one another's needs in a fair exchange. For this reason, no one who is a part of the market system—and that is almost every person in the world—can claim to be entirely independent. Further, providing people with honest, useful work is good for the person and the community, assuming that you pay them honestly. There is a wide range of things that can be accomplished in this vein. The incredibly wealthy such as Carnegie and Rockefeller had huge complexes built for public use in order to charitably

[19] Luke 6:34.
[20] Kiva Staff, "About Us," Kiva, accessed December 27, 2012, http://www.kiva.org/about.
[21] McGurn, "Markets and Morals," 59.

distribute their wealth. On a more modest level, a person might pay someone to plough their driveway when it snows instead of shoveling it. This kind of thing does not necessarily result in that person living beyond his necessities. The driveway ought to be cleared one way or the other, and there may be more productive things that the owner could be doing with that time. The point is, he ought not to feel the need to shovel the driveway himself if he does not want to and he has the means to pay someone to do it. This is one way that he might dispose of his surplus income in a way that benefits the community. This is not investment in the strict sense, but more broadly it is a type of investment in the community and in the prosperity of the people around him.

All of these methods come with a warning. It is easy with any of them for a person to believe that he is serving the community when he is only doing what is self-serving. If someone invests in a small start-up company with the aim of making money, then uses that money to buy himself a vacation home, he cannot claim that it was for the sake of the community. A vacation home, in most cases, goes beyond the level of reasonable comforts, and the employment that the owner provided to have it built could have been provided by other means. It is important to be thoughtful in the way that you pursue any of these types of investment. Also, all of this must be done under two conditions.

First, while not all surplus wealth must be distributed directly to the poor, some probably will be. Because "the rich are accountable for meeting the essential needs of the poor from their own surplus wealth,"[22] these social investments are not a replacement for directly meeting essential needs. It would be very suspicious to find someone who claimed to be following the principles of a Christian ethic who never gave anything to his church or local food bank or any of

[22] Pemberton and Finn, *Toward a Christian Economic Ethic*, 40.

the other worthy charities that exist within easy reach of the average American.[23] Giving directly to the poor is to "provide yourselves with moneybags that do not grow old, with a treasure in the heavens that does not fail, where no thief approaches and no moths destroys. For where your treasure is, there will your heart be also,"[24] and both your heart and your treasure ought to be with God. Further, there is the promise, "Bring the full tithe into the storehouse, that there may be food in my house. And thereby put me to the test, says the LORD of hosts, if I will not open the windows of heaven and pour down for you a blessing until there is no more need."[25] In this way, direct giving is an investment with God.

Second, the end of the investment is not a justification for the means. There must be some limits on what the ethical Christian will invest in. If Carnegie was a ruthless or unethical business man, it was not justified when he built Carnegie Hall. Pursuing any of these without any kind of social responsibility framework is robbing Peter to pay Paul. So far the motives for financial investment have been discussed. In the rest of this paper, the means will be the focus. What criteria should the ethical Christian use to decide what companies to invest in?

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[23] Charity cannot replace government wealth-redistribution programs such as food stamps that may be more useful or efficient in the long run. However, the investor cannot choose to give more to these programs than his taxes require except by voting for different tax policies. Therefore, they do not affect an investment ethic.

[24] Luke 12:33.

[25] Malachi 3:10.

Corporate Governance

The first consideration that has to be made when defining the ethical criteria for investment in corporations is the traditional and legal structure of corporations as they operate in the United States. Businesses have certain functions that separate them from other institutions. Adam Smith describes the origin of the market system as people specializing their labor and bartering the fruit of that labor in a fair exchange with one another to provide for their needs.[1] From this can be extracted the two twin purposes of a business. Without fulfilling both of these purposes, a business cannot function. First, it must produce something that can be exchanged. A business's product must be something that other people in society are willing to pay for. Since it is necessary for a business to produce something in order for it to be a business, the ethics of that product will be an integral part of business ethics. In other words, a potential investor will want to consider what a corporation is producing before she decides to invest.

Second, a business must provide for the needs of the person who specializes her labor. Otherwise it is not a successful business. This issue has been confused by the separation of the roles of owner, manager, and laborer within the same business. For Adam Smith describing the origins of the system, these people were all the same. The butcher owns the butcher shop, does the butchering, and manages the sales of the meat. In the modern corporation, these roles are each filled by multiple, different people, but that does not change the basic fact the purpose of a business is to provide for the needs of those whose specialized labor has produced the product. That includes both managers and laborers. Fulfilling her needs is the only reason why a person specializes her labor in the first place. Without this motivation, the business does not function.

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[1] Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations* (London: Electric Book Company, 1776), 31-2, http://site.ebrary.com/lib/trinity/docDetail.action?docID=2001574.

Therefore, business ethics are also concerned with the way a business relates to its employees, which the potential investor will have to consider.

With that framework in mind, the modern corporation functions according to a general pattern that has arisen from the separation of the roles of owner, manager, and laborer. Most of the corporations that an individual can invest in are large and publicly owned. When an investor buys stock in these companies she becomes, technically speaking, an owner of that company with certain rights and responsibilities. The governance structure that most corporations describe in their literature is one where the owners (that is, the shareholders) elect the board of directors, and the board appoints the managers, who run the business. Most writers on the subject agree that "in reality, this legal image is virtually a myth."[2] They disagree on the extent to which this is a problem and, if it is a problem, how to deal with it. In this context, the question must be simplified. From a Christian perspective, what is the minimum that is required of a corporate governance structure to ensure that the corporation acts in an ethical way?

While there are other types of investment, the focus here will be on the purchasing of a company's stocks or bonds. Purchasing company stock, or becoming a shareholder, means that the investor has become a part owner of the company. In an idealized way this means that the company management is responsible for its actions directly to the shareholders and that the shareholders choose the company management. The shareholders therefore have some of the rights and responsibilities of ownership. This is why dividends from stocks are variable depending on how much profit the company has made. Bondholders, on the other hand, have made a loan to the company by buying bonds that have to be repaid at a given interest rate. Since bondholders are technically creditors and not owners of a company, they have none of the legal

[2] Ralph Nader, Mark Green, and Joel Seligman, "Who Rules the Corporation?" in *Ethical Issues in Business: A Philosophical Approach*, ed. Thomas Donaldson and Patricia H. Werhane (Englewood Cliffs, NJ: Prentice Hall, 1988), 425.

rights and responsibilities of ownership. Bondholders are still stakeholders in the company, but they are not shareholders; that is, they are not partial owners. A stakeholder is anyone who has an interest in how the company performs and the actions it takes. This includes shareholders, bondholders, management, employees, customers, and people living in and around a company's area of operation. The concept of the stakeholder is ethically important, but in this discussion of investment, the investor is primarily the shareholder or bondholder.

A few conclusions can be drawn from this relationship as it operates in the real world. First, strict shareholder democracy is not required. For one thing, nothing like actual democracy can be achieved in a corporate setting. Shareholders vote in proportion to the number of shares they hold, while other stakeholders, such as employees, customers, and members of the surrounding community, do not get to vote at all. In order to give all stakeholders an equal, democratic voice in a corporation, that corporation would have to provide voting rights to a wider and wider circle of individuals. The concept of stakeholder is inclusive. It disperses outward until it encompasses the whole world. No person exists in isolation, but each is connected in ever extending circles to the world around her. If a corporation tried to give a democratic voice to all of its stakeholders equally, the result would be communism, in the sense that the means of production would be held in common. Such a trend is possible, but not immediately probable, and given the track-record of various forms of communism, there is nothing to suggest that such a system in its real implementation would be morally superior to the institution of private property.

As it is, demands for shareholder democracy try to draw parallels between government and business that do not exist. Abram Chayes argues that "shareholders are not the governed of the corporation whose consent must be sought."[3] A corporation is not a government; it does not issue civil rights. Compared to a government, "the assets in corporate hands are more limited and the constituents have options. There are levels of appeal. […] It has external and plural accountability."[4] The corporation is not morally required to realize the pyramidal structure of shareholder representation that appears in economics textbooks.

In fact, there is evidence that shareholder democracy may actually prevent corporations from achieving a high level of social responsibility. One study in the *Journal of Business Ethics*, citing several others says, "Managerial beliefs and discretion, rather than the constraints and incentives provided by corporate governance, are likely to be the principle drivers of exemplary social performance."[5] Further corporate governance mechanisms that promote shareholder democracy "may promote shareholder interests over those of other financial stakeholders […], and may direct managerial attention toward financial objectives."[6] To a certain extent, this makes sense. In a sole proprietorship, the owner of the business has, within the law, complete control over the way the corporation is managed. Small businesses, which are the backbone of this society and one of the best ways that people have for providing for themselves, are largely sole proprietorships. This does not make them socially irresponsible, nor does it make them a bad investment.

What is different about a sole proprietorship or in a company with very powerful management is that the responsibility to make the company ethical will lie with the management.

[3] Abram Chayes, "The Modern Corporation and the Rule of Law," in *The Corporation in Modern Society*, ed. Edward S. Mason (Cambridge, MA: Harvard University Press, 1959), 40. Chayes goes on to conclude that shareholders "deserve the voiceless position in which the modern development left them." (41) It is that conclusion that Nader, Green, and Seligman and Simon, Powers, and Gunnemann take issue with, and I agree with their criticisms.
[4] Irving S. Shapiro, "Power and Accountability: The Changing Role of the Corporate Board of Directors," in *Ethical Issues in Business: A Philosophical Approach*, ed. Thomas Donaldson and Patricia H. Werhane (Englewood Cliffs, NJ: Prentice Hall, 1988), 440.
[5] Jean McGuire, Sandra Dow, and Kamal Argheyd, "CEO Incentives and Corporate Social Performance," *Journal of Business Ethics* 45, no. 4 (July 2003): 343, http://www.jstor.org/stable/25075077.
[6] Ibid., 342.

It is problematic that the legal owners of a corporation (the shareholders) have no real power to manage it and no legal responsibility for its actions. This is the case with the current system of shareholder voting in practice, even if not in theory. The major problem with the shareholder proxy vote system as it exists now is that it is a fiction. It allows the management of a corporation to choose the board of directors, which in turn appoints the management. If the management effectively chooses the board of directors, then the board has very little ability to monitor and oversee the company management. Nader, Green, and Seligman argue that this is a result of management's ability to use corporate funds to organize board elections,[7] but there is a more fundamental issue. Corporate proxy materials are long, complicated, and specialized. The majority of individual investors are never going to read them. This January my mother received several sets of proxy materials. She opened the envelope, glanced at the booklet of over 100 pages of bureaucratic language that she had no interest in reading and no real hope of understanding, and said to me, "Proxy materials; I'm not going to read that. Throw that away." I said, "You know, you really ought to read that." She said, "I know," and threw the booklet away. Actually, to be precise, she recycled it. This is not a woman who is careless or disinterested in ethical issues, but the time that it would require her to read and understand those materials, assuming that it is possible, is prohibitive.

That leads to another problem with shareholder democracy. They say that the best argument against democracy is a five minute conversation with the average voter.[8] This holds true in the case of corporate governance, because corporate operations are a specialized field. In fact, they are many specialized fields that vary depending on the type of corporation and what it

[7] Nader, Green, and Seligman, "Who Rules the Corporation?" 426-7.

[8] They also say that democracy is the worst form of government except all the others. The discussion here is about corporate governance only, not national government. Democracy is a much more effective idea and a more appropriate institution in government than it is in corporate governance.

produces. For this reason, there is no moral problem with a corporation being run by experts. That is, there is no problem with its business operations being managed by experts. In fact, the only way that an institution of such size and complexity can be run efficiently is by a few powerful people with a very large bureaucracy. James Post says, “Today, then, we face the irony of a democratic society which cannot function smoothly if its central institutions are, themselves, operated in a democratic manner.”[9] This means that society will have to be careful about democratic oversight of these institutions, but from the perspective of investing it is not a problem.

In addition to being more reflective of the actual way corporations run and being more efficient, a dictatorship has the advantage of having someone who can be held responsible. Because the legal owners of a corporation (the shareholders) have very little power over the way the corporations runs, the situation is at the point where corporations are not genuinely owned by anyone. That is, there is no one and no group of people that has complete responsibility and control over corporate actions. This has led Peter French to argue that they are moral persons and ought to be held responsible for themselves as such.[10] This is a very complicated argument and has the potential to create several moral problems, but it is the easiest way of talking about the ethics of a corporation. For the sake of being able to talk about corporate ethics, as in the ethics of corporations, I have to assume that corporations have moral responsibilities that encompass but go beyond the responsibilities of the individual shareholders or executives, because this is the most accurate way of talking about corporate responsibility.

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[9] James E. Post, “Perfecting American Capitalism: A Systems Perspective on Institutional Responsibility,” in *Corporations and the Common Good*, ed. Robert B. Dickie and Leroy S. Rouner (Notre Dame, IN: University of Notre Dame Press), 45.

[10] Peter A. French, “The Corporation as a Moral Person,” in *Ethical Issues in Business: A Philosophical Approach*, ed. Thomas Donaldson and Patricia H. Werhane (Englewood Cliffs, NJ: Prentice Hall, 1988), 100-109.

For instance, Walt Disney Company has a Board of Directors that is self-perpetuating. That is, according to its Corporate Governance Guidelines, “the Board shall be responsible for selecting its own members.”[11] For one, this is a more honest way of articulating the governance of the corporation if, as Nader, Green, and Seligman argue, shareholder proxy votes are a complete fiction.[12] Further, this sort of structure may give the Board the opportunity to oversee the management of the Company. By dispensing with the proxy vote, Disney may have created a Board of Directors that is independent of management. It may have. In a self-perpetuating body there is obviously still room for corruption, but such a structure does not in itself make Disney socially irresponsible. A person may still invest ethically in a corporation that is managed in a dictatorial way, as long as the dictator is causing the company to behave in a moral fashion.

The governance structure of a corporation is not an adequate criterion for determining whether that company is socially responsible or not, but there are at least two characteristics that the governing body of a socially responsible corporation will have. They are transparency and openness to stakeholder input. While business operations are a matter of expertise, the moral and ethical questions that arise from those operations are not. The ethical Christian is her brother’s keeper, and Paul says, “Bear one another’s burdens, and so fulfill the law of Christ.”[13] Each is responsible for her own choices and the ethical state of her community. In other words, the ethics of a company’s actions must be available for public scrutiny, and the company must take public opinion of its ethics into consideration.

The value of transparency is that it will tend to make a company more open to stakeholder input. Social responsibility is about responsibility to one’s community, and

[11] Walt Disney Company Board of Directors, “Corporate Governance Guidelines,” The Walt Disney Company, last modified October 5, 2012, http://thewaltdisneycompany.com/content/corporate-governance-guidelines.
[12] Nader, Green, and Seligman, “Who Rules the Corporation?” 426.
[13] Galatians 6:2.

stakeholder input is one way to measure that. Ecclesiastes says, "Two are better than one, because they have a good reward for their toil. For if they fall, one will lift up his fellow. But woe to him who is alone when he falls and has not another to lift him up!"[14] It is vital to listen to the input of those who can see the effects of your actions. In that way, a corporation can share the moral burden of ensuring that it is being ethical. This does not mean that a corporation should let stakeholders dictate its ethical principles. Stakeholders, being human, are as prone to error and bias as the corporation is, and a corporation must balance stakeholder concerns against the ethical principles surrounding product and employee relations that will be discussed presently. That said, if a corporation makes itself open to criticism and advice, it will be much easier for it to see any damage that it may have done unintentionally and find ways to mitigate it.

The responsibility of corporations to be transparent and consider stakeholder input is mirrored by the responsibility of stakeholders to provide that input. Stakeholder input can influence a corporation to cease unethical activity that it has engaged in for the sake of making a profit. Corporations do not necessarily yield to public or shareholder opinion, but they often do. As *The Ethical Investor* argues, "The *capability* of the shareholder to effect corporate change therefore contributes to his culpability if he does not act. […] The shareholder's own vote or voice may well have been ineffective, but to fail to use it at all—to fail to test it—amounts to participation in the injurious practice."[15] As James says, "Whoever knows the right thing to do and fails to do it, for him it is sin."[16] So long as there is a chance to ameliorate a corporate wrong, the shareholder has a responsibility to use whatever influence she has to try. Otherwise, because the investor has consented to make a profit from that wrong, she has participated in it.

[14] Ecclesiastes 4:9-10.
[15] John G. Simon, Charles W. Powers, and Jon P. Gunnemann, *The Ethical Investor: Universities and Corporate Responsibility* (New Haven and London: Yale University Press, 1972), 57.
[16] James 4:17.

The responsibility of "speaking the truth in love"[17] would remain even if there was very little chance of affecting the outcome, but in many cases shareholder activism has changed corporate policy. Harry Van Buren argues that even though corporations are not required to listen to shareholder concerns, "many companies do take the claims of shareholder activists seriously, seek to engage in dialogue with them, and often make substantive change in corporate policies and practices as a result."[18] *The Ethical Investor* also gives several examples of shareholder activism changing corporate policy.[19] To be clear, this is not shareholder democracy. Shareholder activists do not make themselves heard through votes, which are almost always ineffective. Instead, this is the corporation engaging in a dialogue with a major segment of its stakeholders. Because there is evidence that this kind of activity can be effective, there is no excuse for the investor to be silent if she knows that there is a specific wrong being done.

Both *The Ethical Investor* and Van Buren's "Speaking Truth to Power" provide detailed plans for how a shareholder ought to proceed in such cases. *The Ethical Investor* calls this kind of shareholder action "self-regulation"[20] and provides an excellent blueprint for working through corporate governance to effect corporate change.[21] The series of escalating actions that it prescribes is similar to the pattern that Jesus prescribes in Matthew for dealing with the brother who "sins against you."[22] Both start with personally contacting the person at fault and gradually escalate to publicly denouncing them. This, as well as its well-articulated system of ethics, makes *The Ethical Investor* a great guide for the Christian investor.

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[17] Ephesians 4:15.
[18] Harry J. Van Buren III, "Speaking Truth to Power: Religious Institutions as Both Dissident Organizational Stakeholders and Organizational Partners," *Business and Society Review* 112, no. 1 (Spring 2007): 59.
[19] Simon, Powers, and Gunnemann. *The Ethical Investor*, 54-6.
[20] Ibid., 8.
[21] Ibid., 52.
[22] Matthew 18:15-7.

That said, the work does not deal with the bondholder, but confines itself to the perspective of the stockholder. This is because the bondholder has very few of the options that *The Ethical Investor* lists. Because a bondholder is a creditor, not an owner, the bondholder will have fewer options when it comes to protesting corporate activity, but it means very little when it comes to the responsibility of the company to be ethical. The bondholder also has an equal responsibility to ensure that the company that provides her with a profit does so in an ethical way. For this reason, the bondholder will have a shortened series of steps to resort to before making a public protest.

If public protest does not change corporate policy, the next step is divestment. *The Ethical Investor* does not allow for divestment except in the worst possible circumstances. It argues that divestment is the least likely course of action to effect change, and “to attempt to cleanse one’s portfolio of dirty stocks and to invest only in clean stocks would involve one in an endless series of illusions and arbitrary decisions.”[23] There are a few problems with this. First, as Albino Barrera painstakingly proves, “complicity can never be so minuscule as to be morally insignificant.”[24] Divestment is neither as morally nor practically insignificant as *The Ethical Investor* claims. All actions have effects; even if the effects of divestment are small, they have meaning.

In fact, and *The Ethical Investor* admits this; in some situations divestment can be the only step available. Neither shareholder action nor public opinion is a guarantee that a corporation will change its behavior. Dow Chemical encountered huge resistance to its production of napalm for the Vietnam Conflict by 1965. Even though napalm was a minor

[23] Simon, Powers, and Gunneman, *The Ethical Investor*, 26.
[24] Barrera, *Market Complicity and Christian Ethics*, 63.

product for Dow Chemical, the company did not stop its production until 1969.[25] Instead Dow Chemical made a concerted effort to change its public image,[26] and has been trying to do so ever since. This is not real change; it is just window-dressing. It is also an example of how persistent corporate activity can be. If an investor has made all attempts within her power to stop a company from perpetuating a grievous wrong, then no matter how profitable the company is, the investor must divest herself from it.

That said, most people's primary occupation is not to manage their investments. Divestment can be an option for people who are not able to fight every ethical battle to do their part. If that is the case, refusing to invest in the first place is probably more helpful. For one, it avoids the problem of having to sell the unethical stocks or bonds to some other investor who will then profit off of them. That is the same principle, though not as terrible, as a slave-owner selling all her slaves to other owners and then claiming that her hands are clean of the institution. Of course, stocks are not people; you cannot set them free, so what else can you do with them? Also, for someone who is looking for long-term investments that do not need to be monitored on a daily basis, doing the research about a company up front can save a lot of effort later on.

The second problem with the criticism of people who are trying to "cleanse" their portfolio is that the distinction between acceptable and unacceptable ethical behavior may be arbitrary but it is not meaningless. Any morally thoughtful person will have lines over which they will not go. There is a lot of unethical behavior in the world that a person can try to change from the inside as she simultaneously makes a profit from it. On the other hand, there are some wrongs that are so grievous, urgent, or inherent to a business's existence that a person's conscience rejects participating in them. Child pornography, slavery, the drug trade, and mass

[25] PBS Staff, "Dow Chemical and the Use of Napalm"; Faye Rice, "Dow Chemical: From Napalm to Nice Guy," *Fortune*, May 12, 1986, http://money.cnn.com/magazines/fortune/fortune_archive/1986/05/12/67544/index.htm.
[26] PBS Staff, "Dow Chemical and the Use of Napalm."

murder are all examples of such wrongs. In those situations, refusal to invest or divestment, paired with an attempt to correct the wrong from the outside, is the only acceptable course of action. The following is an attempt to draw some of the moral lines over which the Christian investor ought not to go.

Product

Any business has two purposes that are fundamentally linked. People provide themselves with a livelihood by providing others with goods or services in a fair exchange. Perhaps the most basic aspect of a company is what it produces. The two sides of the market coin are, on the one hand, the production of something that the community wants and, on the other hand, the livelihood of the producers. The value of that coin relies on the interdependence of individuals. That is the strength of an economic community. Through a high level of interdependence, a huge variety of products and services have been made available. But not everything that can be produced ought to be produced, and not everything that can be sold ought to be sold. There is a spectrum or a field that limits the appropriate reach of the market. Staunch supporters of the free market, such as McGurn, Friedman, and others, argue that it is not the place of government to limit the market in these things. Still, the investor is under no obligation to put his money into companies that engage in unethical markets, nor to make a profit from them.

The potential investor will easily understand many of the limits of the appropriate field of the market. There are certain things that morally should be excluded from market transactions. Human beings ought not to be sold. Harmful, addictive drugs with no legitimate medical use, such as heroin, ought not to be produced. These types of transactions and products harm human beings. That harm has no moral justification. In fact, these principles are so widely accepted that, whether it is legitimate or not, the government has stepped in and outlawed these and similar activities. So long as the investor stays within the spirit of the law, he will avoid some of the worst types of production, sale, and consumption. But there is a space between what is illegal and what is immoral, and that is where the investor has to be cautious.

As Rebecca Blank observes, "'market analysis' is applied to an increasing number of domains far from the direct sale of goods and services. If markets have worked so well in the economic realm, why should other areas of human interaction be excluded?"[1] Market language is used to describe everything from dating to religion. People talk about shopping around for the right church. At some point, someone is going to try to market something that ought not to be on the market. This has been done before, and there are laws against the worst form of it. But the market is flexible and invasive. As Blank argues, it spreads, and it reinvents itself. People are not supposed to be allowed to buy spouses, so what is the Bachelor? People are not supposed to be able to buy a verdict in a courtroom, but there is a market for lawyers, and some get paid more than others. This does not mean that the Bachelor or high-priced lawyers are necessarily unethical, but it is an example of how the market is never as far from these institutions as the ideal. If the investor is not careful, he could find himself investing in the sale of something that, if pressed, he would say ought not to be sold. There are some types of products that are within the law that the ethical Christian investor will want to avoid, or at least consider very carefully. Some examples that can be pulled from the three model companies are tobacco and alcohol, chemical weapons, and genetically altered plant life.

Tobacco and alcohol are the only products produced by the Altria Group.[2] For that reason the ethical status of the company is questionable. Specifically, these substances may be concerning to the Christian investor, because, as *The Ethical Investor* observes, "churches have long abstained from tobacco and liquor stocks."[3] Because these are substances that people ingest,

[1] Rebecca M. Blank, "Viewing the Market Economy Through the Lense of Faith," in *Is the Market Moral*, 22.
[2] This is substantively true. In the Altria Group are the tobacco producers Philip Morris USA, Nu Mark, and U.S. Smokeless Tobacco Co.; the wine producer Ste. Michelle Wine Estates; the investment company, Philip Morris Capital Corporation that does not produce anything physical; and two subsidiary companies that provide services for Altria's tobacco companies. Altria Group Staff, "At-A-Glance."
[3] Simon, Powers, and Gunnemann, *The Ethical Investor*, 52.

the key issue here is health. If a substance has no alternative, beneficial uses, but is always harmful, and in addition is addictive, then it is morally wrong to provide people with it. To do so is doing them no good, but doing them harm, especially if the intent is to make a profit from it. This is the case whether or not a person has a right to use such substances. A person may also have the right to shoot himself in the foot, but only a fool loads the gun for him. I may be belaboring the point, but people get muddleheaded over their addictive substances.

There is no doubt that tobacco is such a dangerous, addictive substance. The CDC reports, "More deaths are caused each year by tobacco use than by all deaths from human immunodeficiency virus (HIV), illegal drug use, alcohol use, motor vehicle injuries, suicides, and murders combined."[4] Further, the National Institute on Drug Abuse classifies the nicotine in tobacco as "highly addictive".[5] There is no health benefit to tobacco use. Its use is harmful and a major risk factor for an early death. It is also highly addictive, so that many people who begin using tobacco, even knowing that it is unhealthy, continue using it at an escalating rate until either they die or they are able to quit altogether. Profiting from this is unethical. In fact, tobacco does not even have the recourse that heroin once had, that of being used as a medical painkiller.

Altria's production of alcohol is not as problematic as that of tobacco, because it is in wine. For mainstream churches wine, far from being immoral, is an integral part of communion. Most people who drink do not become addicted to alcohol. There is also some evidence that moderate drinking can have some health benefits.[6] This is not to say that alcohol should be used

[4] U.S. Centers for Disease Control and Prevention, "Smoking & Tobacco Use," March 21, 2011, http://www.cdc.gov/tobacco/data_statistics/fact_sheets/health_effects/tobacco_related_mortality/.
[5] U.S. National Institute on Drug Abuse: The Science of Drug Abuse and Addiction, "Tobacco Addiction (Nicotine)," July 2012, http://www.drugabuse.gov/drugs-abuse/tobacco-addiction-nicotine.
[6] Mayo Clinic Staff, "Alcohol Use: If You Drink, Keep It Moderate," Mayo Clinic, March 15, 2011, http://www.mayoclinic.com/health/alcohol/SC00024.

in excess or without caution.[7] It is still potentially very dangerous. Companies producing alcoholic beverages ought not to market their products in a way that encourages excessive or underage drinking. But because alcohol can be used in a safe way and because it has possible health benefits, Altria Group's production and sale of wine is not unethical in itself. From that perspective Ste. Michelle Wine Estates, Altria Group's wine subsidiary, could be a good investment for an ethical Christian, as long as its other practices are ethical. But there is no way to invest in only Ste. Michelle Wine Estates. Altria Group has to be taken as a whole.

Given these positions on tobacco and alcohol, Altria Group's main products, is Altria Group a company in which one can make an ethical investment? If the investor had any chance of reforming the company, then there still might be the option of investing, as *The Ethical Investor* recommends. The problem is that tobacco is by far the company's most important product. The wine subsidiary, Ste. Michelle Wine Estates, is secondary, and Altria Group's other subsidiaries provide services to the tobacco companies. A shareholder, no matter how powerful or persistent, has very little chance of being able to convince a company that the sale of its major product is unethical and that it ought to desist. Altria Group defines itself as a tobacco company. The product is integral to the company, so the moral problems that come with the product are integral also. For this reason, Altria Group is not an ethical investment.

Unlike the Altria Group, Dow Chemical Company makes a very diverse range of products. To be precise, it makes a diverse range of chemicals that are used in everything from packaging and pharmaceuticals to fertilizer and seeds. This makes any assessment of the ethical nature of its products more complicated. A detailed discussion of all of Dow Chemical

[7] U.S. Centers for Disease Control and Prevention, "Fact Sheets: Alcohol Use and Health," October 1, 2012, http://www.cdc.gov/alcohol/fact-sheets/alcohol-use.htm.

Company's products is not necessary here, but two products in particular deserve attention. These are napalm and genetically modified plant seeds.

Napalm B is an easily-produced incendiary agent that the US used in incendiary bombs in Vietnam. Dow Chemical Company has since stopped producing napalm. In fact, there is no information at all about napalm on the Company's website, but it did produce it in 1966.[8] As a weapon of war, the moral status of napalm is questionable. For the sake of the discussion, because there is not enough space for a full analysis of Christian just war, we can assume a moderate stance on the topic. War is an evil that should be avoided, but it is sometimes necessary to engage in war in order to protect the rights of others. Therefore, warfare should be conducted in a responsible way according to specific moral criteria. International law is a convenient minimum moral standard for warfare. The fact that any such law exists implies that it should be followed, just as national laws should be followed, unless the law itself is unjust. Further, international law is written in order to be practical and to take the rights of individual soldiers and civilians into account. Short of a more stringent standard, international law must be followed.

Napalm, as an incendiary weapon, is limited by the UN Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects. The Convention's Protocol III "bans the use of incendiary weapons against civilians and air delivery of such weapons against military installations located within civilian concentrations."[9] Napalm was dropped out of planes in Vietnam and severely affected civilian populations. Protocol III had not been written at that time when Dow Chemical was producing napalm, but the thrust of international law has always been

[8] Napalm was also used in during WWII and in other conflicts, but Vietnam is the key theater in this context. PBS Staff, "Dow Chemical and the Use of Napalm."
[9] Melissa Gillis, *Disarmament: A Basic Guide*, third ed. (New York: United Nations, 2012), 64, http://www.un.org/disarmament/HomePage/ODAPublications/AdhocPublications/PDF/Basic_Guide-2011-web-Rev1.pdf.

that belligerent parties should avoid targeting civilian installations. That makes dropping napalm out of planes problematic even without the specific portion of international law that prohibits it.

What does that mean when it comes to the responsibility of napalm's producers? Even if napalm was being used exclusively on military populations, there would still be a moral issue in making a profit off of war. The military expenditure of the United States is enormous.[10] Companies can make huge profits manufacturing arms. In this way they are betting on war rather than peace, as it were. Unfortunately, as long as there is war and capitalism in the same place, someone will be making a profit off of war, but there are some moral limits to the way this should be done. For one, an investor will want to be very cautious about investing in a company that gets the majority of its revenue from arms manufacturing. There are also limits to ethically investing in companies that produce some weaponry but have the majority of their interests elsewhere. Again, arms manufacturing must be done within the bounds of international law. This rules out the manufacture of nuclear, chemical, and biological weapons.[11] The weapons are illegal to use, so there is no need to profit by making them.

In the case of Dow Chemical, the company's product was being used in an unethical way, on civilian populations.[12] That information was public, and both Dow Chemical Company and its investors knew how napalm was being used. Those investors were making a profit off of the production of an instrument that they knew would be used in an immoral way. They had the

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[10] Though it has decreased substantially since the Cold War, the military expenditure of the United States is still between five and six times that of the second biggest spender, China. In turn, China spends about twice as much as the third biggest spender and the rest of the pack. This is not a close race. Gillis, *Disarmament*, 9-10.

[11] Gillis, *Disarmament*, 32-44. It is not technically illegal for the U.S. to manufacture nuclear weapons, but the U.S. has signed the Treaty on the Non-Proliferation of Nuclear Weapons, which legally requires them to take concrete steps toward the elimination of nuclear weapons. The manufacture of nuclear weapons is therefore contrary to the intentions of the Treaty, which is legally binding for the U.S. This is enough to advocate for the ethical Christian to refrain from investing in their manufacture.

[12] You could argue that this still might be an ethical use of these weapons, because targeting civilians will demoralize the enemy and shorten the war. In the case of Vietnam, decimating the enemy's civilians would be unlikely to have this effect, but there may be cases in which it would have. An ethical Christian will have to consider the question of a just war ethic separately, and his answer may differ from the provisional one given here.

responsibility, as detailed in *The Ethical Investor,* to act to either change the use of that instrument or halt the production of it or both. In fact, that is exactly what some of the investors in Dow Chemical Company tried to do. There was a shareholder proposal to prohibit Dow Chemical from producing napalm, but the company refused to put the proposal on its proxy statements.[13]

The fact that Dow Chemical tried to block shareholder action on this issue is a matter of moral concern. So long as there is a possibility of reforming a company from the inside, a person need not divest from the company if they are actively supporting such reform. In this case, though, Dow Chemical showed itself to be unwilling to reform. Once the investor becomes convinced that a company is causing or participating in a grave moral wrong and that there is no way to correct the company’s action from the inside, he has a responsibility to divest himself from the company. At this point Dow Chemical could object that it is not the proper field for reform, rather that the conscientious citizen ought to take it up with his senator. No doubt that the citizen ought to take it up with his government when the military of his country is doing something immoral. But when that citizen is also making a profit off of the product that is being used immorally, he has the responsibility to try to stop the wrong through that avenue. To be fair, Dow Chemical did stop producing napalm in 1969. The napalm issue is not a reason to divest in Dow Chemical today, but it is a good case study for why investment might not have been moral during the years when it did produce this harmful substance.

Another one of Dow Chemical Company’s products is more current. Many of the seed companies that are under the umbrella of Dow AgroSciences, which is a part of Dow Chemical Company, produce genetically modified seeds, which they patent. Genetically modified organisms can provide humanity with many benefits, but is it ethical to manufacture and patent

[13] Simon, Powers, and Gunnemann, *The Ethical Investor,* 54.

genetic material? Thomas Shannon lists the possible problems with genetically modified plants as "the safety and quality of the crops and the foods derived from them, biodiversity, […] the research and design money invested in bioagriculture by major corporations, and the possible marginalization of small farms and herds in light of increased production capabilities."[14] In addition to these questions, the title of Shannon's book, *Made in Whose Image?*, brings up the question of whether it is the place of human beings to interfere with genetics at all, or whether God alone has that authority.

Of these potential problems, the last two, the economic problems, are both a part of larger questions about the priorities of society. A lot could be said about them but not here, because they have more to do with business practices in general than with genetically engineered seeds as a specific product. The other potential issues that Shannon mentions, as well as the question of human hubris, are bound up in one problem. That is, when it comes to genetic manipulation there is no way of knowing what the long term effects will be. In the U.S. the CDC, EPA, FDA, NIH, and USDA can provide short term risk assessment and regulation.[15] Through these agencies, the short term risks of genetically modified plants as food, as drugs, as agriculture, on the environment can be assessed. But when it comes to genetic modifications, manipulating the code that makes a living thing the living thing that it is, there is a long term danger. Should this new organism exist? As Shannon says, "The dilemma is how to evaluate the long-term risk of something—manufactured or not—released into the environment without actually releasing that organism into the environment to monitor the outcome."[16]

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[14] Thomas A. Shannon, *Made in Whose Image?: Genetic Engineering in Christian Ethics* (Amherst, NY: Humanity Books, 2000), 13.
[15] Thomas A. Shannon and Nicholas J. Kockler, *An Introduction to Bioethics*, fourth ed., revised and updated, (New York: Paulist Press, 2009), 219.
[16] Shannon, *Made in Whose Image?*, 13.

This problem also means that there is no evidence that genetically manipulated plants, when designed and used responsibly, are anything but safe and beneficial. There is only the danger that they might be. For that reason, asking Dow AgroSciences to stop producing them entirely seems alarmist and is not likely to be successful. Instead of prohibiting the genetic manipulation of plant life, Shannon says, “The more likely scenario is to monitor the research, development, and use of transgenic products as carefully as possible.”[17] This is a job for government. The same is true for determining what can and what cannot be patented. Dow AgroScience has the responsibility to ensure the safety of its products, including supporting federal regulation, but in this case it cannot do more.

Producing and patenting genetically manipulated seed is not sufficient reason to divest in Dow Chemical Company. The Company’s production of napalm might have been sufficient, but they do not produce it any more. These are the kinds of assessments that the investor has to do in order to determine if a company’s products are ethical, but Dow Chemical has thousands of products. The investor cannot possibly look into them all. The CEO of Dow Chemical could not even be an expert on all of them. Instead, the investor should shoot for being reasonably well informed about what a company produces. This means that the investor ought to be able to understand what it is. The investor does not have to be able to draw the chemical composition of Dow Chemical’s products in order to invest in the company, but there is a sense in which an investor understands what chemicals are. A chemical is something real. When it comes to services, entertainment is something real. An investor does not need to know how the rollercoaster operates to know that Walt Disney Company makes money from Disney World.

The problem comes when it is not entirely clear what a company does. That is a red flag. A person ought not to give his money to a company that does not do anything. This is easier said

[17] Ibid., 14.

than done. A pyramid scheme is, by definition, an investment in a company that does not produce anything. No one thinks that they will be taken in by such schemes until it happens to them. This is why it is important to be an informed investor. An ethical analysis of a company's products is not usually very difficult, but it is the most basic, and in many ways the most important kind of analysis a potential investor can make. A company's product is the clearest way in which an investor invests in something. A corporation is not just a dividend; they make something. Altria Group makes tobacco and wine. Dow Chemical Company makes seeds and chemicals. When an investor puts his money in a company, he is putting it toward the production of something real.

Environmental Impact

After considering the products that a company makes, an investor will want to consider the ways in which the company makes those products. Most production process issues can be classified under the heading of environmental impact. Human beings are responsible for avoiding doing harm to the environment and for mitigating any harm that they have done. For Christians, the natural world, as it was created, is good. It was created in a certain way in order to benefit those who live in it. For this reason, Christians have a responsibility to protect God's creation and not to squander it. This responsibility can be expressed in the norms of sustainability, sufficiency, participation, and solidarity.[1] Unfortunately, this is easier said than done. What it means to protect the environment is perhaps the most contentious and significant issue of this age. It is the subject of such speculation and political maneuvering that it is nearly impossible to consider it in a fair, level-headed way. For the ethical Christian investor, the challenge is to try to find a standard for a moral minimum that does no harm to the environment without being paralyzed into inaction.

Human beings have always had an impact on their natural environment. Today there are two broad types of ways in which they do this. The first is through what I will call terraforming, which is radically changing the ecology of a certain area from one type of ecosystem to another. Since the invention of agriculture, this has been the normal way in which humans have interacted with their environment. Every farm, flower garden, and suburb has an ecosystem that has been changed radically for the sake of human use in a way that was intended to be permanent. The second type of impact is more like raiding. Humans either put something into an ecosystem or

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[1] James B. Martin-Schramm, "Toward an Ethic of Ecojustice," in *Moral Issues and Christian Responses*, seventh ed., ed. by Patricia Beattie Jung and Shannon Jung, (Belmont, CA: Wadsworth/Thompson Learning, 2003), 331.

take something out of it with no thought as to permanence or future use. An example of this would be clear cutting a forest, or dumping waste in a river with the expectation that you will never see the waste again. People have always engaged in this kind of activity to one extent or another, but it has become a serious problem since the Industrial Revolution. The distinction between these two types of impacts is important, because while the first type can be made either well or badly, depending on the circumstances, the second type almost always amounts to damage. Terraforming is the only way that humans can exist in the natural environment that is conscientious and self-aware.

Human beings, insofar as they can make moral decisions, are self-aware; they are aware that their actions have effects beyond themselves. This is why human beings are able to look at their own activities as a species and ask a question like, “Is this good for the environment or not?” In this way humans are not only aware of themselves as individuals, but also aware of themselves as part of a group that extends outward to include all of humanity. In other words, they are community minded, which should come as no surprise. This has given people the capacity to realize dramatic changes in the world that they live in. Without self-awareness human beings would still have changed their environment, but because they are self-aware they have been able to do it deliberately and understand what they are doing. They have been able to transform a forest into grassland or vice versa, change the course of rivers, create lakes where there were none, and flatten hills into parking lots. The human ability to terraform the planet in a systematic way comes directly from their awareness as individuals and as a species.

Because human beings are naturally meddlesome in this way, one extreme but logical position is to argue that the fewer human beings there were and the less they did, the better off the rest of the planet would be. From this perspective, any impact humans have on the environment, especially when they radically alter ecosystems to suit their own purposes, is seen as harmful. This view of human action is based on the idea that all living things have intrinsic value. Thomas Derr calls the extreme position that results from this biocentrist environmentalism, and he attempts to refute it systematically by attacking the idea that anything can have intrinsic value. A thing receives its value from the one valuing it, and living things are valuable only because they are valuable to human beings.[2] Humans do have a responsibility to care for the natural world, but not for its own sake.

There are two problems with Derr's critique. First, as creator of the world, God may value all of his creation, not only as a kind of terrarium for human beings but in its own right. Second, even if the value of other living things is derived from their value to humans, humans usually do not value things the way they ought to be valued. Augustine observes in *City of God*, "Who, *e.g.*, would not rather have bread in his house than mice, gold than fleas?"[3] People are often ignorant of what value sentient things have, or else they do not care. If the state of Connecticut had the opportunity to trade every deer tick and mosquito in it for that much horse manure, I believe they would do it without thinking twice. Human beings do not know, and cannot know, the entirety of the role that mosquitoes and deer ticks play in their environment. In this way people are generally short-sighted, and for that reason, great caution is required whenever humans change their environment at the systems level. That is, even if it is acceptable to swat a mosquito, or even 100 of them or more over the course of a summer, that does not make it acceptable to kill all the mosquitos. They are there for a reason, even if humans do not know what that reason is.

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[2] Thomas Sieger Derr, "The Challenge of Biocentrism," in *Moral Issues and Christian Responses*, seventh ed., ed. by Patricia Beattie Jung and Shannon Jung, (Belmont, CA: Wadsworth/Thompson Learning, 2003), 336-7.

[3] Augustine, *The City of God*, trans. by Marcus Dods, (N.p.: Random House, 1950), XI: 16.

That is the value of conservation. Human beings do not know the value of a certain species or ecosystem until it is gone. Therefore, it is both practically wise and morally important to set aside space and resources for those species and ecosystems. It is in this kind of spirit that the Walt Disney Company has been criticized for turning nature preserves into theme parks.[4] It is not in the spirit of conservation that land set aside for that purpose should be terraformed. The purpose of conservation is to set aside land so that it cannot be terraformed. Wilderness is not really wilderness if it has been largely transformed for human use. Disney is pernicious to the extent that it leads to that confusion, terraforming conservation land while still representing it as wilderness. Any potential investor will want to be aware of this issue, but these criticisms are not the whole picture of Disney's conservation policy.

Any large-scale human effect on the environment must be undertaken with caution. So, why not avoid any large-scale effects and limit human activity to "natural" hunter-gatherer type activity? For one, it would be impossible to do this without massive loss of human life. But even assuming that it was possible, this position is essentially hopeless. It assumes that no good can come from human beings. This cannot be a Christian position so long as we were created in God's own image and now live to God having been crucified with Christ who gave his life for us.[5] Human action cannot only cause harm in the world, but must be capable of some good. Human beings must be capable of acting responsibly in nature. To think otherwise creates a false dichotomy between human beings and the human environment on the one hand and nature and the natural environment on the other. It sets "nature" up as "the other", that which is not human and not touched by human hands. That kind of attitude can never lead to a full and healthy sense of responsibility that includes the values of sustainability, sufficiency, participation, and

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[4] Wesley Marx, "The Disney Imperative," in *Politics and Environment: A Reader in Ecological Crisis*, ed. by Walt Anderson, (Pacific Palisades, CA: Goodyear Publishing Company, 1970), 240.

[5] Genesis 1:27; Galatians 2:19-20.

solidarity. So long as human beings exist they will change their environment by being a part of it. Change cannot be avoided, so it must be done in a way that is ecologically self-aware. That is, it must be done in such a way that both individuals and communities critically evaluate the effects that they have on the world around them.

The only way that this will happen is if terraforming is the normal way in which human beings conceive of their interactions with their environment. When it is done well, terraforming has as its object sustainable human use. It requires that human beings take ownership of the ecology in a given area, and in doing so they will be much more likely to want it to be healthy. The farmer does not want his field to be turned into a polluted heap of junk. Disney does not want the air and water in its parks to be polluted, nor the plants in them to die. As long as the whole picture is taken into account and they are balanced with conservation efforts, these parks can be created in a way that is ecologically sound. A company has the minimum responsibility, when it transforms the ecology of a given area, to make an attempt to do it in a way that is sustainable and to support rather than oppose appropriate conservation efforts. In fact, Disney has made significant contributions to conservation and over the past 20 years through the Disney Worldwide Conservation Fund, amounting to almost $10 million from 2009 to 2011.[6] From the perspective of this issue, the company is well above the moral minimum that would allow for ethical Christian investment.

This does not mean that terraforming cannot be done badly. Clearly it can and it has. But that happens most often when people do not entirely take ownership of the ecology that they create. For instance, sewage runoff from a farm does not damage the ecology of the farm, but the ecology of the area downstream. Waste from a Disney theme park does not get dumped in a

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[6] Walt Disney Company Staff, "Citizenship Data Update FY2011," Disney, accessed February 17, 2013, http://thewaltdisneycompany.com/citizenship/data-summary.

landfill in the middle of the Magic Kingdom, but somewhere out of sight. This amounts to the second type of impact that human beings have on their environment. By pulling resources out of an area or dumping waste into it without thought to the future, humans are engaging in a kind of attack or raid on that area. They have failed to recognize it as a part of creation, an ecological portion of the planet that they themselves have to live on. This carelessness comes from what William Ophuls calls the tragedy of the commons.[7] The market system is based on the assumption that "the benefits and costs from the sale must be borne largely by the buyer and the seller."[8] When certain costs of production, such as air or water, are held in common by all people, the buyer and seller are likely to abuse them. If a widget can be made cheaper by dumping toxic smoke into the atmosphere, then people will dump toxic smoke into the atmosphere. The cost of that dumping is not paid by the producers and sellers directly, but by society as a whole.[9]

This amounts to a failure of self-awareness. A community that critically evaluates the impact of its own action on the world around it does not engage in this kind of activity. As a species, when human beings raid their own natural environment they are like the dog that winds its tether around a tree and then barks because it cannot go as far, or like the groundhog that is afraid of its own shadow. Even according to a utilitarian ethic, a community has a responsibility to avoid the tragedy of the commons for the good of all. But Christianity does not give rise to a utilitarian ethic. Even if this kind of raiding would never harm the community that engages in it, but only a few individuals down river, for instance, it would still not be acceptable from a Christian perspective. The Christian must care for others both inside and outside of his

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[7] William Ophuls, "The Scarcity Society," in *Ethical Issues in Business: A Philosophical Approach*, ed by Thomas Donaldson and Patricia H. Werhane, (Englewood Cliffs, NJ: Prentice Hall, 1988), 376.

[8] Blank, "Viewing the Market Economy through the Lens of Faith," in *Is the Market Moral*, 16.

[9] This is one good argument for government intervention. Through government society can put the cost of dumping back onto the producers and consumers of an item. Rebecca Blank is of this opinion (Blank, "Viewing the Market Economy through the Lens of Faith," in *Is the Market Moral*, 17).

community. For this reason, it is never acceptable to thoughtlessly or maliciously dump toxic materials into the environment or to recklessly harvest a resource that could be harvested sustainably.

There are a few problems that arise when translating this principle into a standard for investment. For one, because of the tragedy of the commons, businesses have very little incentive to stop this kind of activity if no one is complaining about it. Also, companies like Disney and Dow Chemical have a long history, and scientific knowledge of and the social standards for human interaction with the environment have changed dramatically. When Dow Chemical first started producing the pesticide DDT, for instance, there was no evidence that it was harmful. The complement to this is the unfortunate fact that there are some environmental problems to which there are no good solutions. In an ideal world, nothing that was not biodegradable would be put in a landfill. At this point in time society does not have a way of making that happen. For these reasons, it will be nearly impossible for an investor to find a corporation that has an entirely clean environmental record, at least not one that is a financially profitable. The potential investor ought to look for a good faith effort on the part of a company to comply with just environmental laws, take responsibility for any actions that have caused harm in the past, and do better in the future. Even if a company does not have an ideal environmental record, there must still be ways in which it makes an effort to be environmentally responsible.

The contrast between Dow Chemical and Disney is informative here. Dow has repeatedly violated the EPA Clean Air Act, Clean Water Act, and Resource Conservation and Recovery Act.[10] Rebecca Katz calls Dow Chemical "a chronic life-course persistent offender" of

[10] U.S. Environmental Protection Agency, "EPA Cites Dow Chemical for Air, Chemical Violations," under "Newsroom," July 14, 2006, http://yosemite.epa.gov/opa/admpress.nsf/2006+press+releases/65ef5bec03363dcb852571ab0054457e?opendocument.; U. S. Environmental Protection Agency, "Dow Chemical Company Settlement," under "Civil Enforcement

environmental crimes, and provides an extensive list of those crimes.[11] EPA regulations are designed specifically to prevent gross harm to human beings. From a moral standpoint they are not sufficient on their own to create an environmental standard, but they are a good starting point. The fact that Dow Chemical has a history of disregarding these regulations calls into question whether it is willing to stand by any kind of environmental standard at all.

Dow Chemical has also shown a tendency to avoid taking responsibility for any harm that it has done. The primary example of this is Dow Chemical's response to the Bhopal disaster. On December 3, 1984 a chemical factory in Bhopal, India exploded in what Dow calls, "one of the most tragic incidents in the history of industry."[12] Greenpeace reports that 8,000 people were killed initially and over 20,000 have been killed to date as a result of the disaster.[13] The factory that exploded was owned by Union Carbide India, Ltd, which was controlled at the time by Union Carbide Corporation, though the corporation has since sold its controlling stock.[14] Dow Chemical Company purchased Union Carbide, including its liabilities, in 2001.[15] From this sequence of events it is possible to understand why Dow can claim that it "has no responsibility for Bhopal."[16] But if Dow does not have any responsibility, who exactly does? Union Carbide Corporation was responsible for the Bhopal factory in 1984, and Dow Chemical Company is responsible for Union Carbide Corporation today. All the rest is smoke and mirrors. Dow

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Cases and Settlements," July 29, 2011, http://www.epa.gov/compliance/resources/cases/civil/mm/dowchemical.html.

[11] Rebecca S. Katz, "The Corporate Crimes of Dow Chemical and the Failure to Regulate Environmental Pollution," *Critical Criminology* 18, no. 4 (2010): 300, doi: 10.1007/s10612-010-9117-5.

[12] Dow Chemical Company Staff, "The Dow Chemical Company and the Bhopal Tragedy," Dow, November 30, 2009, http://www.dow.com/sustainability/debates/bhopal/index.htm.

[13] Greenpeace Staff, "Toxic Waste from Bhopal Disaster Scene Returned to Dow Chemical in Europe," Greenpeace, January 21, 2003, http://www.greenpeace.org/international/en/press/releases/toxic-waste-from-bhopal-disast-2/.

[14] That is, Union Carbide Corporation owned more than half of the stock of Union Carbide India, Ltd. Dow Chemical Company Staff, "The Dow Chemical Company and the Bhopal Tragedy."

[15] Greenpeace Staff, "Dow Chemical Company," Greenpeace, http://www.greenpeace.org/usa/en/campaigns/toxics/justice-for-bhopal/dow-chemical-company/.

[16] Dow Chemical Company Staff, "The Dow Chemical Company and the Bhopal Tragedy."

Chemical Company has the responsibility to mitigate that harm if it can, but the company has consistently refused to do so. Given these tendencies, a Christian investor ought to be very wary of Dow Chemical. Unless the company makes serious changes to the way it operates in the environment, it is not an ethical investment at this time.

The Walt Disney Company can serve as a counter-example to this. Disney's environmental record is relatively clean for a company that is as large and as old as it is. The EPA has very little to say about the company beyond praise. Still, the company's record is not perfect. In 2011 Greenpeace reported that the packaging for many Disney products was made using Indonesian rainforest timber by a company that "continues to destroy rainforest habitat of critically endangered wildlife and to be engaged in large-scale illegal clearance of peatland."[17] Greenpeace sent Disney a letter informing them of this in June of 2011.[18] This is the most outstanding issue that Greenpeace has with the company at this time. A little over a year later, in October of 2012, Disney announced its new Paper Sourcing and Use Policy, which aims to: "minimize the consumption of paper, eliminate paper products containing irresponsibly harvested fiber, such as fiber from High Conservation Value Areas, [and] maximize recycled content and fiber sourced from Forest Stewardship Council-certified forest operations."[19] In this timeline the potential investor can observe a probable chain of causation. It is unlikely that company management was aware of the specific sources of wood that contributed to the company's packaging before activists brought the problem to their attention. It is even possible that no one at Disney was aware of the source of the paper, but had made paper and wood

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[17] Greenpeace Staff, "APP Customer: Disney," Greenpeace, November 26, 2011, http://www.greenpeace.org/usa/en/campaigns/forests/Our-current-projects/app/toys/sector/disney/.
[18] Phil Radford, Letter to Disney, Greenpeace, June 7, 2011, http://www.greenpeace.org/usa/Global/usa/planet3/PDFs/Forests/Letter-to-Disney1.pdf.
[19] Walt Disney Company Staff, "Disney Announces Paper Sourcing and Use Policy," Disney, October 11, 2012, http://thewaltdisneycompany.com/disney-news/press-releases/2012/10/disney-announces-paper-sourcing-and-use-policy.

purchases based solely on financial criteria without asking any questions about source. The letter from Greenpeace presumably brought the problem of Indonesian rainforest timber to company's attention. Once the problem was made know to them, Disney changed its policies in an effort to improve the situation. This example, along with the absence of other major environmental problems, indicates that Disney is an environmentally ethical corporation.

Disney and Dow Chemical have very different records when it comes to the use of the environment, but one thing they have in common is carbon emissions. In fact, greenhouse gas emissions are a problem for just about every company that a potential investor is likely to consider. Climate change and greenhouse gas emissions are not the result of pollution as such. Greenhouse gasses are not harmful or poisonous on their own. Carbon dioxide and water vapor both occur naturally in the body. The problem is that emissions of large quantities of greenhouse gasses have contributed to the rising temperature of the planet and have exacerbated the phenomenon known as climate change, which will lead to any number of very serious problems for humanity.[20] This is a scientific determination that has been made by experts in the field.

Scientific knowledge of the situation translates into a moral imperative for action. As James says, "Whoever knows the right thing to do and fails to do it, for him it is a sin."[21] Human beings have a responsibility at least to try to stop accelerating the process of climate change, because humans do not know how that process will end, what it will entail, and whether or not people will be able to cope with it. People contribute to climate change without understanding the consequences or taking them into account. On a societal level this again amounts to a massive failure of human self-awareness and responsibility.

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[20] U.S. Environmental Protection Agency, "Climate Change Basics," June 14, 2012, http://www.epa.gov/climatechange/basics/; Vasiliki Papadimitriou, "Prospective Primary Teachers' Understanding of Climate Change, Greenhouse Effect, and Ozone Layer Depletion," in *Journal of Science Education and Technology* 13, no. 2 (June 2004): 299, http://www.jstor.org/stable/40188791.
[21] James 4:17.

The problem is that the western world does not remember a time, and cannot really conceive of one moving forward, when it was not emitting large quantities of greenhouse gasses. For the past 100 years the status quo has been to do harm. Only very recently has any action been taken on this issue, and the action that has been taken is inadequate. Because of the tragedy of the commons, it is unlikely that under their own initiative individual businesses will ever reduce their greenhouse gas emissions to the point of being truly ethical. The ethical standard here would be to do no harm, and change the environment only in ways you can understand and control. If it is impossible, or at least very improbable, for businesses to regulate their own greenhouse gas emissions to that point, then it becomes the responsibility of society through government to do so. Because it is only at high levels that greenhouse gas emissions become dangerous, you cannot point the finger at any one action by an individual company and say, "That is the problem." The harm done by greenhouse gas emissions is structural. It is built in to the way society works. Structural harm requires structural change.

If some Christians, in good faith, disagree with the conclusion that businesses are unlikely to regulate themselves, then the ethical burden on the individual companies increases. They may argue that it is sole the responsibility of corporations and individuals to act on this issue and that government ought to stay out of it. William McGurn says, "For those of us who believe that markets are not morally self-sustaining, ruling out government only makes the imperatives of moral undergirding the more daunting. That is especially true for those of us whose Christian view of life tells us we cannot be neutral regarding certain individual choices."[22] This is a morally defensible position only as long as the person holding it is willing to radically change his lifestyle and support only companies that meet the minimum ethical standard for

[22] William McGurn, "Creative Virtues of the Economy," in *Is the Market Moral*, 137.

society. There will be few if any companies that are able to do this without the support of government to level the playing field.

In fact, government action significantly reduces the burden on individuals and corporations, making it easier for both to meet environmental standards. Some corporations recognize this. Car manufacturers have recently supported the EPA attempt to reduce sulfur in gasoline. As long as every company is held to the same standard by law, no one of them is at a financial disadvantage for being environmentally friendly. If the investor accepts that it is the responsibility of society as a whole through government to act in that way, then any individual company is only required to follow the law and do as well or better than its competitors. Individual Christians and ethical corporations have the responsibility to call for and support government action, but not to outrun the pack, so to speak.

Employee Relations

The second purpose of a business, inseparable from the first, is to provide the people who produce the business's products with a livelihood. A livelihood is the means to fulfill one's needs in a way that is consistent with human health and wellbeing. A living wage is a wage that is adequate for a livelihood. People specialize their labor in order to trade what they do or make for the things that they need. In order for a business to be successful (that is, in order for a person to have successfully specialized her labor) it must provide for the needs of at least one person, the owner/manager/laborer. In the modern corporation this is complicated by the division of the roles of owner, manager, and laborer into separate groups of people. A business is supposed to provide some people with a livelihood, but which people?

Traditionally, the owners have been given priority in the relationship between owners, managers, and laborers. Theoretically, the owners put up the capital to start the business, and the managers are entrusted with serving the owners' interests. In this view, labor is simply a factor of production. This gives rise to the opposition between labor and capital. More recently, with the fall of the owner-manager and the widespread sale and purchase of stocks, a new opposition has developed between owners and managers. This is because, in reality, the interests of the management are likely to be served before the interests of either the owners or the laborers. These three functions: owning, managing, and laboring, are all essential to any modern business operation. From a Christian perspective what are the minimum requirements for these groups dealing with one another?

If the only reason that a person specializes her labor is to receive from it a livelihood, theoretically this should mean that no person would ever accept less than an adequate wage for her labor. If this were true then every wage would be a living wage, and market value would only determine how much above the living wage a specific worker earned. Unfortunately, the labor market does not work that way. The U.S. Conference of Catholic Bishops observes, "The way power is distributed in a free market economy frequently gives employers greater bargaining power than employees in the negotiation of labor contracts. Such unequal power may press workers into a choice between an inadequate wage and no wage at all. But justice, not charity, demands certain minimum guarantees."[1] A worker may not have the power to demand a living wage from her employer. This is especially true for unskilled workers, but that does not mean that their labor does not deserve the just remuneration of a living wage.[2]

Discussing labor as a factor of production, the cost of which is determined by the market, ignores the humanity of labor. The Catholic Church has been particularly vocal at pointing out this problem. In 1981 Pope John Paul II argued for "the principle of the priority of labor over capital,"[3] which he equated with "the primacy of man over things."[4] Christians are called to act in a way that benefits the most vulnerable groups of people first. That means that the greatest level of responsibility that a corporation has to any of its employees is to the least of them. This is the Catholic preferential option for the poor. Paying its employees a living wage may cut down on a company's profits, but in this case that is the cost of justice. Both the shareholders and the managers of a company have the responsibility to prioritize paying their employees a living wage over profits.

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[1] U.S. Conference of Catholic Bishops, *Economic Justice for All*, 51.
[2] Confusion could arise here between unspecialized labor and unskilled labor. Unspecialized labor is when everyone provides for all of her own needs, either by farming or hunter/gathering. This actually takes a lot of skill. Unskilled labor is specialized because it participates in the system of interdependence of labor whereby people provide for one another's needs in trade, rather than each providing for her own needs.
[3] John Paul II, *On Human Work: Laborem Exercens* (Boston: Pauline Books and Media, 1981), 28.
[4] Ibid., 31.

The Old Testament emphasizes the wages of a hired laborer several times, but the scariest passage on the subject is from the New Testament. James says,

> Your gold and silver have corroded, and their corrosion will be evidence against you and will eat your flesh like fire. You have laid up treasure in the last days. Behold, the wages of the laborers who mowed your fields, which you kept back by fraud, are crying out against you, and the cries of the harvesters have reached the ears of the Lord of hosts.[5]

This injunction is clear. Do not neglect to pay the laborer her due for the sake of your own profit. If you have placed stock in the things of this world, which will pass away, rather than in the Lord your God, then as your possessions pass away it will "eat your flesh like fire." A person who provides a company with the bulk of her labor ought to receive a livelihood in return. If a company agrees to hire a worker with the expectation that she will be working primarily for that company, then they have tacitly agreed to provide her with a livelihood. Otherwise, in a just society, there would be no reason for her to work for them.

This does not require that a company hire workers in order to pay them. Many Christian ethicists argue that one of society's goals should be full employment for all people who want to work. That may be, but it is not the responsibility of a corporation to make full employment a reality. Unemployment and underemployment are systemic problems. They are built into the way capitalism works. These problems cannot be fixed by individual moral action. The number of workers that a company employs is entirely at the discretion of the company based on its needs. This is made clear by the example of the business as it was originally conceived, when the owner, the manager, and the worker were all the same person. There is nothing wrong with one person with the required equipment setting out to make her own living. A corporation's responsibility is to the workers that it does employ, not to people that are unemployed.

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[5] James 5:3-4.

Again, that responsibility can be conceived of as a livelihood, or a living wage. This includes pay adequate to healthy living, safe working conditions, freedom of association and movement, access to a childhood and basic education, the opportunity for rest and leisure, and some protection from arbitrary dismissal and discrimination. These standards are supported both by the Universal Declaration of Human Rights and by the U.S. Conference of Catholic Bishops. The Universal Declaration was written in the aftermath of World War II; it was designed to prevent “barbarous acts which have outraged the conscience of mankind,” and to preserve “freedom, justice and peace in the world.”[6] Among other rights, the Universal Declaration gives workers the right to rest and leisure, a “standard of living adequate for the health and well-being of himself and his family,” and education.[7] These are much the same rights that the U.S. Conference of Catholic Bishops suggests when they say that the dignity of workers requires “the provision of wages and other benefits sufficient to support a family in dignity […] healthful working conditions, weekly rest, periodic holidays for recreation and leisure, and reasonable security against arbitrary dismissal.”[8] Healthy living in this case includes both access to good nutrition and to a place to live that is free of dangers. Freedom of association and movement includes both personal association, in the sense of friendships and marriage, and public association such as collective bargaining. This is not more than what is already required by law in the United States at this time.

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[6] UN General Assembly, The Universal Declaration of Human Rights, 1948, Preamble, http://www.un.org/en/documents/udhr/index.shtml.
[7] Ibid., Articles 22-27.
[8] U.S. Conference of Catholic Bishops, *Economic Justice for All*, 51.
Both of these documents also give employees other rights, such as unemployment insurance, that are the responsibility of society at large, not of the individual employer.

There are several sources of criticism for this standard. One is made by William McGurn. He argues that many of the values that the U.S. has put into law are culturally relative.[9] The idea that children should be in school rather than working in a garment factory, for instance, is an American idea that does not work in the third world. He says, "The real alternative for that Bangladeshi girl would not be trundling off to class but scavenging through garbage heaps or prostituting herself."[10] At least if she goes into the garment factory, McGurn argues, and sends money home to her family they may use it to educate her brother, who can then get a job that will pull the family out of poverty.[11] The problem with McGurn's example is that it imposes a dilemma on the part of the employer that does not exist in reality. McGurn assumes that a company can only either make money off of child labor or watch little girls become prostitutes. This makes companies that hire children seem practically philanthropic, when of course this is not the case. In reality, if the parents of that little girl were being paid a living wage, it would not be necessary for her to work at all. That is the ethical choice for the company to make.

Another objection can be raised to the way the Universal Declaration provides for rest and leisure. Article 24 says, "Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay."[12] This seems to require paid holidays, which many people in the U.S. and elsewhere do not get even if their job is perfectly adequate to meet their needs. Maurice Cranston has used this provision as a foil in order to discredit the whole document as a standard.[13] The problem is that not everyone is going to get holidays with pay. Many companies do not provide them and many people do not need them.

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[9] McGurn, "Markets and Morals," 83-4.
[10] McGurn, "Creative Virtues of the Economy," 131.
[11] Ibid., 132.
[12] UN General Assembly, The Universal Declaration of Human Rights, Article 24.
[13] Maurice Cranston, "Human Rights, Real and Supposed," in *The Philosophy of Human Rights*, ed. Patrick Hayden (St. Paul, MN: Paragon House, 2001).

The intention of the article is to require companies to allow their employees time for rest and leisure, so that even the lowest paid employees are not required to work 16 hours a day, seven days a week for their whole life or fired for taking a day off. That intention is fulfilled as long as an employee is paid enough to be able to take a reasonable holiday, will not be fired for doing so, and is allowed to take her pay with her on her holiday and use it as she sees fit. Her working hours also should not be extended beyond reasonable limits. This satisfies the requirement of rest and leisure without requiring that that company provide paid holidays.

The standards of ethical treatment of employees are all provided for by law in the United States, so corporations that operate in the U.S. will be in compliance with these standards as long as they follow the law. Also, the Universal Declaration was adopted in 1948 by the UN General Assembly, and therefore has the force of international law.[14] That does not mean that either the Universal Declaration or U.S. law is actually in force everywhere or with everyone. But corporations are not bound to respect only those claims that governments are able to enforce. Rather they have a certain level of responsibility to their employees independent of the laws of the countries in which they operate. A company, as an employer, has a specific responsibility to ensure that the rights of its workers, as employees, are respected.

I have found no evidence that Altria Group, Dow Chemical, or Disney[15] is disregarding any of these principles with their own employees. They do not, for instance, pay criminally low wages, use forced or child labor, or provide working conditions that are chronically unsafe. If a company did engage in these practices, it would not be an ethical investment. Collectively the shareholders of a company are its owners, and therefore they employ everyone who works for that company. The question of ethical employment is not, “Would I allow someone to treat

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[14] United Nations Staff, “The Universal Declaration of Human Rights: History of the Document,” United Nations, accessed March 2, 2013, http://www.un.org/en/documents/udhr/history.shtml.

[15] Disney’s use of garment factories along their supply chain will be dealt with in Chapter 6.

people that way?" but rather, "Would I treat a person that way?" The kinds of practices that the Universal Declaration tries to prevent show a blatant disregard for the safety and wellbeing of others. As long as there is an alternative, they are not acceptable in an ethic that values relating to others according to the principle of justice.

On the opposite end of the spectrum from the worker in the garment factory in a developing nation is the company's chief executive officer. Over the past 30 years CEO pay has skyrocketed while the pay of the average worker has not kept pace. While in 1990 CEOs were paid about 100 times that of the average worker, ten years later they were paid between 350 and 520 times that of the average worker.[16] The most well paid CEO in 2011 was Timothy Cook of Apple Inc. Including stock options and bonuses he made $377,996,537, or 11,100 times the pay of the average U.S. worker.[17] That is an outrageous rate even by the standards of other CEOs, and it makes the pay of Disney's CEO, Robert Igar, at $33,434,398 for 2011 look downright reasonable.[18] In the same year Dow Chemical Company's CEO Andrew Liveries made $19,274,624,[19] and Altria Group's Michael Szymanczyk made $11,842,304.[20]

The dramatic increase in executive compensation has been due to a huge increase in stock options and bonuses as part of an executive's compensation package. These are by far the largest portions of the compensation packages listed above, to the point where the base pay of any of

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[16] Jared D. Harris, "What's Wrong with Executive Compensation?" *Journal of Business Ethics* 85, Supplement 1: 14th Annual Vincentian International Conference on Justice for the Poor: A Global Business Ethics, (2009), 148, http://www.jstor.org/stable/40294828.
[17] AFL-CIO Staff, "Executive Paywatch: 100 Highest-Paid CEOs," AFL-CIO, accessed March 3, 2012, http://www.aflcio.org/Corporate-Watch/CEO-Pay-and-the-99/100-Highest-Paid-CEOs.
As a federation of labor unions the AFL-CIO definitely has an opinion as to the ethics of pay like this, but the statistics that they use are accurate when checked against company proxy statements.
[18] Walt Disney Company Staff, "Notice of 2013 Annual Meeting and Proxy Statement," Disney, proxy statement, 2013. http://cdn.media.ir.thewaltdisneycompany.com/2013/annual/proxy-2013.pdf.
[19] Dow Chemical Company Staff, "2012 Dow Proxy Statement," Dow Chemical Company, proxy statement, 2012, http://www.dow.com/investors/pdfs/2012_Dow_Proxy-Bookmarked.pdf.
[20] AFL-CIO Staff, "Executive Paywatch: CEO Pay by Industry," AFL-CIO, accessed March 3, 2012, http://www.aflcio.org/Corporate-Watch/CEO-Pay-and-the-99/CEO-Pay-by-Industry.

these executives does not seem at all extreme. The purpose of increasing the variable portions of an executive's pay package is to align the executive's motivations with the good of the company. This is called agency alignment. The size of an executive's bonus is based on company performance. Also, giving executives a large portion of their compensation in company stocks ties the executive's compensation to the company stock's performance. Theoretically this should give executives a strong incentive to do what is best for their company. The problem is that there is evidence that agency alignment does not work. In fact, "stock-based incentives may encourage executives to disregard social performance in pursuit of market price increases."[21]

The fact that there is evidence that executive compensation packages do not align executive agency in the way that they are supposed to opens the door to the question of what exactly is wrong with them. Jared Harris discusses the basis on which this level of compensation could be considered unfair. Many people have the initial conviction that CEO pay is grossly unfair, either on its own or in comparison with the pay of the average worker. That is, it is simply too much money for one person to make. The reasoning goes like this. If Timothy Cook worked for only one year and kept only 1% of his take home pay for that year, then he took what was left and stuck it under his mattress, he would still have enough so that he could use the equivalent of the salary of the average American every year for the next 100 years. As a middle class American I have a strong conviction that there is only so much work a person can do and therefore there is only so much money one person can *earn* when compared with another person. Anyway, what would anyone want with that much money? How could you even go about spending it?

[21] McGuire, Dow, and Argheyd, "CEO Incentives and Corporate Social Performance," 342.

Although McGuire, Dow, and Argheyd found, based on statistical analysis, that "high compensation levels may be indicative of a less socially responsible orientation,"[22] Harris criticizes this view as knee-jerk and simplistic. He says, when one asks how much pay is too much, "The answer depends largely on one's personal sentiments that derive mainly from one's own frame of reference, and […] objecting to the CEO's greedy pay package is indistinguishable from one's envy of it."[23] Further, any comparison of CEO pay to the pay of other types of workers is meaningless without some kind of concrete reference against which you can measure their value to society or the company they manage.[24] No such reference exists. This argument is convincing as long as an adequate lower limit is established. Income inequality is not nearly as big a problem as long as the people at the lower end of the spectrum, the poor, are adequately provided for and can, in principle, hope that they too will eventually reach the high end of the spectrum. It is impossible to put either an absolute or a proportional upper limit on income.

Instead, Harris argues that executive compensation is structurally unfair for two reasons. First, CEOs often have a hand in determining their own pay, often sitting on the compensation committee that sets the rate. Also, in practice the CEO selects the board of directors which determines the CEO's compensation. Harris says that just as "a thief is not entitled to his ill-gotten gains, it follows that executives who use an insider's advantage to enrich themselves at the expense of other stakeholders also do not attain just entitlement."[25] Similarly, Paul Wilhelm argues that when boards of directors and managers collude on the issue of compensation, it has several negative effects that are contrary to the principles of distributive justice. Research and development funding is reduced, shareholder and employee interests are neglected, employees

[22] Ibid., 353.
[23] Harris, "What's Wrong with Executive Compensation?" 148.
[24] Ibid., 149-50.
[25] Ibid., 151.

lose motivation, and companies downsize by laying off employees.[26] The potential investor will want to keep an eye out for these effects.

That said, CEO compensation alone is not a sufficient reason to conclude that a specific company is unethical. One company paying one CEO an exorbitant amount of money is not in itself unethical. The owners of the company, the shareholders, have every right to complain about CEO compensation and to try to reduce it, but they also have the right to ignore it. As long as a CEO does not engage in other unethical activity, there is no real damage being done. If CEO compensation does cause other, more serious problems, it does so not in individual instances but as a system. Systemic problems cannot be dealt with by individual investment choices. As long as the company pays its least respected employees well enough to meet the minimum standard, the ethical Christian does not have a responsibility to avoid investing in a company that pays its CEO too much. Of course, she is not required to invest in such a company either. Any investor can, for financial reason, avoid investing in a company where money that should go into dividends or expansion is instead lining the pockets of the CEO. That will be a personal decision that the individual investor has to make.

[26] Paul G. Wilhelm, "Application of Distributive Justice Theory to the CEO Pay Problem: Recommendations for Reform," *Journal of Business Ethics* 12, no. 6 (1993): 477-8. http://www.jstor.org/stable/25072424.

Special Considerations for Multinational Corporations

Any discussion of investment (or business or economics or politics or any number of other things) has become exponentially more complicated with the increasingly transnational nature of the economy. This is especially true for the issues of employee relations and environmental ethics. Laws and ethical norms vary greatly from country to country, but businesses operate everywhere. This can make it difficult for a company to be ethical and for an investor to assess the ethics of the company. Also, there is now and always has been a lot of pressure in the U.S. to support American manufacturing. Products wear a Made in America sticker like a badge of honor. Christian principles have something to add to the discussion of these issues and can help the investor make ethically sound decisions.

First, is American manufacturing in and of itself more ethical than foreign manufacturing? From a Christian perspective, an American worker is not inherently more valuable than a foreign worker. A human being is a human being, and one is not more worthy of a livelihood than another because of nationality alone. In fact, insofar as Christians are called to care for the poor, the oppressed, and the stranger, it may do more good to hire a worker in Bangladesh than to hire one in New York. Later I will argue that there are good reasons to support local businesses, but first this point must be made absolutely clear. Outsourcing is not a demon that has to be vanquished. Attempts to demonize foreign products rely heavily on prejudice and racism, and the debate is tied to the debates on immigration and migrant workers in the United States. These arguments can be seductive, but from a Christian perspective they are not valid, for “there is neither Jew nor Greek, there is neither slave nor free, there is no male and female, for you are all one in Christ Jesus."[1]

That said, because of the problems that arise when a business operates overseas, there are two advantages to investing in local businesses. First, local production reduces a company's environmental impact. Shipping widgets from China to New York may require more energy than producing the widgets in the first place. Notice that this principle is geographic, not political. Mexico is closer to the continental United States than Hawai'i is. Being made in America, therefore, is not always a good indicator of how much energy was required to transport goods. Also, some services do not have to be transported at all. IT support, telemarketing, and call centers are notorious for taking advantage of this. The usual argument against this sort of outsourcing is that the people they hire can barely speak English. To whatever extent that is true, it may not be good customer service, but it is hardly unethical.

Second, the closer you are to the site of production, the more you will know about the conditions. When Stanley Works operated factories in New Britain, people living in central Connecticut had probably heard, or could easily get, firsthand accounts of what the production process was like and how the company treated its employees. An investor should generally be more comfortable investing in a business that operates in an area that allows him to easily get information on those operations. Information will probably be easier to get on activity that is taking place inside the U.S. and in other areas that have a strong tradition of freedom of the press.

With certain businesses the advantages of local production will be greater than these. For instance, in addition to the advantages above, there are some advantages to locally produced food. First, locally produced agriculture on small farms promotes many other good agricultural practices. *Economic Justice for All* cites the loss of farming communities and small to medium

[1] Galatians 3:28.

sized farms in the U.S. as one of the great economic failures of our time.[2] Small or medium sized farms in the U.S. tend to grow a wider variety of crops and are less likely to strip the soil. Also, local food tastes better. It tastes better because it has been picked closer to the time of consumption, which also generally makes it more nutritious.[3] Since most small or medium sized farms are not publicly owned and traded, it may be difficult to invest in them, but good practices are no less good for their difficulty.

Second, supporting local agriculture may help prevent the misuse of agricultural land in developing nations. Ann Seidman explains the problem in her article, “Man-Made Starvation in Africa.”[4] According to conventional economic analysis, one of the strengths of the market is in the way it efficiently allocates resources based on need. From this perspective, need is not distinguished from want. Instead, both need and want are expressed through the amount of money that people are willing to pay for something. The conventional wisdom says that if people are starving they will be willing to pay a lot of money for food but almost no money for luxuries like tobacco, so during a famine many farmers who had previously grown tobacco would switch to growing potatoes or some other type of foodstuff. Thus the starving people would express their need and the farmers would efficiently relieve the famine.

This process works very well if most people are basically on equal footing as far as the amount of money that they have available to express their need. Unfortunately that was not the

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[2] United States Conference of Catholic Bishops, *Economic Justice for All*, 22.

[3] There is a lot of public confusion of terms when it comes to agriculture. Organic does not mean that food is locally grown. Organic is a classification of the types of pesticides and fertilizers that have been used on the land on which a certain crop was grown. There are benefits to organic meat and produce, because there are questions about the environmental and health effects of conventional pesticides and fertilizers. But being certified organic does not guarantee that a farm is socially responsible in any other way. Organic does not mean local, small-farm, environmentally sustainable, fair-trade, or better tasting. The worst practices of big agro-business are just as easy to practice on an organic farm as they are on a conventional farm. This is something that a potential investor will want to be aware of if he decides to invest in agribusiness.

[4] Ann Seidman, “Man-Made Starvation in Africa,” in *Religion and Economic Justice*, ed. by Michael Zweig, (Philadelphia: Temple University Press, 1991), 147.

case in Africa in the 1980s. Instead, 70%-80% of Africa's food crops were grown by women using outmoded tools,[5] while Africa continued to export millions of tons of agricultural products to Europe and the United States.[6] When a drought caused the crop of foodstuffs to fail, there was a famine, but because the average starving African had no money, he could not economically express his need for more foodstuffs to the farmers who were growing tobacco, cotton, tea, coffee, and other goods for export out of Africa.[7] No matter how great the need, those farmers could still make more of a profit by growing luxuries for export. From the perspective of the American investor, one benefit to locally grown agricultural products is that they do not participate in this systemic injustice.

These are some benefits to investing in companies that produce goods and services locally, especially in the field of agriculture. This does not mean that local production is a panacea or that transnational corporations are necessarily unethical. In fact, it would be impossible to produce the majority of the goods and services sold in the U.S. today without a global economy. Raw materials, including agricultural products, do not exist equally everywhere, but are tied to specific locations or climates. Also, refining those raw materials and manufacturing consumer goods has become incredibly specialized, so a huge network of factories is required to manufacture many consumer goods. Claiming that something is made in America does not mean that the company did not purchase or manufacture parts or raw materials overseas. This has become more and more of an issue with the increase of globalization. Globalization means global interdependence, which is not a bad thing. Human beings are meant to live in community with other human beings. They are happier that way and more productive.

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[5] Ibid., 156.
[6] Ibid., 147.
[7] Ibid., 149.

People have been able to accomplish great things through the high level of interdependence that specialization and globalization have brought.

That said, there are some ethical problems that companies encounter when they operate overseas. Many nations do not have labor or environmental protection laws that are as strict as the ones in the U.S., and it has been easy for Western countries and transnational corporations to exploit the people and resources in other areas of the world.[8] That does not mean that the ethical burden is any lighter in those countries. For instance, Dow Chemical is responsible for the effects of the Bhopal disaster no matter in what country that event occurred. Similarly, slavery is unethical whether the law of the land allows it or not. The challenge for a multinational corporation will be to hold itself to the same ethical minimum no matter where it does business. The market may require that it do more than that minimum in some areas, but the minimum remains the same.

Although the real minimum remains the same, the dollar amount that is required to assure that minimum is not absolute. For instance, a company has a responsibility to provide its employees with an adequate wage. What exactly is an adequate wage will differ depending on what currency is being used and how it is valued in a particular place at a particular time, but the minimum living standard that a worker should expect does not change. Good nutrition, for instance, is a medical or health standard. It is not culturally determined. A person in India may be used to a very different type of diet than a person in the U.S. but the standards for health will be the same for both. Malnutrition is still malnutrition when it happens in India. The same reasoning can be made about environmental standards. You cannot argue that a person in the developing

[8] On the flip side, some nations have laws that are stricter than those in the U.S., but that will not usually be an ethical issue.

world does not need clean air or water as much as a person in America. There is no excuse for using the developing world as a dumping ground.

It is clear that simple compliance with the law is not a sufficient ethic. That is true both abroad and in the United States. Law is often insufficient or unjust. An ethical company must often hold itself to higher standards than the law requires in order to meet the ethical minimum. Even though slavery was legal in the southern United States in the first half of the 19th century, slave owning plantations were not an ethical investment. The fact that a company adheres to the letter of the law does not make it ethical. Altria Group produces cigarettes in perfect compliance with the law, but fails to meet a minimum ethical Christian standard. This distinction becomes even more important when companies operate in many different countries with different legal systems.

I have found no evidence that Altria Group, Dow Chemical, or Disney engage in unethical activities overseas that they avoid in the United States. The reason that U.S. companies are consistent in their policies both inside and outside the U.S. may be that they are having other companies do the dirty work for them. This leads to the much more difficult problem of the employee relations and environmental responsibility that exist along a company's global supply chain. For instance, Disney, like many U.S. retailers, does not manufacture its products itself. Instead it licenses independent facilities that are, for the most part, in foreign countries. Disney currently has over 25,000 different facilities involved in manufacturing its products.[9] These facilities also manufacture products for other retailers at the same time. Altria Group also purchases the tobacco that it processes both from growers inside the U.S. and from third-party

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[9] Walt Disney Company Staff, "Public Concerns in Facilities Making Disney-branded Products," Disney, accessed March 3, 2013, http://thewaltdisneycompany.com/sites/default/files/Public%20Concerns%20in%20Facilities%20Making%20Disney%20Products.pdf.

middlemen who purchase tobacco from growers in countries like Brazil, Argentina, Malawi, and Turkey.[10] Because U.S. retailers do not manage or own the facilities that produce their goods, one could argue that they have no responsibility for what goes on in them; it is the responsibility of the managers of the facility to ensure ethical conduct. In fact, this is the bargain that many consumers make every day. How many people buy t-shirts without ever asking under what conditions they were manufactured?

Yet, just as an investor or a consumer has a responsibility to deal first with companies that are ethical, and so put his money where his mouth is, businesses have a responsibility to try to maintain an ethical supply chain. Since the 1990s awareness of these supply chains has dramatically increased and many companies have started requiring these independent facilities to adhere to codes of conduct.[11] In agriculture consumers and corporations have demanded fair-trade practices, especially with luxury products like coffee, tea, and cocoa.[12] In doing this they are engaging in basically the same process as an investor does when he is assessing the ethics of an investment. That is, they ask the question, “How bad does this company have to be before I can no longer do business with it?”

This system of global supply chains has come to the attention of the public lately because of the fire at the Tazreen Fashions garment factory in Bangladesh. The New York Times reported that 112 people were killed in a fire at the factory on November 24, 2012.[13] The factory

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[10] Altria Group Staff, “Supply Chain Responsibility: Understanding Our Supply Chain,” Altria, accessed March 19, 2013, http://www.altria.com/en/cms/Responsibility/supplier-responsibility/strategy-approach/understanding-supply-chain/default.aspx.

[11] Marc Gunther, “How Companies Fight Sweatshops: Global brands are stepping in to monitor working conditions at factories—but producing real change isn’t easy,” *CNN Money*, May 3, 2006, http://money.cnn.com/2006/05/03/news/international/pluggedin_fortune/index.htm.

[12]Fair Trade USA Staff, “Products & Partners,” Fair Trade USA, accessed March 22, 2013. http://fairtradeusa.org/products-partners.

[13] Steven Greenhouse, “Documents Reveal New Details About Walmart’s Connection to Tazreen Factory Fire,” *New York Times*, December 10, 2012. http://www.nytimes.com/2012/12/11/world/asia/tazreen-factory-used-by-2nd-walmart-supplier-at-time-of-fire.html?smid=pl-share.

had many fire code violations, and the workers could not get out of the building once the fire started. The goods that were produced at the Tazreen factory were to be sold at U.S. retailers including Sears and Walmart.

Disney was also initially implicated in the Tazreen factory fire, and this disaster is a good case study for the ethical implications of these kinds of relationships. A box of Mickey Mouse sweatshirts was discovered at the factory in the aftermath of the fire.[14] Disney claims the following: the Tazreen factory was not authorized to produce Disney products at all. Instead, Disney licensed Walmart to produce and sell certain Disney products; Walmart then hired manufacturers to produce the sweatshirts, who in turn hired a subcontractor who moved some boxes of Mickey Mouse sweatshirts through the Tazreen factory without the knowledge of Walmart or Disney.[15] This situation, and presumably many more like it around the world, is very complicated. It is logistically, financially, and ethically complicated, and that implies that U.S. retailers, whatever their intentions, have a good deal less control over the way their products are manufactured than critics would like to admit. Requiring a retailer to know the conditions under which all of its products were manufactured is a very high level of responsibility.

The fact that the level of responsibility is high is not a bad thing—"everyone to whom much was given, of him much will be required"[16]—but it means that no attempt will be perfect. The potential investor has to look for a code of conduct that complies with the Universal Declaration of Human Rights and the ten principles of the UN Global Compact. Most large companies that do business with overseas suppliers now have a supplier code of conduct or international labor standards that are based on UN principles. An investor will want to question

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[14] "Wal-Mart, Disney, Sears used Bangladesh Factory," *USA Today*, November 28, 2012. http://www.usatoday.com/story/news/world/2012/11/28/bangladesh-fire-walmart-disney-sears/1731225/.
[15] Walt Disney Company Staff, "Update Regarding Bangladesh," Disney, December 21, 2012. http://thewaltdisneycompany.com/content/update-regarding-bangladesh.
[16] Luke 12:48.

the ethics of a company that does substantial foreign business but has no policy on the ethics of its supply chain. The company must also attempt to enforce that code of conduct.

Both the Walt Disney Company and Altria Group have codes of conduct and have made attempts to enforce them. They adhere to the standards set out in the Universal Declaration and the Global Compact, including prohibitions on forced overtime and employing people under the age of 14.[17] Disney in particular has a reputation for having a robust Code of Conduct for Manufacturers. The company has employed several independent nonprofit organizations to perform audits on its suppliers in addition to performing its own audits.[18] An article in CNN Money argues that Disney and a few other companies are "expending considerable effort and money to try to improve working conditions along their supply chains" and commends the company for its use of the non-profit NGO, Verité to perform its audits.[19] There are some factories that Disney has stopped doing business with and others that are in the process of remediation because they were not in compliance with Disney's standards. The results have not been perfect, but Disney has implemented a plan of action that is in accordance with the principles of a Christian economic ethic.

Disney is not legally required to do any of this, and its policies go beyond requiring suppliers to follow the law. Also, Disney has had an International Labor Standard since 1996 and has since kept it up to date.[20] Compare that to Dow Chemical's Code of Business Conduct for Suppliers.[21] The code was not launched until 2011, rather late compared to other large

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[17] Walt Disney Company Staff, "Code of Conduct for Manufacturers," Disney, accessed March 3, 2013. http://thewaltdisneycompany.com/citizenship/policies/code-conduct-manufacturers; Altria Group Staff, "Supply Chain Responsibility."
[18] Walt Disney Company Staff, "International Labor Standards Program Manuel," Disney, April 2012: 13. http://thewaltdisneycompany.com/sites/default/files/ILSProgramManualFINAL4_10_12.pdf.
[19] Gunther, "How Companies Fight Sweatshops."
[20] Walt Disney Company Staff, "International Labor Standards Program Manual."
[21] Dow Chemical Company Staff, "Code of Business Conduct for Suppliers," Dow Chemical Company, accessed March 20, 2013. http://www.dow.com/about/supplier/pdfs/English.pdf.

corporations, and it is very difficult to find a copy of it on Dow's website, which is concerning to an investor who values transparency.[22] More problematic is the fact that on the issues of child labor and appropriate work hours and wages the Code does no more than require compliance with local laws. These are two areas in which the law is likely to be an inadequate ethical standard. If Dow Chemical's code of conduct leaves something to be desired, that is not to say that Disney's is perfect. But it is important for the investor to understand the kinds of things that could indicate that a company closes its eyes to the ethical problems that exist along its global supply chain.

The question for the investor then becomes how knowledgeable and involved he wants to be about the ethics of suppliers that are removed from him ethically by several stages. If an investor's primary responsibility is for his own actions, then for the actions of the persons and companies he deals with directly, supply chain ethics are at best a tertiary responsibility. The lives of the people involved at the other end of the supply chain are important, but investment will be a very indirect way of affecting them. A company's supply chain policies could be more or less of an ethical issue for the investor depending on the resources of the company and any other ethical problems that the investor might have with it.

[22] Dow Chemical Company Staff, "Supplier Ethics," Dow, accessed March 20, 2013. http://www.dow.com/company/supplier/ethic.htm.

Inter-corporate Relations, Public Relations, and General Sleaziness

The ethical issues that surround the ends of a business, its product and the livelihood that it provides, are the most important and fundamental issues to consider when determining whether it is an ethical investment. However, businesses are often criticized for activity that is not directly related to their products or employment practices. These usually have to do with the way the company relates to its competition or how it relates to the public. Ethically, these issues are especially difficult for a potential investor to deal with because it is difficult to get good information on them.

Companies are often accused of what I will call general sleaziness in their inter-corporate or public relations. General sleaziness usually amounts to lies, manipulations, and bullying. This is the kind of activity that people are quick to condemn in individuals, but that many people have come to expect from big businesses. This kind of activity is difficult to identify and control from the outside because it deals with the grey area between right and wrong that has more to do with how someone does something than with what they do. A few examples will illustrate these kinds of problems.[1] Companies are accused of giving extravagant gifts to government officials overseas. A more sophisticated version of the same problem is that corporations also often use their political and financial clout to influence law through lobbying. They brutally enforce copyright law even when infringement is unintentional. Monsanto, the seed company, is known for this, but Disney also has a reputation for protecting its intellectual property rights to characters like Mickey Mouse at the expense of public domain.[2] Eminent domain laws are also

[1] These examples are taken from popular discourse in order to illustrate the kinds of criticisms that the public often makes. No judgment is made as to their truthfulness at this time.
[2] Dan Charles, "Top Five Myths Of Genetically Modified Seeds, Busted," *NPR*, October18, 2012, http://www.npr.org/blogs/thesalt/2012/10/18/163034053/top-five-myths-of-genetically-modified-seeds-busted;

exploited for the benefit of private businesses. Some companies may use subliminal or otherwise questionable forms of advertising. In particular hidden advertisements and advertisements that objectify women have been criticized. Many of the largest companies aggressively enforce their market share in a way that could be seen as monopolistic. These things could all be manifestations of a company's general sleaziness.

One problem with these issues is that, while these practices may leave the ethical Christian with a bad taste in her mouth, it is difficult to see how any of them contributes to gross harm. It is in the nature of a business to try to be as successful as it can while staying within the law and without actively harming anyone. Greasing the palm of a foreign official in order to get a contract does not really harm anyone in particular as long as the company adequately performs the service for which it was contracted. Instead, these are the kinds of activities that do harm to society at large. They become a problem when they become part of the structure of society. No individual instance of the enforcement of intellectual property rights is necessarily harmful, but taken collectively they may do harm to the institution of public domain and intellectual and artistic discourse.

It is supposed to be the role of government to represent society in these matters and prevent this kind of harm. The problem is that none of these activities is illegal. In fact, most of them use the law that was meant to protect society at large to gain an individual advantage. Because it is perfectly legal and advantageous to be sleazy, corporations will continue to behave in this way. It will be very difficult for an investor to convince a company not to enforce a patent to the fullest extent that the law will allow, or to refrain from lobbying congress to pass a bill that is in the favor of the industry. There are too many different instances of this kind of activity to

"Keeping Copyright in Balance," *New York Times*, February 21, 1998, http://www.nytimes.com/1998/02/21/opinion/keeping-copyright-in-balance.html.

deal with any number of them. Individual investors who want to take some of these issues into account will have to consider them on a case-by-case basis, but excluding a company from her portfolio based on these issues alone will leave the investor with very few to choose from. Instead, because these are legal issues, the appropriate forum for debate and change is the legal one. Institutional problems require institutional change.

Even so, there are some broad principles that can be drawn from these examples. The list above assumes that companies are only willing to stretch U.S. law, not actually break it, but companies, or people who are in high places within companies, have also done things that are grossly illegal. They have embezzled funds, dodged taxes, sold flawed and dangerous products, paid off complainants, intimidated whistleblowers, and generally acted like thugs and shysters. Not all companies have done these things, but some have. When this kind of activity is illegal, criticisms usually amount to accusations of fraud. A company that engages in illegal activity is not an ethical investment, assuming that the laws are relatively just. The reason that illegal activities are listed here alongside activities that are generally sleazy but legal is that it will be very difficult for the investor to know that a company has done these things. What all of these issues have in common is that they stem from or feed on an environment of secrecy and misinformation. Corruption and fraud are generally easy to spot when they are exposed to the light of day. They are much less likely to occur when a process is transparent and when people are paying attention. Even in cases where there is moral ambiguity, the situation only improves if adequate information is available. Reliable information is essential for making any moral decision.

Unfortunately, reliable information is rarely easily available. First, there is the problem of numbers. This paper has assumed that an investor will be looking at stocks from a small number of companies. In reality, most investment portfolios are diversified. Many mutual funds contain hundreds of different stocks. How is an investor supposed to keep track of them all? This is where a good broker and a sound investment strategy are helpful. An individual investor is likely to be overwhelmed by the prospect of investigating all of the ethical problems and possibilities that come with investing in a large number of stocks. A broker will be able to choose investments for her client based on ethical criteria that they have already discussed. She will know more about what kinds of stocks are available and what kind of reputations different companies have. The individual investor would be less likely to notice red flags than a broker.

Another way to mitigate this problem is to invest in socially responsible investment funds. There are now a large number of different socially responsible mutual funds and money markets available. They usually work by applying a filter that screens out stocks that are unethical. If an investor is satisfied with the criteria that a socially responsible fund uses, she does not need to investigate each individual company. Because of the number of stocks that they contain, conventional mutual funds are nowhere near as good an option as socially responsible funds for the ethical Christian. There is simply too much information to sort through. Socially responsible mutual funds are the most hands-off investment option for the ethical Christian. After initially considering the criteria that these funds use, the investor can leave them to do their work. She can let the managers of the fund do the research for her.

A more hands-on approach to investing is for the individual to concentrate on a small, manageable number of companies that she researches herself. This presents a second problem: the problem of mass. Any single company that an investor considers will probably be very large. Walt Disney, Dow Chemical, and Altria Group are perfect examples of this. They each have hundreds of products, thousands of employees, and at least one subsidiary company. To complicate things, if a company is engaged in unethical activity, it is not likely to advertise the fact. There is no way for an individual investor to dig deep enough into a company's records to find the dirty laundry that it has been keeping hidden. This means that the investor will have to rely heavily on second-hand information.

This puts the ethical Christian in a difficult position. Any company or organization, including news outlets, that provide the public with ethical information on specific companies do so with motivations and biases of their own. The media may want to sensationalize a story in order to boost their ratings. A watch-dog group may want to demonize a company's activities to promote their cause. The company itself will want to downplay any negative effects or failures that they have in order to protect their public image. No one of these sources will provide a potential investor with the whole picture. This has been the most challenging part of writing a paper like this. Even government publications have serious problems when it comes to reliability. Interpretations and even "facts", such as the facts about climate change, change from administration to administration depending on who is disseminating and interpreting them.

There is no easy solution to this problem. In this case an attempt has been made to balance the sources of information against one another. For instance, Dow Chemical and Greenpeace agree on the basic facts surrounding the Bhopal tragedy—that it happened, that many died, that Dow Chemical did not own the factory at the time, and so on—so those basic facts are probably accurate. This process is not ideal, but it is the only viable way for an individual potential investor to come close to a well-rounded picture of the company.

Unfortunately, this process of balance will be the least helpful where a company is most determined to mask its actions, such as in the cases of general sleaziness and fraud detailed earlier. Again, this is because crime is most prevalent where no one is watching. This correlation places a further ethical burden on a company. An ethical company should be honest and transparent. Without transparency, neither the investor nor anyone else, including the company's own executives, has any way of knowing how socially responsible the company is. Even though, theoretically, a company can be ethical in secret, an investor has no way of knowing whether they are or not unless the company's ethical decisions are transparent. A company that disguises its actions cannot expect the public to accurately provide input, and accurate input is important for any company, if only for marketing purposes. Also, most companies would want to advertise and emphasize their ethical behaviors, so dishonest or overly secretive actions are a good sign that something is not as it should be. Beyond compliance with the law, a corporation should go out of its way to make pertinent ethical information available to the public.

One counterargument to this is that some information is secret by nature. Some is confidential and some is proprietary. For instance, Dow Chemical Company can argue that the exact recipe for its organic insect control compound is a trade secret. This is true, and there must be some balance between what is and what is not ethically pertinent. In the cases where a company believes that it has good reason to keep certain information from the public, it is important for it to have a well-articulated reason. In general, the stronger a company's ethical policies are, the more likely it is that stakeholders will understand its decisions. This does not prevent investors, the public, or the government from demanding that certain information be made available, but if a company has a well-articulated code of conduct and ethics and sticks to and enforces that code, then the balance between transparency and proprietary information will be easier to maintain.

There is a further danger here in publicity. Transparency can easily turn into advertisement. As Steven Lydenberg argues, "Once corporations understand that good community relations, good employee relations, and good environmental relations are good public relations, we risk being inundated with slick brochures and overwhelmed with seductive claims."[3] Milton Friedman argues that this kind of corporate behavior "does clearly harm the foundations of a free society,"[4] because corporations cannot and should not be asked to exercise any kind of social responsibility. For Friedman, if they say that they are socially responsible, they mislead society, but Friedman refuses to blame corporations for this, saying, "It would be inconsistent of me to call on corporate executives to refrain from this hypocritical window-dressing […]. That would be to call on them to exercise a 'social responsibility'!"[5] At least Milton Friedman is consistent.

In contrast, for those people who believe that corporations can be asked to be socially responsible, this "hypocritical window-dressing" is still window-dressing but it not nearly as hypocritical. Lydenberg's warning is still relevant: the investor must be aware of the danger that corporations will use any and all information that they provide to the public as advertisement. This does not diminish but rather reinforces the value of honesty and transparency. Even where the most responsible company is concerned, investors will have to exercise good judgment and caution when reading the company's materials. On the other hand, it is possible for a company to say that it is socially responsible because it actually is socially responsible. Hopefully the use of social responsibility claims as advertisements will do exactly what Friedman is afraid that they will do: convince people, including the people who run corporations, that corporations have a responsibility to society to avoid doing harm.

It is not usually difficult to determine whether or not a company is transparent. The question comes down to, is the information that you want available on the company's website? If

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[3] Steven D. Lydenberg, "Slick Brochures & Seductive Claims," *Business and Society Review*, no. 81 (Spring 1992): 31.
[4] Friedman, "The Social Responsibility of Business Is to Increase Its Profits," 222.
[5] Ibid.

not, is there a phone number to call to get the information or is it simply absent? For instance, Dow Chemical was criticized for producing napalm in the 1960s. If you search the word "napalm" on their website, there are no results.[6] Granted, it has been over 30 years since Dow Chemical has produced napalm, but the name of the company continues to be linked with that product. Why would they not have anything to say about it at all? The only reason that presents itself is that they are hoping that people will forget about it. Unfortunately for Dow, that sword cuts both ways. Because they provided no information on the topic, the company's position could not be taken into account. The explanation may be perfectly innocent, but Dow Chemical's silence on the issue speaks to its level of transparency. This alone may not be enough to convince an ethical Christian to divest in the company, but it contributes to a preponderance of evidence.

A preponderance of evidence, as opposed to a determination beyond a reasonable doubt, is the best that can be hoped for when it comes to making a determination on the ethics of corporations. The problem of reliable information contributes to this. While in the case of God, absence of evidence is not evidence of absence, in the case of unethical behavior, an absence of negative evidence is the best that you are going to get. Also, a corporation, like the church or the nation or any other group of human beings, is a mixed body. It will not do the right thing all of the time. The discussion of churches or religious individuals investing usually centers on the discussion of "sin stock".[7] That is an oversimplification of the considerations that the investor has to make. All companies will be sinful to one extent or another. If a Christian tries to invest in only sinless companies, in the same vein as trying to associate with only sinless people, I hope she will be happy sitting alone in a room with her money stuffed under her mattress, and good

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[6] Dow Chemical Company Staff, "Search," Dow, accessed March 18, 2013. http://www.dow.com/search.aspx?q=napalm&sa=.

[7] Ben Branch and Li Cai, "Do Socially Responsible Index Investors Incur an Opportunity Cost?" *The Financial Review* 47, (2012): 618.

luck to her. Ethical investing is not the Inquisition. At some point, having done the research and keeping her core values in mind, the investor has to make a decision and trust that the people at the companies she is investing in are not all conspiring to pull the wool over her eyes.

Individual vs. Collective Investing

One way that has not been mentioned yet for the investor to solve the problem of reliable information is for her to join with others who have a similar purpose. The biggest challenge that the investor faces when choosing ethical investments is the sheer bulk of information that she has to sort through. Any diversified portfolio will contain stocks from too many companies that are too large for the individual investor to understand all of them in depth. So why not get help? Help can come from a good broker or socially responsible investment funds, but it can also come from a small group of like-minded individuals. Such a group can split the task of investigating potential investments and dramatically reduce the burden of research that lies on any one individual. They can either do this by dividing the work among them or by pooling their resources to hire someone to do the research for them. Either way, collective or group investing will make an enormous task much more manageable.

Depending on how it is done, collective investing can also increase the bargaining power of shareholders. Institutional investors who are concerned about making sure their investments are socially responsible, such as churches and universities, have been able to influence corporate policy on social issues. *The Ethical Investor* describes how this can be done and the responsibility that an institutional investor has to self-regulate so that it mitigates any harm that it has done and avoids doing harm in the future.[1] The authors argue for a specific minimum level of social responsibility that universities have in choosing investments. The major difference between *The Ethical Investor* and this project is that I have focused on the circumstances which would require an investor to refrain from investing in a company altogether. This makes sense for the individual investor who will have very little chance of changing a company's policies

[1] Simon, Powers, and Gunnemann, *The Ethical Investor*, 16-7.

through shareholder action. *The Ethical Investor,* on the other hand, lays out a blueprint for trying to influence company policy from within. Such an attempt is much more likely to be successful when made by an institution such as a church or university. For the individual, investing as part of an institution may be a way of increasing her influence on a company and throwing her weight behind efforts to reform.

Of course, the level of activity and the threshold for divestment that *The Ethical Investor* suggests for a university may be different than it is for an institution like a church, because a church can have a specific ethical agenda. Although some church funds may be invested purely for the sake of gaining a return, as a pension fund for its employees for example, a church may also have funds set aside that it wants to be invested for a particular social purpose. For instance, the church might want to invest in a company that builds low-income housing in order to support that cause. In other words, a church or other group of Christians will seek to do good with at least some of the group's investments rather than simply avoiding harm. Some of the creative ways in which this could be done are outlined in chapter 1.

If the only function that such a group serves is to pool the resources of individual investors for the purposes of research and collective bargaining, then it will be a great resource, but that is not the only function that such a group is able to serve. As well as being a very practical way of sharing the work, group investing can be a reflection of Christian community. A community can support and encourage its members in their commitment to social justice in a way that individuals cannot. It is only by working together with others, in a community, that ethical Christians can start to effect change in the world. That change in the world is the real effect and the ultimate goal of ethical living. This is the advantage that a small group of dedicated people has over a broker or a socially responsible investment fund. Pemberton and

Finn propose a model for such a group of Christians working for social justice that they call the "small disciplined community."[2] While they do not apply the model of the "small disciplined community" specifically to investing, it can easily be used for that purpose in a way that is in line with their principle of social justice.

In defining the small disciplined community, Pemberton and Finn say, "its success depends on the willingness of its participants [...] to share in a real way their faith and vision and to be open to altering their own way of life through interaction with others in the group."[3] The community is not like a club where people who happen to have similar preferences come together to express those preferences. Instead, a community is formative. It affects the way that its members perceive themselves and each other. The small disciplined community is disciplined because "the group members are critically conscious of the patterns of action expected. They self-consciously discuss just what they will expect of one another."[4] In other words, the group will think critically about the patterns of its own actions and the way in which they are a reflection of Christ. Such a community will be small for practical reasons. Anyone who has ever sat on a committee knows that a decision-making body of more than five people starts to become unwieldy, and in a discussion group of more than 10 or 15 people there will be some who start to become inactive.

It may be difficult for many people to admit that a group can or should have this much influence on the individual. But the point is that groups, communities, already do have a huge influence on the operative norms of their members. The difference that Pemberton and Finn are proposing is that those norms be subject to critical analysis and deliberate change.[5] For the

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[2] Pemberton and Finn, *Toward a Christian Economic Ethic*, 205.
[3] Ibid., 211.
[4] Ibid., 212.
[5] Ibid., 207.

Christian this must be done in light of the life, death, and resurrection of Jesus Christ. The U.S. Conference of Catholic Bishops speaks to this process in the conclusion of *Economic Justice For All*.[6] They say, "Communion with God, sharing God's life, involves a mutual bonding with all on this globe." In other words, part of communion with God is community with one another. Further, "Jesus taught us to love God and one another and that the concept of neighbor is without limit. We know that we are called to be members of a new covenant of love." The norms through which people relate to God and one another must be re-imagined in light of the new covenant. Therefore, "We have to move from our devotion to independence, through an understanding of interdependence, to a commitment to human solidarity. That challenge must find its realization in the kind of community we build among us." If that community is built well, with care for others and with love for God, then, the bishops argue, it will result in "a continued search for those social and economic structures that permit everyone to share in a community that is a part of a redeemed creation." Hopefully, with God's help, that search will be successful.

A small disciplined community, as Pemberton and Finn describe it, that focuses on ethical investing can do several things for an investor that a broker or a socially responsible investment fund cannot. First, a broker or a socially responsible fund is not going to tell the investor what ethical standards to follow. Their job is only to provide a service based on the preferences of their customers. Working together in community will help Christians do the kind of theological and ethical thinking that is necessary for making these kinds of decisions. This is what it will mean for a community to think critically about the kinds of norms that are operative in and around them and to challenge those norms where it is appropriate.[7] Generally speaking, thinking critically about ethics and then applying them to the way you live is difficult and

[6] U.S. Conference of Catholic Bishops, *Economic Justice For All*, 136.
[7] Pemberton and Finn, *Toward a Christian Economic Ethic*, 213.

inconvenient. The social justice demands that Jesus made on his followers were radical. Understanding how those demands apply to a particular person at a particular time with respect to something like investment is a difficult task, but it is easier if that person has help. It is important to be able to engage in a dialogue about these questions with people who have similar goals. A group can provide a place for this, and so improve the ethical standards of the group as a whole and of each individual.

In addition to providing primary feedback and collaboration, a group can also help with some of the secondary research on the topic of socially responsible investing. For instance, in addition to talking about what a small group of Christian investors ought to look like, the group could read Pemberton and Finn's *Toward a Christian Economic Ethic: Stewardship and Social Power* and discuss its proposals. By taking into account alternative viewpoints, including those of experts in the field of economics and Christian ethics, the group can start to critically analyze both their own standards and the standards of their society.

Second, a broker or a socially responsible investment fund is not going to emotionally reaffirm an investor's commitment to be ethical. An ethical investor who initially asked her broker to limit her investments to only socially responsible stocks, may start to lose faith, neglect her responsibility to keep her guidelines up-to-date, or tell her broker to go back to using profitability alone to determine her investments. A broker is unlikely to try to convince her to do otherwise unless the broker is also her friend. People in community, on the other hand, can support and encourage one another in a way that a single person cannot support or encourage herself. Pemberton and Finn argue that "the group members must agree to empower the others in the group to expect certain behavior of them. In the language of the Hebrew scriptures the group must strike a covenant."[8] They can help build one another up to the challenge of living as part of the body of Christ. In fact, they are called to do so as a part of their ethic.

From the perspective of a Christian ethic, it is insufficient to do the right thing alone and isolated, even if it were possible to do the right thing in isolation. You must also help your brother to do the right thing. This is Paul's stance on eating food sacrificed to idols. He says, "For if anyone sees you who have knowledge eating in an idol's temple, will he not be encouraged, if his conscience is weak, to eat food offered to idols? And so by your knowledge this weak person is destroyed, the brother for whom Christ died. Thus, sinning against your brothers and wounding their conscience when it is weak, you sin against Christ."[9] Even if you are doing the right thing, if it causes your brother to stumble it is a sin. Christ died for him, as much as for you, so do not lead him into temptation. Instead, "therefore, encourage one another and build one another up."[10] By this mechanism, a community of ethical Christian investors should be encouraged by working together rather than separately.

Collaborative ideas are also more likely to spread. It is only through this mechanism that the ethical Christian investor can start to effect real change in the world. For Pemberton and Finn, as well as for the U.S. Conference of Catholic Bishops, creating change is the point. One person doing anything alone is unlikely to have a very big impact on society at large, but a *group* of people, even a small group, of dedicated individuals working in conjunction with other groups that have similar aims can change the world. For both of these authors, as well as for many other groups, the goal of social change should be social justice through restructuring institutions.[11] This group activity clearly goes beyond doing no harm, which is where individual action on a

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[8] Ibid., 212.
[9] 1 Corinthians 8:10-12.
[10] 1 Thessalonians 5:11.
[11] Pemberton and Finn, *Toward a Christian Economic Ethic*, 211; U.S. Conference of Catholic Bishops, *Economic Justice For All*, 136.

societal level usually has to stop. In most instances the best thing that an individual investor can accomplish is not participating in systematic injustice. When an investor prefers locally grown food over food grown in developing nations, she can avoid participating in the structural injustice of man-made starvation in Africa that Ann Seidman describes. On the other hand, a community of people working together can start to address the injustice itself by addressing the institutional structures behind it.

The assumption behind this reasoning is that the institutions and social structures that make up the world as we know it need changing. That is a radical idea, in the sense that it favors major social change. From a Christian perspective, is radical, institutional change legitimate? The fact that systemic injustices exist indicates that it is legitimate. But on a more basic level, Christianity is already radical. In mainstream Christian theology there is a strong belief that in Christ there is a new covenant, a new way that God and human beings must keep faith with one another. In this new covenant, "many who are first will be last, and the last first."[12] The social order will be overturned, remade as a new, redeemed creation, "that the creation itself will be set free from its bondage to corruption and obtain the freedom of the glory of the children of God."[13]

In this spirit, both of these tracts, *Toward a Christian Economic Ethic* and *Economic Justice for All*, are proposing that all Christians engage in a conscientious, specific agenda of change for the sake of all people that expresses itself in institutional, social justice. It is telling that both conceptualize their guiding social principle as justice. This says something about the type of changes that these works are proposing. *Economic Justice for All* makes a point of saying that "justice, not charity, demands certain minimum guarantees."[14] Similarly, Pemberton and Finn advocate the implementation of the most basic principles of Christianity, not the highest

[12] Matthew 19:30.
[13] Romans 8:21.
[14] U.S. Conference of Catholic Bishops, *Economic Justice for All*, 51.

principles. They say, "While such principles do put limits on the behavior of the wealthy and powerful, they guarantee not wealth and power for all people but the basic elements for a life of dignity and hope for even the poorest and least respected members of society."[15] Social justice is a minimum level of dignity and hope that comes through both a minimum level of material wellbeing and a minimum level of respect afforded by economic and political institutions.

Although investing ethically will aid in the effort to create social justice, it cannot create it on its own, especially not if the investor acts alone. In order to bring about the kind of institutional, structural changes that will result in social justice, the Christian investor must work in collaboration with others. This will have many practical benefits for the individual. It is also the only way that the investor can take the principles that she has applied to her own portfolio and apply them to her commitment to social justice at large.

[15] Pemberton and Finn, *Toward a Christian Economic Ethic*, 237.

Conclusion

Ethical investment alone is insufficient to eliminate all social injustice, but that does not mean that ethical investment is meaningless or unimportant. Not being able to do everything is not a reason for doing nothing. No business is perfect, but that does not mean that they are all the same. Christian investors, insofar as they are called to understand the difference between right and wrong, have to decide what kinds of businesses they want their money to represent. To do this the investor will have to make trade-offs to balance some ethical issues against others. This is a process of discernment, which is a sign of spiritual maturity. Hebrews says, "Everyone who lives on milk is unskilled in the word of righteousness, since he is a child. But solid food is for the mature, for those who have their powers of discernment trained by constant practice to distinguish good from evil."[1] The investor will have to strike a difficult equilibrium between maintaining a meaningful set of standards on the one hand and making allowances for human imperfection on the other.

The pertinent categories of ethical consideration that an investor can use to assess a business are: the product; the production process, of which environmental impact is the most important sub-category; employee relations; and supply chain ethics. The main focus of the ethical Christian investor should be on these four categories of business ethics. Corporate governance structure is not, under normal circumstances, pertinent to a corporation's ethics, because neither democratic nor autocratic governance structures are likely to make a company more ethical. Considerations of transparency are important but only insofar as transparency allows the investor to assess the other categories. The investor may have concerns about a corporation that do not fit into any of the four categories of business ethics, but the bulk of those

[1] Hebrews 5:13-14.

problems will have to do either with the company breaking the law or using property law to privatize something that the investor believes should remain public. In the first case the company is automatically an unethical investment. In the second case the proper way to reform the company is to try to change the law, not investment practices. There are some exceptions to all of these rules, but this is a good outline of the way that the kinds of considerations that have already been discussed fit together into a coherent whole.

Because his main focus should be on the four categories of business ethics, the majority of the tradeoffs that an investor will have to make will be between ethical issues in these categories. Not all ethical issues are equal, and it is useful for an investor to have an idea of how to prioritize them. The primary considerations in a business ethic are product and employee relations. These two categories come directly from a business's telos, its purpose as a business. People specialize their labor in order to provide themselves with a livelihood by providing others with something that they want in an honest and fair exchange. These are the two sides of the market coin. This relationship is the origin of the business and what makes the market system work. When it comes to business ethics specifically as *business* ethics, as opposed to other kinds of ethics, this relationship is the place you have to start.

Intuitively this makes sense. It does not matter how good a business's supply chain ethics are if they are producing something that is unethical. A company that practices slavery is not more palatable because it is very environmentally responsible. Environmental ethics and other issues that have to do with the production process are always secondary to the ethics of the thing that is being produced and the lives of the people producing it. Supply chain ethics are tertiary, because they do not have to do with the ethics of the corporation itself. Instead they are concerned with a corporation's complicity in the ethics of the other companies with which it does business. This is not to say that environmental ethics and supply chain ethics are not important. They are important and there are grave consequences at stake. But you cannot get at these secondary and tertiary issues without first establishing that a business is ethical in the areas that are its primary concern.

This hierarchy of business ethics is why Altria group largely disappears from the analysis after the section on product. Because its main product, cigarettes, is unethical, the business is unethical. The analysis is simple and the investor is saved from the task of deciding whether cigarette manufacturing is harmful to the environment. Cigarettes are harmful to people, so the point is moot.

This relatively straightforward conclusion is easier for the investor to make than the conclusion about Dow Chemical Company because the problems with Dow do not appear in the primary categories of business ethics. Instead the investor has to consider what the preponderance of evidence is. Dow's history of napalm production and its current production of genetically modified organisms may concern a potential investor, but they are not enough on their own to rule out investment. Similarly, there is nothing that jumps out in Dow's employee relations that automatically makes the company unethical. Instead, the investor has to consider the secondary issue of the company's poor environmental record, and only then is he able to come to a conclusion. Environmental concerns combined with some concerns about product, employee relations, and supply chain ethics push Dow over the edge. Dow Chemical and Altria Group are both unethical investments, but Dow Chemical is a much more complicated unethical investment than Altria Group.

Of the three model companies only the Walt Disney Company is left. Disney is not perfect, but it is an acceptable investment for an ethical Christian based on the preponderance of evidence. One question that an investor might have at this point is, why is Disney so willing to spend money on ethical reforms? What is its motivation? Realistically, one could argue that Disney is ethical because its whole business is built on its reputation of being family friendly. If it loses that reputation, then the whole business falls apart. This is reminiscent of Steven Lydenberg's warning about "Slick Brochures and Seductive Claims."[2] In that sense, ethics are only one part of Disney's winning business strategy, not a real commitment to social responsibility. This will be the claim of the cynic.

The problem is that an investor has no way of knowing that this is the company's motivation. He cannot see into the hearts and minds of Disney's executives in order to judge them. Also, even if profit is their motivation, does it matter? Is it acceptable from a Christian perspective for someone to do the right thing in order to make a profit? The point is that the company's executives are doing the right thing, or trying to. If the ethical Christian has a problem with their motives, he should evangelize them. Refusing to invest in their company is not going to make his point. Whatever the motives of Disney's executives, it meets the moral minimum for ethical investment.

Drawing conclusions about the three model companies is satisfying, but it is not the end of the road. In order to assess potential investments, an investor will need resources beyond the analysis that has been offered here. In addition to thinking about economic and investment ethics in general and researching specific companies at the time of initial investment, the ethical investor will also need to keep an eye out for his investments and pertinent issues in the news. An investor needs to be familiar with current events in order to make ethical decisions in the same way that he needs to do so in order to know what the profitable investments are.

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[2] Lydenberg, "Slick Brochures and Seductive Claims," 31.

There are many issues that, in the interest of being concise, I have not been able to explore. For instance, gun control has been very controversial lately. What are the ethics of a company that manufactures small arms and sells them to individual citizens, as opposed to selling them to the military? Another ethical issue that does not appear at all in this project is the standard for the treatment of animals, either in a laboratory setting or as they are being raised and slaughtered for meat. In fact, much more could be said about agriculture in general. Also, do the ethical standards change if the company is performing a necessary function? Do air traffic controllers have a different kind of right to collective bargaining than factory workers? If diesel engines are more reliable and powerful than eco-friendly electric engines, is it ethical for fire trucks to “go green”? There is no end to the list of possible ethical considerations that may or may not come up depending on which companies an investor is looking at.

This raises the question of how difficult it will be for an investor to find ethical companies. It is troubling that two of the three model companies have been determined to be unethical investments. Without further research it is impossible to determine whether this proportion is meaningful in any way. Certainly, the results of a survey with only three participants are not statistically significant. Still, one might ask whether the standards to which I have held these companies are not too severe. The only response I can make to that is that I have tried to establish a fairly conservative set of standards. The task was to establish a moral minimum, a minimum level of consideration that institutions—or more properly the people that make up institutions—must give to the people around them, that is, their stakeholders. This has manifested primarily in the principle of do no harm. A corporation should do no harm unless it is necessary, and when it is necessary to do some harm the corporation should take responsibility for it and try to mitigate that harm if it can. An investor, by extension, has a responsibility to ensure that he holds his investments to that standard.

This does not even require the investor to sacrifice profitability. *The Ethical Investor* advocates choosing investments based solely on profitability and either trying to change the unethical ones using shareholder initiatives or eliminating them from the portfolio.[3] The traditional wisdom has been that socially responsible investing, including socially responsible mutual funds, is not as profitable as conventional investing, because there is an opportunity cost associated with limiting which stocks are available.[4] Branch and Cai found that this was not the case. Returns from socially responsible investing do not differ significantly from those from conventional investing.[5] If that is the case, there is no practical reason for an investor to avoid being ethical beyond the inconvenience of having to do the research. While this can be substantial, there are ways of reducing or eliminating the amount of research that the individual investor needs to do.

The standard of avoiding harm is the *minimum* standard that was also established in *The Ethical Investor*, which acknowledges that different people will define "avoiding social injury" differently.[6] Pemberton and Finn argue that the moral minimum for a Christian economic ethic requires radical institutional change.[7] That is clearly more than is required by the minimum investment ethic that has been established here. The investment ethic that has been established here only requires that an investor be conscientious about his investment choices. It does not require that he try to change them or the system to which they belong. This is essentially a virtue

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[3] Simon, Powers, and Gunnemann, *The Ethical Investor*, 9-10.
[4] Branch and Cai, "Do Socially Responsible Index Investors Incur an Opportunity Cost?" 619.
[5] Ibid., 629.
[6] Simon, Powers, and Gunnemann, *The Ethical Investor*, 21.
[7] Pemberton and Finn, *Toward a Christian Economic Ethic*, 237.

ethic, an ethic that asks someone to do the right thing because it will improve his character and make him a better person without the expectation of change in the world.

Some Christian ethicists and economists would argue that it is exactly as it should be when Christians focus their ethical efforts on interpersonal relations and personal commitments without trying to change the system in which they exist. Milton Friedman takes this position when he argues that it is a person's right to give to charity but they should not ask businesses to practice social responsibility.[8] There are several holes in Friedman's argument, but it shares a problem with this kind of ethic, not virtue ethics as such but the kind of investment ethic that has been established here. It assumes that at no point can the American consumer be asked to give up anything, at least not anything important to his standard of living like his car, his television, or his laptop. The assumption is that whether he is a Christian or not, he simply will not radically alter the lifestyle to which he has become accustomed. From a Christian perspective, that is insufficient. It does nothing for the systemic, structural issues that lead to much of the human suffering in the world.

For instance, because of globalization (that is, interdependence) the problem of supply chains is impossible to solve solely through individual economic decisions. You end up with a problem of infinite regress. A theme park purchases its topiaries from a nursery that buys its tractors from a company that buys its office supplies from a printer that buys its machinery from a company that buys its uniforms from a sweatshop in Bangladesh. Is the solution to boycott the theme park? Of course it is not. This is a systemic problem. Systemic problems must be solved by structural change.

If an investment ethic does nothing for institutional injustice, it also does nothing to change the hearts and minds of individuals. As previously mentioned, refusing to invest in a

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[8] Friedman, "The Social Responsibility of Business Is to Increase Its Profits," 218.

company is not going to make the immoral CEO more moral. If you want him to be more moral you have to persuade him of what is right. This is one of the things that evangelism means, and it is exactly immoral people who need evangelizing. Jesus says, "Those who are well have no need of a physician, but those who are sick. I have not come to call the righteous but sinners to repentance,"[9] "for the Son of Man came to seek and save the lost."[10] An investment ethic cannot do this.

Albino Barrera uses virtue ethics, along the Christian principle of familial love, to argue that a Christian has a responsibility to avoid economic activity that causes injury to others regardless of how miniscule the effect or how over-determined the harm is.[11] In the case of investment—and economic ethics in general—virtue ethics are useful because other systems of ethics fail. Teleological ethics, which focus on the concrete results of an action, cannot account for the cumulative harms that result from economic activity. That is, they can only deal with cumulative harms by proposing large-scale change. For this reason teleological ethics are a great tool for talking about structural injustice and change but not for asking individuals to change their individual behavior concerning cumulative harms. This is because isolated individual behavior has no significant impact on the kind of cumulative economic harms that are pertinent here. Deontological ethics, on the other hand, focuses on a set of defined duties or obligations and cannot account for the mixed ethical nature of investment decisions. For Barrera, virtue ethics is the appropriate system for understanding these issues. In conjunction with this, familial love for all people demands personal accountability, because "we care for one another because we see ourselves in each other."[12] The biblical model of this is in the parable of the Good

[9] Luke 5:31-2.
[10] Luke 19:10.
[11] Barrera, *Market Complicity and Christian Ethics*, 49-51.
[12] Ibid., 53.

Samaritan, but also in the example of Christ laying down his life for the sake of all. As Barrera says, "From a Christian perspective, there are no limits to the scope of our moral responsibility for one another."[13]

Christians have a responsibility to work to change the structures and systems that create sin and suffering in the world and to work to change the hearts and minds of sinners and sufferers. If the investment ethic outlined here is insufficient to do either one of those things, what is it good for? Its purpose is only to bridge the gap between the imperfect now and the future. It will take time to realize a world where the institutional structures fully reflect moral principles so that all people have access to the benefits of this world in a way that is consistent with social justice. Christians believe that they have seen, through the revelation of Jesus Christ, the promise of the Kingdom of God. It is coming, but it is not yet here. This investment ethic is for the interim. It suits a world where not all institutions are equally immoral, but they are not all moral either. It allows Christians to participate, to do something, even with the knowledge that they cannot do everything.

This work, this balance and discernment, is a mark of spiritual maturity. It is the beginning of thinking about the ways in which the world needs to change, so that, as Paul says, "we may no longer be children, tossed to and fro by the waves of doctrine, by human cunning and craftiness in deceitful schemes. Rather speaking the truth in love, we are to grow up in every way into him who is the head, into Christ."[14] This ethic, small and insufficient on its own, can be a way for Christians to start grounding their lives in the principles of faith, hope, and love.

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[13] Ibid., 51.
[14] Ephesians 4:14-15.

Appendix: Further Resources

There are many resources that are available for the Christian investor, both as an individual and as part of a community. The following are some good places for the investor to start looking at the pertinent economic and ethical issues, as well as at specific investments.

Pemberton, Prentiss L. and Daniel Rush Finn. *Toward a Christian Economic Ethic: Stewardship and Social Power*. Minneapolis, MN: Winston Press, 1985.

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Business and Human Rights Resource Center. Accessed April 7, 2013. http://www.business-humanrights.org/Home. This website allows you to search for a specific company. A database of any news articles that relate to human rights will come up along with the percentage of the issues to which the company has responded. This is a great place to start looking for ethical issues and may indicate how transparent the company is.

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