

Reformed Investment

I have been asked to talk about investment from a Protestant and Reformed point of view. That in itself is quite a wide area to cover – and I thought it might be more helpful to spend most of my time talking about the particular Reformed tradition from which I come, that of the Church of Scotland.

1. The Church of Scotland, Calvin and the Scottish Enlightenment

As a reformed church it would be expected that the Church of Scotland would take its lead in these matters from Calvin. As Greg Bentall of the Presbyterian Church USA, says:

“Calvin was fascinated by business and economics. He studied the market place and learned its laws. To Calvin, economic laws, such as the “time value of money,” or the “law of supply and demand” are simply part of the created order. He felt that economic laws were as solid and real as was the law of gravity. He began with a study of “usury”, or the notion that lending money at interest was a sin. He differentiated lending money at interest for investment purposes from the truly usurious practice of lending money at interest to someone who was starving and needed food. He came to understand that money really does have a “time value”, and that interest charged is simply an expression of that concept. “¹

The Church of Scotland, however, owes at least as much to the Scottish Enlightenment as to Calvin for its thinking on investment. That movement in turn, of course, owed its imaginative thinking to the inheritance from Calvin of taking the world and its concerns and activities seriously. As Bentall goes on to say:

“Calvin always used every faculty and insight that he could discover in order to know and follow the creator. He never had his nose “buried in the Bible,” oblivious to the world around him. He could never engage in any form of biblical “proof-texting.” Revelation to Calvin included science, nature, logic, and the study of human behaviour, all of which are part of the created order. “

In the Reformed tradition, in other words, the church exists in a dialectical relationship with the world and the society in which it is set.

In 18th century Scotland, David Hume, Adam Ferguson and Adam Smith between them brought philosophy, sociology and economics to bear on the modern world – and they formed between them a formidable body of work which has left its mark. They warned of the alienation produced by the repetitive work being introduced by the industrial revolution, and they sought to uphold and renew the systems of justice and education bequeathed by the Reformation as ways to combat this alienation and the consequences it had for society.

Smith, often lauded as the author of impersonal market economics, based his whole economic theory, laid out in “The Wealth of Nations”, on his earlier work, “The Theory of Moral Sentiments”; in other words the ‘invisible hand’, his most famous phrase, cannot be interpreted without the idea of ‘sympathy’ in his earlier work – whereby he attempted to examine the ability of humanity to see things from another’s point of view, to feel not only with them but for them. His is very far from the ultra-individualist treatment of the human condition that recent politicians and economists of the right have attempted to portray.

This meant that the Scottish Enlightenment, and the church alongside which it grew and developed, put a great emphasis not simply on the conditions in which economic activity was begun, nor only on the outcomes achieved, but crucially on the processes involved: how work is organised, how social relations are constructed and conducted. According to this view, it does not make sense to aim to increase wealth if it is achieved by processes which undermine the moral fabric of society – even if the wealth is to be used to enhance that moral fabric. Means are as important as ends.

Thomas Chalmers is situated in this history of economic thinking. Chalmers, a parish minister in Glasgow, was one of the leaders of the evangelical wing of the Church of Scotland in the nineteenth century. For him, there was no useful distinction between economic means and ethical ends – and so moral education (an end in itself) was the means by which to advance charitable giving among the better off and self-help among the poor. Like Hume, he emphasised work as the way out of poverty and the way to an individual's sense of dignity and wellbeing. He saw the church as the way to establish this moral life, with its role being to run each parish as a moral community.

In Chalmers' model, however, the church invests heavily in the moral life of the community – but not in the ethical basis of the society. He regarded the society in which he lived as providential, and so saw no need and no desire to address the grave inequalities to which that society gave rise. We might ask if the model of investment churches adopt today faces a similar problem – but we will return to this. First, we jump forward from the mid-nineteenth century to the late twentieth century.

2. The Church of Scotland Special Commission on Investment and Banking²

In 1988 the Church of Scotland produced a report on the ethics of investment and banking, which still today serves as our church's text on these issues. In it these basic tenets of the faith were set out:

- *From the faith that God is the Creator and Sustainer of all things comes the call to care for the environment as God's creation, to show reverence for life, and to develop and share earth's resources as God's gifts for the needs of all.*
- *From the faith that God is a just God and the Lord of history, who chose the people of Israel to be his servants and who works for justice and peace on earth, comes the call, to races and nations as well as individuals, to resist evil and do good and uphold justice in government, law court and market-place.*

- *From the faith that there is one God and Father of us all, revealed most clearly and fully in Jesus Christ, comes the call to give all men and women the worth and care accorded to them by Jesus and to show that care especially to those who are poor, ill, oppressed and disadvantaged.*
- *From the faith that God is Saviour through Jesus Christ comes the call to recognise the power of selfishness and evil in human hearts, to seek God's forgiveness and help, to work for reform and to show mercy to others.*
- *From the faith that God works through the Spirit in the lives of men and women and in the events of history comes the call to discern God's purposes in the turmoil of our times, to be open and obedient to the guidance of the Spirit and to use personal gifts and earthly resources in the service of God.*

The report goes on to offer a Christian view of wealth creation, of the market system, of banking, and of financial practice in general. It also talks about share ownership, and socially responsible investment.

- Share ownership, it says, should be long-term; it should be carried out on the basis of interest not only in profit but also in the workers and the management of an enterprise – and also in the community in which that enterprise is set; and it should involve a real interest in and a concern to know about the policies and practices of the firm being invested in.
- The discussion of socially responsible investment talks of the practical difficulties for individual and institutional investors entailed in keeping to the advice to be aware of the policies and practices of firms – when the investment is through unit trusts or fund managers, is spread over a wide range of companies (and, perhaps, countries), and over a variety of sectors.

- The report notes that churches most often define their social responsibility by what shares they avoid: tobacco, gambling, alcohol and arms.
- And the report also talks about the responsibility of the investment trustees of churches or charities to produce the best possible financial return on their investments. In spite of this, the report points to the WCC Ecumenical Development Cooperative Society as one of the routes individuals can take to ensure an ethically responsible investment.

The report also looks at the ethics of divestment, concentrating on the issue current at the time – South Africa. The debate has returned in more recent years in relation to the Israeli occupation of Palestine and the role of companies like Caterpillar in the demolition of houses. There is recognition that, while divestment rarely has a significant financial effect, it can have an important political or symbolic effect. And the report looks at the then quite new issue of unpayable international debt, which grew, particularly for the churches, into such a huge campaigning and rallying point.

It concludes with what it describes as “the fundamental truths from which [a Christian ethic of investment] should be derived”:

- That every human being is made in the image of God
- That humanity has been given the responsibility of stewarding the earth and its inhabitants
- That economic activity is inherently social and is tied up with the command to love our neighbours
- That the people of God are to have a special concern for the poor
- That the human sinfulness of greed, avarice, cowardice, and a lust for power, can help us lose sight of the true purpose of our lives
- That human sinfulness does not have the last word
- That in Jesus Christ moral ideal is identified with human reality.

3. Ecumenical Comparisons

Before I conclude, let me talk for a moment about the ecumenical setting in which we operate. In 1998 the WCC published a book by Rob van Drimmelen, entitled “Faith in a Global Economy”³. In the last chapter he turns to what he calls signs of hope. One of these was responsible investment. He points to the growth in value of investment in community economic development, and to the growing tendency of religious organisations to have responsibility guidelines for their investments. He then draws out three strategies for these guidelines:

- **Avoidance (or disinvestment):** the kinds of investment mentioned earlier – arms, alcohol, and tobacco; but here, a decade later, we find included discriminatory policies, environmental concerns, and human rights issues also mentioned.
- **Advocacy:** this is perhaps the opposite of disinvestment, since it involves using share ownership as a way to put pressure on companies – a way into meetings, a road by which particular policy options can be pursued – and those who oppose disinvestment strategies often use this route as an argument for hanging on to shares even in a company whose policies we might have problems with.
- **Alternative investment:** finding uses for money which promote or support chosen kinds of enterprise or activity. This is where EDCS came in, founded in the early '70s to allow a lower financial return, but a higher social return.

In the United Kingdom, the Ecumenical Council for Corporate Responsibility (ECCR) promotes this kind of responsible investment among churches, and they provide a particularly good example of the advocacy role of investors.

Among churches in the UK, the Methodist Church puts a lot of effort into managing and monitoring its investments in the light of Christian ethics – while seeking above average financial returns. They have perhaps the most fully developed portfolio of policy statements: on alcohol-related companies,

financial intermediaries, the food industry, the media, military exposed companies, mining and extraction companies, and Nestle; and they have position papers on alcohol, corporate governance, environmental ethics, the media, and political donations. The biblical principles they list are:

- To encourage the fruitful use of economic resources
- To encourage activities consistent with God's nature and values
- To encourage a concern for the vulnerable and the oppressed
- To encourage healing of the effect of the Fall.⁴

4. Ethical investment

I want to conclude by gathering these thoughts into three biblical models of investment. The first of these is that of the *steward*. The Methodist Church, in its list of biblical principles, puts this first: the fruitful use of economic resources. The Church of Scotland talks of the responsibility humanity has of stewarding – exercising responsibility. This is based on the place given to humanity by Genesis in the story of Adam and Eve, and that of Noah. The theme reappears in the gospels on a regular basis, with good and bad stewards being contrasted. This model works with the notion that everything we have is God-given, must be cared for, and must be accounted for.

The steward makes things work. The investment, by this account, is God's; our job is to manage that investment – to make it work. So Thomas Chalmers saw the community as the vineyard of the Lord, being managed by the parish minister. He saw no reason to question the way the vineyard had been established; he simply had to try to make it fruitful. As with the biblical steward, he would be held to account for how he had exercised the responsibility he had been given – how he had responded to the trust placed in him.

Very often our accountants will remind us that they have a legal responsibility to bring in the best possible return for the church from the money it invests – to produce the most fruit that can be

obtained. The steward, however, is not only responsible for the accounts at the end of the financial year (the bottom line); but for the processes of production, the justice of the transactions, the fairness to the workers, the future of the earth. The bottom line is not the only fruit our investments produce – they can produce the fruits of justice or injustice, improved human relationships or their breakdown, fulfilled lives or ruined prospects, beautiful smiles or embittered hearts.

The steward is the favourite model for my church and, I suspect, for many others. It is, indeed, the model adopted by secular society – with its emphasis on trustworthiness and honesty. And for many in the financial world honesty and trustworthiness are what ethics are about – but we need, perhaps, to ask if that is sufficient for what the churches ought to be trying to achieve.

There is another model of investment in the bible that ought to take our attention as much as that of the steward, one which I am pleased to note is being used by Oikocredit; and that is the model of the **sower**. Jesus uses the sower of seeds as an image of the kingdom at work in the world. It is, he says, a risky business. It's a model of investment that churches generally, I think, shy away from. Institutions such as ours tend to be cautious creatures, unwilling to take the risks that the sower takes.

In the United States, I am reliably informed, there is (or was) a department of government with the job of supporting new, imaginative, risky ventures. Their target for success is ten percent – and if they exceed that target they have failed in their job; because that means they have been playing too safe, not taking enough risks, not pushing the boat out far enough – staying too close to the shore. They acknowledge that many a seed will fall in unsuitable soil, or in adverse conditions, or will have only short-term growth followed by quick decline. But it's worth it for the sake of the successes.

The churches' commitment to the poor and the vulnerable ought to lead us to this way of thinking; because the poor and the vulnerable are not, generally speaking, seen as good risks for investment. But they are also where there is the greatest potential for growth. In 2005, Churches Together in Britain and Ireland (CTBI) produced a book called "Prosperity with a Purpose"⁵. In that book I wrote a chapter on Scotland, where I tried to argue for a reassessment of how we understand strength and weakness. I wrote:

"While many Scottish strengths can also be seen as weaknesses, the reverse is also true. Perceived weaknesses may be strengths. Glasgow, Edinburgh and the Gaeltacht all in their own way called on economic discussion to see weakness as strength – as the place to value, to build, and to include ... It is in changing how we look at the picture, in recognising that the biggest difference can be made in the places where that difference is most needed, that economic weakness can be seen as developmental strength, as the locus of greatest potential."

The mission of the church is about taking risks on behalf of the poor and the vulnerable, sowing the seeds of the kingdom where the biggest difference can be made. Our investment policies are part of that – they are our chance to do something different, not simply to avoid the easy bad things (which is how many interpret what ethical investment is all about) but to seek out the difficult good ones – to use the resources at our disposal for advocacy and for alternative investment, and not stop at avoidance as our only ethical investment strategy.

But finally, when someone is confirmed in the membership of the Church of Scotland, they are asked to promise to give not only of their money for the work of the church in the world, but also of their time and their talents. Jesus *spoke* of the steward and of the sower; but Jesus *was* the **incarnation** of the Word of God. Our investment is not only financial; it is incarnational. When God heard the cries of humanity, it was not a cheque that was sent, it was a Son. Finance is but a symbol – it

represents, or ought to, the reality of our lives, offered in the following of the one who offered his life for the life of the world.

It is important that we put our money where our mouths are – but we also need to consider how we put ourselves where our money is. That way the money can serve humanity, rather than *vice versa*. That way, if we can achieve that congruence of speech, money and lives all being invested together, we may just have risked enough to be both sower and steward, and to have hope of getting it right ten percent of the time.

¹ <http://www.pcusa.org/>

² The Church of Scotland General Assembly Volume of Reports 1988

³ Faith in a Global Economy, 1998, WCC Publications, ISBN 2-8254-1254-6

⁴ <http://www.methodistchurch.org.uk/>

⁵ Prosperity with a Purpose: Exploring the Ethics of Affluence, CTBI, 2005, ISBN Paperback 085169 309 1