Masaccio, "The Tribute Money" (c. 1425)

Morally Responsible Investing: Catholics in the Contemporary Economy

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A. Introduction

In 2003, the U.S. Bishops updated their "Guidelines for Socially Responsible Investing," hoping to explain to a new generation of Catholics what principles and considerations guide the Bishops' stewardship of their financial resources, and to encourage Catholic leaders and laypersons to steward their own resources in the light of the Gospel and Church teaching. We offer these guidelines in a similar, hopeful spirit.

B. A Perspective on Wealth in Scripture and Tradition

Although certain Old Testament passages declare wealth a blessing or sign of God's favor, texts from both the Old and New Testaments warn strongly of wealth's dangers. Riches and the pleasures they afford can lead one to forget God (Hos. 13:6; Deut. 8:12ff) or close one's heart to Him (Deut. 31:20, 32:15; Job 15:27; Ps. 73:4-9). Cursed are the rich who increase their holdings and fatten themselves at the expense of the poor or to the detriment of the land (Is. 5:8; Jer. 5:27). Ill-gotten wealth has no value (Prov. 21:6, 23:4f; Hos. 12:9),[1] while those who rely on their wealth rather than on the Lord risk a calamitous fall (Prov. 10:15, 11:28; Jer. 9:22). Wealth threatens to replace the living God as the object of our worship: "a land full of silver and gold" and "treasures" becomes "a land full of idols" (Is. 2:7a-b, 8a). The volume of these alarms grows in the New Testament, where we are warned about accumulating "base wealth" (Lk. 16:9), about the rich who are sated by their wealth (Jas. 5:1-5), and about the temptation to place one's hope in the security of riches rather than in God who alone supplies our needs (1 Tim 6:17).

The teaching of Jesus intensifies the warnings of the prophets. In the Sermon on the Mount, our Lord offers a stark choice: "No one can serve two masters. He will either hate one and love the other, or be devoted to one and despise the other. You cannot serve God and mammon" (Mt. 6:24).[2] To be a disciple is to give up everything to follow Jesus (Lk. 12:33, 14:33; Mt. 13:35). Those who, like the Rich Young Man, cannot respond to his invitation because they are attached to their possessions, "go away sad" (Mt. 19:23). As that failed disciple departs, Jesus declares: "Amen, I say to you, it will be hard for one who is rich to enter the kingdom of heaven. Again, I say to you, it is easier for a camel to pass through the eye of a needle than for one who is rich to enter the kingdom of God" (Mt. 19:23b-24). Jesus places his emphasis on what is given, not acquired. The rich are called to distribute their goods to the poor (Mt. 19:21; Lk. 12:23, 19:8), for "it is more blessed to give than to receive" (Acts 20:35c). This is true wealth.

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1 Biblical citations are from the NABRE.

2 "Mammon" is an Aramaic word for wealth or property.

Out of this biblical treatment of wealth was born the Church's esteem for poverty, one of the evangelical counsels for those who follow Christ in consecrated life. In saints such as Anthony of the Desert and Francis of Assisi, we witness lives built entirely on Jesus's call to give away everything and follow him (Lk. 18:22). From these passages, too, was born the emphasis on "poverty of spirit" or "poverty of heart" for the faithful who remain in the world (Mt. 5:3; *CCC,* 2544-2547). While money is necessary to live and meet our needs, it remains a dangerous necessity, threatening to captivate, corrupt, and turn us aside from the path of discipleship.

The Catholic Church encourages her lay members to be "co-responsible" for the Church's "being and acting."[3] The laity does this by engaging the world out of the fullness of the Church's faith, a fullness expressed in the Church's conviction that everything belongs to God, and all we receive is received as gift. By recognizing the giftedness, or "gratuity," of what has been given to us, we are better able to see the full range of our opportunities in, and responsibilities toward, the world.

> ***"Everything belongs to God, and all we receive is received as gift.***

In the area of financial planning and investment, then, Catholics are called to do more than avoid evil: we must recognize our financial gifts as occasions to faithfully steward God's creation. In a sermon, Saint Augustine encouraged his congregants to see how wealth presented an opportunity to grow in faith and charity: "The Lord says: 'Take this gold which I'm giving you, and make good use of it. Instead of adorning yourself with it, you should adorn it. Instead of hoping to derive honor and beauty from it, your way of living should beautify your gold and not bring disgrace upon it'" (Augustine, Sermon 21, no. 10). Wealth is a gift, not to be lavished on oneself, but through which we might "love what's above before all else." As Augustine and the whole Catholic tradition make clear, any other use of wealth empties our hearts of their true riches. We might "amass a fortune; but when your cash boxes overflow and you're swimming in gold, look into your heart, and you'll find that the treasure of faithfulness is no longer there" (Augustine, Sermon 21, no. 7).

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3 Pope Benedict XVI's speech to Catholic Action, Aug. 23, 2012.

C. Avoiding Evil and Principles of Cooperation

Investment necessarily pursues profit. But from the perspective of Catholic teaching, as shaped by Scripture, it must aim for more than that. Ill-gotten wealth is base and ultimately valueless, Scripture reminds us. That includes wealth generated by practices that destroy the lives of the innocent and most vulnerable, that exploit the poor, or that discriminate against people based on sex, race, or other positive features of human diversity. Businesses that inflict these kinds of harm do not deserve patronage, let alone investment. A company that, for example, develops vaccines or therapies might have noble aims; but if it pursues those aims by destroying human life in its earliest and most vulnerable stages, it is engaged in a morally evil practice, and its investors are profiting from this evil. We cannot do evil, even in pursuit of a good end (Rom. 3:8). The Catechism is clear: "a theory that makes profit the exclusive norm and ultimate end of economic activity is morally unacceptable" (*CCC*, 2424). Chasing profit without regard for the moral and human cost involved is morally bankrupt. Profit at any price yields "a land full of idols" and hearts closed to God.

Of course, many people would agree that it is wrong to profit from the destruction of human life, exploitation of the poor, or discrimination on the basis of racial or sexual difference. But morally illicit practices or products are often more difficult to recognize, especially when they purport to serve the cause of compassion or justice. These include products or services that undermine the reality of marriage as a lifelong covenant between one man and one woman, that promote asexual reproduction of human beings in laboratory settings, or that advance the notion that gender or personal identity is unrelated to the body and biological sex (e.g., gender-transition procedures). These also include companies or technology platforms that seek to restrict religious liberty by suppressing Judeo-Christian moral principles or beliefs, or excluding them from the public square.

There are cases, too, when an investor may unwittingly support evil done by a company. In some of these cases, this support can be morally justified; in others it cannot. To make this determination, the Church relies on a centuries-long tradition of theological reflection on the problem of cooperation with evil. Cooperation occurs when one gives aid to another in his or her performance of an evil act. The basic distinction here is between formal and material cooperation. The person formally cooperates with the evil act when he or she "concurs in the bad will of the other [the person who is the primary agent]."[4] The person who formally cooperates with evil is guilty of the same evil, even though he or she did not actually perform the act; her heart conspired in the evil. Material cooperation, by contrast, occurs when the person does not share the intention of the agent. In this case, many theologians hold that, if the assistance is indispensable to the act being performed (even though the cooperating person does not share the actor's intent), the cooperation is "immediate" and therefore morally illicit. However, if the person's act is not necessary to, or merely prepares for or bolsters, the act of the principal agent, then the materia

4 Saint Alphonsus Ligouri, Theologia moralis I, II tract. III, cap. 2, dub. V. Sometimes a further distinction is made within formal cooperation, between intending the evil for its own sake (that is, the object or finis operis of the act)and intending it as a means (that is, the evil intention or finis operantis of the act). On these traditional sources, or "fonts," of the moral evaluation of human acts see Catechism of the Catholic Church 1750-56 and Saint John Paul II, *Veritatis Splendor,* 76-83.

cooperation is "mediate," which can be licit.[5] Whether it is licit or not depends on whether there is a proportionate reason to tolerate the cooperation.[6] Both the good that is gained and the evil that is avoided by cooperating must be proportionate to the evil of the principal agent's act and the proximity (in causal terms) to that act.[7]

> *"We cannot do evil in the pursuit of a good.*

Even when dealing with morally licit forms of cooperation with evil — for example, investing in a company that derives a tiny portion of its revenue from morally illicit activities, or makes corporate donations to an organization that promotes or provides abortion — Catholic investors have a moral responsibility to proactively encourage management to steer the company away from its morally objectionable activity. If it becomes clear over time that one's best efforts are doomed to failure, then a Catholic investor must prayerfully consider moving his money elsewhere. A perfunctory letter or occasional shareholder resolution is not adequate to Jesus's call to faithfulness in all things. Investments are not exempt from the responsibilities of discipleship. A Catholic investor's money should serve his faith — or, as Scripture warns, his heart will come to serve his money.

So, what does this mean practically for Catholic investors?

D. Doing Good; Promoting Virtuous Stewardship

Christians are called to more than the bare minimum — to more than merely avoiding evil. They are called to do good, to promote justice, to love God and their neighbor (Mt. 22:36-40; Mk. 12:28-31; Lk. 10:25-28; Jn. 13:34-35; Lev. 19: 17-18; Deut. 6:4-5). This is no less true when Christians step into the marketplace. They are called to promote virtuous corporate practices, and to steer businesses toward a good that is higher than simple profit. Engaging conscientiously to influence corporate policy and decision-making, through measures such as voting proxies or

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5 An additional distinction is sometimes made by theologians between proximate and remote forms of mediate material cooperation, depending on the causal proximity of the cooperator's act to that of the principal agent.

6 The traditional language is justa causa et proportionate or ratio proportionate gravis. In this way it is clear that allowing mediate material cooperation in the action of another is an application of the Principle of Double Effect. See Benedict Ashly, O.P., Jean DeBlois C.S.J., and Kevin O'Rourke, O.P., Health Care Ethics: A Catholic Theologi cal Analysis, 5th ed. (Washington: Georgetown, 2006), 56.

7 See "The Principles Governing Cooperation and Catholic Health Care: An Overview," in National Coalition for Catholic Health Care ministry, Catholic Health Ministry in Transition: A Handbook for Responsible Leadership (Silver Spring, MD, 2003).

shareholder resolutions, are just some ways in which Catholic investors can make good on their faithful responsibilities. When ethically engaged investors act in concert, they can "move the needle" toward a truer north, and change the direction of management decision-making.

Like the servants in the parable of the talents (Mt. 25:14–30; Lk. 19:11–27), Catholics blessed with the means to invest are called to do so prudently and with the understanding that they will have to give an account of their stewardship to their Master. They are therefore called to "order their affections" (*CCC,* 2545) and to embrace "detachment from worldly things" in order to enter "the Kingdom of heaven" (*CCC,* 2544).

II. Catholic Social Teaching in the Economy

It is clear, theologically, that faithful Christians are called to handle money with spiritual seriousness. As servants of God, rather than mammon, we are called to live out our Christian witness not only in the pews of the Church on Sunday, but also in our business pursuits over the rest of the week. We now turn to a consideration of the implications of the Church's rich theological tradition for practical finance. To connect the two, we will lay out several key principles of Catholic Social Teaching (CST) and show how these principles can guide ordinary, day-to-day financial activities. In understanding how CST intersects with our lives as producers and consumers, we will be able to refresh our vision of financial life and establish guideposts to direct the practical details of faithful investing.

a. Promoting the Good and Principles of Catholic Social Teaching

When it comes to moral investing, Catholic Social Teaching provides four principles that can guide our decision-making: the Common Good, human dignity, solidarity, and subsidiarity.

- **The Common Good.** The Common Good is central to Catholic Social Teaching; it is "the sum of those conditions of social life which allow social groups and their individual members relatively thorough and ready access to their own fulfillment."[8] Think of it like this: while private goods, like food or property, are diminished when shared with more and more people (for example, one person can eat a whole sandwich, but two people would have to split it), common goods are not diminished when they are shared (a meal shared with friends is more enjoyable than a meal eaten alone). Common goods are higher than private goods because they grow when they are shared, and the same is true of the Common Good writ large: justice or liberty are more fully realized when they embrace the whole community. Ultimately, the Common Good facilitates the flourishing of all people, and helps to bind them together into communities of friendship and mutual encouragement.

- **Human Dignity.** If Catholic Social Teaching emphasizes the Common Good, it is because the Church is fundamentally committed to the principle of human dignity — that is, the reality that "created in the image and likeness of the one God and equally endowed with rational souls, all persons have the same nature and the same origin. Redeemed by the sacrifice of Christ, all are called to participate in the same divine beatitude: all therefore enjoy an equal dignity" (*CCC*, 1934). The principle of human dignity moves us to seek the Common Good; when we acknowledge that all people are made in the im-

8 *Gaudium et Spes, 2.26.*

age of God, we cannot ignore the call to lift up all people toward their fulfillment. We are called to create conditions under which every person can flourish. It's easy to see that human dignity and the Common Good are reciprocally related: if the Common Good helps us to secure human dignity, it's also the case that human dignity helps us to understand and hold firmly to the Common Good, especially when facsimiles threaten to usurp its place. The Common Good is only good insofar as it promotes and defends the unchanging and inexhaustible dignity of every person.

> ***"Common goods are better than private goods because they grow through being shared.***

- **Solidarity.** Our pursuit of the Common Good, and our commitment to human dignity, is deepened through the principle of solidarity. This is the "firm and persevering determination to commit oneself to the Common Good; that is to say, to the good of all and of each individual, because we are all really responsible for all."[9] Solidarity is the obligation to promote the Common Good as it makes itself known in the life of every individual. The Common Good is not simply a vague "greater good" imposed on us from the outside, like a city ordinance or a boss's demand. It is a deeply personal good that aims at each person's unique fulfillment: everyone in a community benefits from the flourishing of a single individual, and everyone suffers when a single individual is prevented from reaching his or her fulfillment. Solidarity reminds us that "every man is his brother's keeper"[10]; our responsibility is our response to the call of another's needs. By serving others, we help to bring about their flourishing as well as our own, and we enlarge the Common Good.

- **Subsidiarity.** Finally, the principle of subsidiarity allows us to promote human dignity and the Common Good, and join together in effective solidarity, by acknowledging the goodness of human freedom and defending against the overreach of authority. On this principle, "larger institutions and governments should not interfere with the

9 *Sollicitudo rei socialis, 38.*

10 *Evangelium Vitae, 19.*

> legitimate decision-making of smaller or lower-level organizations."[11] This is not only a political principle: it also makes demands on our daily decisions and obligations. All things being equal, we should look first to those who are closest to us. It is there that we are firstly called to serve, and where we are likely to be most effective. This is not to exclude those who are suffering in distant countries, or to encourage selfish isolationism. Rather, it is to acknowledge that our charity and good works on behalf of those far away cannot come at the expense of ignoring the needy right in front of us. It is strange and tragic to see companies and public figures pretend to virtue with lavish donations to far-off causes, while at the same time they ignore the homeless in their own streets and the under-served in their own neighborhoods.

The principles of Catholic Social Teaching — our commitment to the Common Good, human dignity, solidarity, and subsidiarity — are all vitally important to the flourishing of every person. They cannot be ignored, dismissed, or separated; without subsidiarity, for example, one cannot have real solidarity. It is only through the promotion of all of these principles together that we can develop practices of faithful investing.

b. The Financial Lifecycle: Where CST and Everyday Economics Meet

Our financial lives often feel complicated, but we can present them as, generally, a cycle of three key activities: receiving money, deciding where to put that money, and acting prudently on that decision — Receiving, Deciding, Using. This is the Financial Lifecycle, and when we look at it closely, we can see where our day-to-day activity implicates the moral principles of Catholic Social Teaching.

- **Receiving.** Start with Receiving, which is concerned with where one gets the money that flows into the activities of Deciding and Using. Most people have three main sources of income: earned wages, non-earned gifts (e.g., inheritances or other windfalls), and investment proceeds. We can see clearly how the principles of CST apply to each. As wage-earners, we have a responsibility to earn our pay through moral means. This refers not only to honest conduct while on the job, but also to the rectitude of the company for which we labor. With non-earned gifts, we must consider how the money was earned in the first place. And, likewise, investment proceeds cannot be simply tools for the blind gain of financial capital. If our money comes from being complicit in practices that violate human dignity, impede the Common Good, or transgress principles of subsidiarity or solidarity, then — shocking as it may to be modern ears — it would be better to forgo receiving that money. What is it worth to gain the world and lose your soul?

- **Deciding.** Once we have Received money, we must Decide where it will go. In general, we have four options: purchase, donate, invest, or do nothing. Again, CST can provide a framework for moral decision-making. When we use our money to shop, we have to evaluate the items purchased in the light of discipleship: is this product morally helpful

11 *Centisimus Annus, 48.*

or harmful to my own life and the lives of those around me? When we donate money, is the organization that we are supporting doing good works? And when we invest, are our investments offering a Christian witness to the world? It can be tempting to avoid these difficult questions, or to let perfectionism paralyze our ability to act. This suggests a final option: doing nothing. But we cannot avoid making a good decision by sitting on our hands, either. Recall that the parable of the talents criticizes the cowardly servant who hides his money (Mt. 25:14-30). The Church's moral teachings penetrate our day-to-day activities of spending, donating, and investing, and we cannot escape the responsibility of doing each of these activities faithfully. We are called to do no more or less than our best, in humble obedience.

- **Using.** After Deciding what to do with the money we have Received, we are finally tasked with Using it. Here, we are concerned with how to disburse our money responsibly, according to our particular situation. This task involves careful self-reflection: each of us faces different circumstances, and those circumstances demand different arrangements. First, the distinction between non-discretionary and discretionary uses of money must be heeded. Are my needs and the needs of those closest to me covered? If not, how can I justify spending on luxuries I can do without? Once needs are met, we can turn to discretionary spending. But this, too, should be regulated by prudence and aim to avoid the twin vices of wastefulness or stinginess.

Now that we've suggested how the principles of Catholic Social Teaching might shape the Financial Lifecycle in which we all participate, it is time to look more carefully at the how CST principles can guide the specific work of moral investment.

III. Practical Models of Moral Investment

Now that we have seen why moral investment matters for faithful Christians, and how Catholic Social Teaching can shape our financial lives broadly, it is time to get more specific. In this section, we will outline a model of critical reflection that shows:

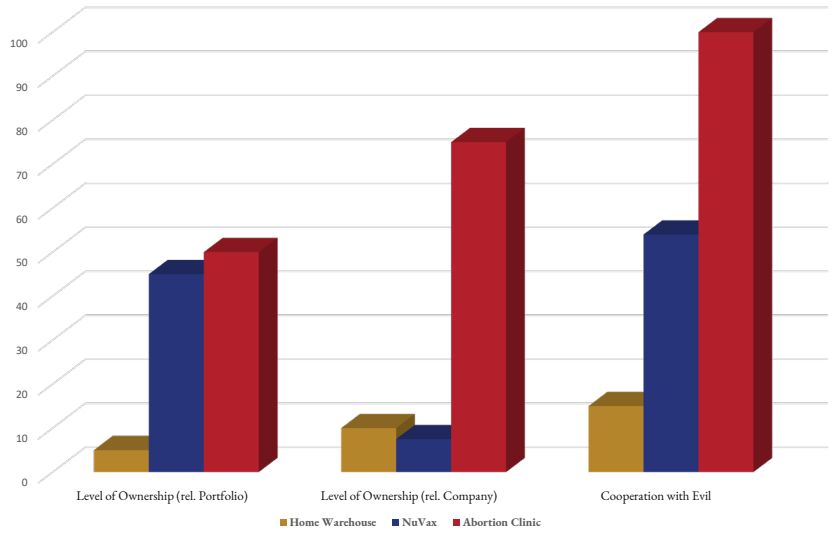
1. How to examine one's moral position by comparing levels of ownership in different companies;

2. How to judge the moral quality of companies under consideration for investment; and

3. How to make practical and moral investment decisions about whether to buy, sell, or hold a given company's stock.

A. The Graph of Moral Ownership: An Ethical Portfolio

The demands of Catholic Social Teaching might seem impossible to implement in the fast-paced, messy world of finance. But there are thoughtful, practicable ways to consider the moral quality of investments. The Graph of Moral Ownership allows investors to evaluate to what extent their level of investment in a company coincides with the moral quality of that company's practice. Catholic investors should not feel forced to choose between moral absolutism and return on investment. The Graph of Moral Ownership allows investors a way to assess their positions and chart practical forward steps.



We plot our position(s) on the Graph of Moral Ownership with respect to three concerns: ownership of a company, relative to one's own portfolio; ownership of a company, relative to the size of the company; and the company's cooperation in evil. As investors, we all have ownership of a company through the equity we possess. Whether I own a fraction of Apple's stock or run my own small business, I am an owner — which means I am responsible for making sure my investments do not contribute to evil. The Graph of Moral Ownership helps to visualize the relationship between a company's cooperation in evil and our stake in it, as owners. Simply put, the aim of the investor should be to reduce ownership in companies with extensive cooperation in evil, and to transition that equity into companies with a better moral complexion. This process does not need to happen overnight; the graph of ownership is adjusted as one exits old positions and adopts better ones.

On the example graph offered here, we see an investor with three positions: a small level of ownership in Home Warehouse, a large home-improvement retailer; a moderate holding in a vaccine-manufacturer, NuVax; and extensive ownership of an abortion clinic. Home Warehouse is the least problematic of the three holdings: it has a good product, although it often has issues treating employees fairly. Since the core of the business is good, but the workplace culture is less than stellar, we can reasonably rate it at 15% cooperation in evil. Because our investor has the least amount of ownership in Home Warehouse, he might consider reallocating holdings from his other companies here.

Our investor also has a more significant degree of ownership in NuVax. As a pharmaceutical company, NuVax provides important services, but the company is not free from cooperation in evil. Vaccines created by the company have been developed using embryonic stem cell research, which results in the destruction of human life. This is antithetical to Catholic Social Teaching, so we can see that NuVax has a higher degree of cooperation in evil. As the investor is more involved in NuVax than in Home Warehouse, the next step should be clear: over time, he should sell off his position in NuVax and transfer that equity into Home Warehouse or another, less suspect company.

Finally, our example investor has a very significant ownership stake in an abortion clinic. Whether he is directly involved in management or holds a large number of shares in the company, the investor is heavily implicated in this business. At the same time, the abortion clinic's cooperation in evil is almost total: its core purpose is to destroy life in the womb, and this cannot be mitigated by other, non-abortion healthcare services or a strong company culture. The business is irredeemably evil. In this scenario, the investor should not walk but run from that position; no level of investment in this business can be justified. Because this business's practices are so grave, more urgent action is required than simply withdrawing over time: the investor should sell his shares as soon as possible and look elsewhere.

This example demonstrates how the Graph of Moral Ownership can help us chart our investment positions against basic moral obligations. But what we've done might, at first glance, seem arbitrary. How do we distinguish between "small" or "moderate" ownership? Why should we score Home Warehouse's cooperation in evil at 15%? In the next section, we will explain the principles that inform these judgments, so that thoughtful investors can see how to make these decisions for themselves.

B. Performing a Moral Analysis

Using the Graph of Moral Ownership successfully depends on understanding how much a company is participating in evil. Thankfully, it doesn't take a theologian to evaluate a company's moral status. We can look at a company as a set of concentric rings, like ripples expanding on the surface of a pond. When we start at the center and move outward, passing through the various elements of a company, we allow each ring to inform our judgment as appropriate, without succumbing to static, black-and-white thinking.

- **Core Purpose.** The core of the company — the centerpoint, from which everything else ripples outward — is the product or service it exists to provide; this is the most important determinant of its moral quality. If a company's reason for existing is inherently evil (e.g., the abortion clinic above), then it does not matter how good its methods are or its culture is; there is no way to justify investing in it. When we undertake a moral evaluation, the essential purpose of the company should be our starting point and central consideration.

- **Methods of Production.** If the company's essential purpose is acceptable, then we can begin to move outward, taking stock, second, of its methods of production or service. Does a company that provides a worthwhile product use underpaid or even slave labor to produce it? Does its work involve environmentally ruinous practices? Here we can clearly see how Catholic Social Teaching helps inform good investing: if investors are pressured into a narrow pursuit of pure profit, then companies will be rewarded for unjust practices that lower costs. To avoid this, moral analyses must take into account the practices that allow companies to fulfill their essential purpose.

- **Corporate Culture.** Finally, we move outward to the farthest-flung ring: corporate culture. What values do the company's actions reveal? Do they engage in religious, racial, or sex-based discrimination? Do they donate funds to causes opposed to the principles of Catholic Social Teaching? Much has been made in corporate circles of promoting a virtuous business culture, but these changes are often shallow, and the virtues promoted are often those of the latest cultural fad, not the Church's eternal wisdom. Real moral accountability is difficult, and it begins at the company's core, not its social media page. Companies, like persons, are only transformed at the heart.

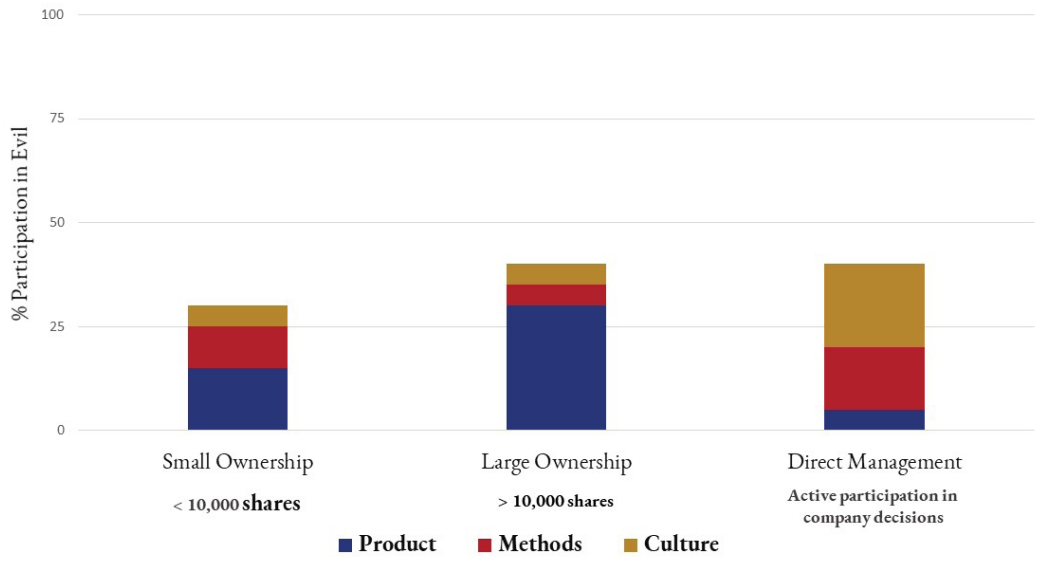
The approach above, which starts with what is essential and moves outward through key secondary and tertiary features, allows a thoughtful investor to establish proper priorities when judging investment opportunities. When we think about a company's cooperation in evil, the most important consideration is the product or service that a company provides. At the same time, a company's methods and culture cannot be ignored — but there is more room for mitigating factors. Add up all of these components according to their proper weight, and an investor will have a good sense where any company belongs on the Graph of Moral Ownership.

C. Levels of Ownership: Understanding Your Position

Now that we know how to evaluate a company's moral situation, we can turn to evaluating our level of ownership in it. To do this, we can use a simple bar chart to translate moral analysis into helpful numbers.

Generally speaking, we can identify three types of ownership: small, large, and direct management. Most retail investors are small-scale owners, which we can define roughly as owning less than 10,000 of a company's shares, regardless of that company's market cap.[12] Those who own more than 10,000 shares of a company we will consider large owners. Whether these shares are personal assets or assets managed on behalf of others, an investor at this scale makes a larger footprint and thus has a greater responsibility to carefully consider his investment portfolio. Lastly is direct management, the highest level of ownership. Here, one has the right (and responsibility) to shape company policy directly through one's policymaking role.

Our task now is to coordinate our ownership of a company with our assessment of its cooperation in evil. We should remember that as we take more ownership of a company, we assume greater responsibility for its moral practices. A higher level of ownership means a greater imperative to consider not only the essential purpose of a company but also its production methods and culture. Owning one share in a multinational company that treats its workers poorly means an investor can only do so much. But owning a sizable portion of that company means that an investor can do more — and, so, is responsible for doing more. This is a straightforward consequence of the principle of subsidiarity, which stresses the importance of our closeness to a problem in evaluating moral responsibility. On this bar chart, we can take our judgments from the previous section's moral assessment and assign a certain percentage of cooperation in evil to each section. Once we have determined which ownership column we belong to, and have added the cumulative percentages of cooperation in evil, we will have everything necessary to plot a point on the Graph of Moral Ownership.



12 https://www.nasdaq.com/articles/who-counts-as-a-retail-investor-2020-12-17.

To see how this all might fit together, let us return to our hypothetical investor above. We need to make three simple calculations.

- **Level of Ownership, *relative to portfolio*:** Our investor's sizable involvement in NuVax — 15,000 shares — makes up 45% of his equity portfolio. So, our first bar extends to the 45-percent mark on the Y-axis.

- **Level of Ownership, *relative to company size:*** While 15,000 shares makes for large ownership in general, it's obvious that the degree of ownership is relative to the size of the company. An investor with 15,000 shares of a 20,000-share company has much more control than an investor with the same number of shares in a 200,000-share company. So, we need to look at the size of the company. There are very involved ways of calculating ownership, but an adequate method for our limited purposes is to divide the total number of shares our investor owns (15,000) by the company's total number of outstanding shares (let's say 200,000). The result is that our investor controls about 7.5 percent of NuVax. We can chart a second bar accordingly.

- **Cooperation in Evil:** Finally, because of our investor's sizable involvement in NuVax, he has a greater responsibility to consider not only its essential corporate purpose, but also its methods of production and corporate culture. When he undertakes a careful examination, he determines that NuVax's vaccines, although intrinsically good, are created using embryonic stem cells. These production methods are plainly immoral, so they detract from the good of the product. Following our concentric-rings model, we will "weight" each ring, since the core purpose ought to weigh more in our calculations than the methods, and the methods ought to weigh more than corporate culture — if, again, we follow the rings outward. So, because the essential purpose is good, we can assign this at 0. However, the methods of production are deeply concerning, so we can assign this at 75, then multiply by 2/3. Lastly, since the culture at NuVax seems to have no egregious problems, we can rate it at 10, then multiply by 1/3. Our calculation, then, is: (0 x 1) + (75 x .67) + (10 x .33). Added together, we arrive at a combined score of about 54% cooperation in evil, which we can chart as a third bar.

Following the above procedures, we now have a thoughtfully charted visual representation that gives us a sense of the relationship between our investor's levels of ownership in a company and that company's moral status. We can repeat the procedures for as many positions as our investor holds. Needless to say, we should not mistake these numbers for exact calculations; we're only trying to create a rough-and-ready visual map to help guide our decision-making. Ideally, though, we want to minimize both the amount of our portfolio and the scope of our involvement in a company that is seriously morally compromised, and we want to enlarge both the part of our portfolio and the scope of our involvement in companies that are morally reliable. How to set responsible investing priorities and how to act on them are the topics of the next sections.

d. Decision-Making in Moral Investment

After assessing the moral position of a company, considering one's levels of ownership in (and so responsibility for) it, and charting these results on the Graph of Moral Ownership, our final step is to let this process inform our investment decisions.

On the Graph of Moral Ownership, the bar showing a company's cooperation in evil is the key criterion for an investor thinking about how to take proactive steps toward more responsible investments. We can divide this axis into four segments, each defining a range: 0-25%, 25-50%, 50-75%, and 75% and above. For companies in the topmost range (75% and above), no investment is justified. Perhaps the product is inherently evil, or perhaps the company's production methods and workplace culture are gross and irremediable violations of CST. Whatever the case, a responsible investor is duty-bound to avoid investing in this company, or, if already invested, to withdraw his involvement immediately.

Companies in the 50-75% range have severe problems, but the situation is not hopeless. The core of the company is not inherently evil; what is needed is urgent action to resolve the significant problems that are dragging down the company's good purposes. Large investors or direct managers need to pressure executive leaders to address troubling issues; if this proves impossible, it is likely best to withdraw and look elsewhere for investment opportunities. As a small investor, with limited resources and leverage, it may be best to avoid these companies, unless there are meaningful reasons to believe that the company will improve. If an investor does choose to invest, he should restrict

> ***"Diligent consideration of a company's moral practices will also lead to better judgments of their financial position, enabling one to potentially receive better returns than if no moral analysis had been made.***

it to a minor role (10-20%) in his portfolio. The market is large enough to locate responsible alternatives.

The majority of companies can be found in the 25-50% zone — not ideal, but often unavoidable in the world of finance. Investors with high levels of ownership should make their concerns known, and encourage more responsible corporate practices; but there is no urgent reason to exit the company or liquidate holdings. Companies from this bracket are acceptable for small investors, too, although they should aim to maintain an appropriate level of ownership (20-60%).

Finally, companies at or below 25% are strong choices for any morally serious investor. A company belongs in this bracket if its core purpose is inherently good, its methods of production are ethical and sound, and its corporate culture exemplifies the principles of Catholic Social Teaching. Being in this bracket does not mean that a business will perform well financially, but these companies provide positive models by which investors can judge other firms.

The purpose of these metrics is not to suggest that we can buy and sell our way to moral perfection. Nor is the Graph of Moral Ownership a tool for developing spiritual "offsets"; Al Capone's network of soup kitchens did not "balance out" his crimes as a thief and a murderer. This side of Heaven, we will never be perfect. Engaging in the world of finance inevitably means risking bad investments, both financially and morally. The Graph of Moral Ownership is useful because it provides investors rules of thumb for making the types of everyday moral decisions that are too often reduced to black-and-white absolutism. We don't have to sacrifice our consciences to participate in the market.

We believe, too, that careful, diligent consideration of a company's moral practices will also lead to more reliable financial judgments in the long term. The principles of Catholic Social Teaching are not metaphysical abstractions; when we uphold dignity, pursue the Common Good, and emphasize subsidiarity and solidarity, we see positive, real-world results. Taking seriously the moral condition of a company means taking seriously the possibility of its flourishing. The guidance we have provided here can help investors witness faithfully to Christ, while supporting companies that are more likely to bear good fruit.

e. The Role of Large Shareholders and Direct Management

Most of our remarks so far have been addressed to small investors considering whether to add a specific company to their portfolio. However, in this last section we turn to the role Christian witness can play in the work of large shareholders and direct management.

Evaluating companies in the ways we've suggested is often difficult, due to a lack of information. For large shareholders, screening institutions like ISS[13] can help. These sorts of (public and private) regulatory bodies can help larger shareholders acquire the information necessary to exercise their greater burden of responsibility. Large shareholders also have other forms of useful leverage. While small shareholders are generally restricted to either avoiding or investing in a stock, large shareholders have an array of tools: they can propose shareholder resolutions, open channels for dialogue with management, and represent their concerns directly. If a company rejects

13 https://www.issgovernance.com/about/about-iss/#1574276810064-3b97ec25-1ffa.

the principles of Catholic Social Teaching and refuses to change, there is no louder message than watching large shareholders take their business elsewhere.

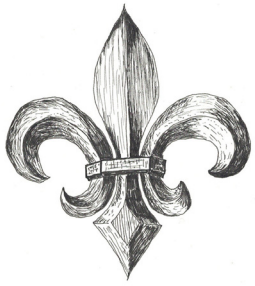
We should add that those who do not directly manage funds, but instead hire asset managers, cannot evade these responsibilities. By hiring financial professionals to manage one's portfolio, an investor has control of both the money being managed and the manager, in the form of fees. The asset manager is, in a concrete sense, the investor's employee. Moral obligations cannot be outsourced; it is up to the investor to ensure that his asset manager shares his own commitment to moral investing practices.

The maximal level of ownership, and so of responsibility, is direct management. Like large shareholders, direct management have the greatest ability to make change, and so they have the greatest responsibility for the company's moral direction. A manager cannot treat the product, methods of production, and culture of his company with detachment; it is his responsibility to be continuously improving them. He's not a dispassionate scientist, looking academically over the table; he's a doctor, constantly working to improve his patient's health and treat her maladies. This responsibility cuts both ways: Direct management are more responsible than any other group for their company's moral failings, but they're also those with the greatest opportunity for good works. Those direct managers who fight unceasingly to elevate their company's moral stature are truly good and faithful servants.

f. Conclusion

Despite everything we have covered, the messy reality of investing still presents challenges. How, for example, should investors think about the moral situation of large group holdings like ETFs or mutual funds? These sorts of questions are not easy, and, unfortunately, they require more space than we have here. But the purpose of these models is not to offer a silver bullet for all the problems Christian investors face. Their purpose is to help us make better, more conscientious, more faithful investments than we did yesterday. We do not expect perfection overnight. Christ comes to meet us where we are.

The vision we have presented is simple: understand how a company is participating in evil, consider the level of ownership you have or are planning to have through investment, and allow this careful moral perspective to inform your investment decisions. As your level of ownership increases, so does your responsibility — and your opportunity to be a force for good. As the Scriptures remind us, "[m]uch will be required of the person entrusted with much, and still more will be demanded of the person entrusted with more" (Lk. 12:48).



IV. Conclusion

We cannot be witnesses to Christ passively. Likewise, investing cannot be passive. We are called to constrain injustice and encourage virtue through faithful investment practices. Whether we hold one share or thousands, whether we are small-scale investors or direct managers, we are called to conscientious engagement, using our gifts — financial and otherwise — to advance the Good News of Jesus Christ in every domain, including the world of investment.

The universal call to holiness echoed throughout Scripture and the Catholic tradition includes the sanctification of economic and financial dealings. This is not an easy call, but Christ promises every member of His body "the full armor of God [to] take your stand against the devil's schemes" (Ephesians 6:11). Informed by the principles of Catholic Social Teaching and armed with practical strategies to cultivate virtue in our financial lives, Catholics can take up the valiant work of ethical investing, so that, "when the chief Shepherd appears, you will receive the unfading crown of glory" (1 Peter 5:4).

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