

A Biblical Ethical Framework for Christian Investment

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Introduction

In this paper we build on and unpack CS's Ethical Charter within our Commands, Character, Consequences (CCC) Biblical Ethical Framework. This paper will become the framework for generating negative and positive ethical investment criteria with the Ethical Investments Committee and for guiding Mercer Consulting and its SRI choice.

This, (though open to expansion with time) will be the initial iceberg, the tip of which will be presented to members in newsletters though the rest will be available on the website.

We will also generate a paper in 2006 on a Biblical Theology of Wealth and Investment drawing on Preece and Gregg's *Christianity and Entrepreneurship* (CIS, 1999) and the work of Schneider, Schluter, Stevens and Blomberg.

Amongst various Christians there is a tendency to choose a particular style of ethical engagement.

Conservative or right-wing Christians tend to opt for Law or commands and will have a tendency to emphasise negative screens against more personal sins like smoking, gambling, pornography etc.

Radical or more left-wing Christians tend to emphasise a Prophetic perspective against more social or structural sins or injustices like poverty, racism, militarism, pollution.

Our mixed ethical framework affirms elements of both in seeking to be fully biblical and true to the whole counsel of God in the canon not using a selective 'canon within the canon' in content and style. But we will use all three major forms of biblical speech - 'law shall not cease out of the mouth of the priest nor word from the prophet nor counsel from the wise' (Jer 18:18 – see GR Preece, 'Public Speaking', *Ministry, Society and Theology*, Oct 2002).

In particular we draw on the neglected biblical wisdom books with their emphasis on empirical evidence, wise counsel, prudence and good character, without neglecting the legal and prophetic streams. Wisdom or prudence (note the use of 'Prudential' in the names of many insurance and superannuation companies) emphasises long-term rational judgment. This includes enlightened self-interest open to others (not self-enclosed selfishness) such as Christian Super encourages people to exercise through Superannuation. This wisdom begins in 'the fear of the Lord', humbly recognising the difference between the Creator and His creatures.

Christian Super Ethical Investment Framework

Summary

The CCC ethical framework uses three primary ethical building blocks of: *Command* e.g. 10 Commandments, Sermon on the Mount; *Character* or virtue e.g. Beatitudes [Mt 5] and Fruit of the Spirit [Gal 5]) and *Consequences* e.g. rewards and punishments, Proverbs, ‘seek first the Kingdom’ [Mt 6:33]. These derive from the Bible and the best philosophy (deontological, virtue and teleological ethics respectively). This three factor model allows a comprehensiveness that is not available within a one or two factor model. The ‘art’ within the process is discerning together wisely (‘it seems good to the Holy Spirit and to us’ Acts 13, 15:28) and in a timely (Eccl 3) and fitting way what kind of weighting is considered appropriate to each factor.

While ‘character’ may be more difficult to discern directly at the individual company level compared to commands and consequences nonetheless a company’s track-record, transparency and its quickness to correct mistakes and move in the right direction give clear indications. For example a bank’s foreclosing on widows and orphans in hard economic times may give evidence of hardness of heart. We do ‘see in a glass darkly’ until the kingdom comes, but the fruit of Christian character will be evident in words and deeds (Mk 7:20-23, James 2: 14-26).

Command

Deontological (duty-based) ethics deal with acts in themselves, the principles, commands or rules involved, and any law involved. These are normally absolute principles, drawn from the Ten Commandments etc. In CS’s case the following inputs from the Ethical Charter (with some additions) are considered to be part of the command factor.

Negative Screen

- Producing goods or services with addictive, violent or harmful effects on people (e.g. against products encouraging militarism, obesity, gambling)
- Activities that are harmful to the environment (e.g. on balance still excluding nuclear energy as even if waste-storage can be solved, it is likely to use greater energy as uranium ore-quality declines. This raises questions re WMC & BHP.¹)

¹ This in turn depends on their ‘materiality’ i.e. how material is a nasty activity to a company’s overall business’s character and goals or is it relatively incidental (5%?). Some super funds exclude a company with a nasty activity, others tolerate it if it is a minor (e.g. 5%) part of the business, or seek to influence the company to minimise it further. From a Christian teleological perspective I would not necessarily

- Predatory, monopolistic, bullying business practices (possibly excluding Woolworths & Coles compared with Aldi, although it has had questions raised re its alleged deception re % of Australian produced goods)
- Abuse of human dignity or freedoms (e.g. denial of union rights, lack of a common day off & worship times for workers and families)
- Worker exploitation (e.g. exploitative child labour, racist and sexist hiring, firing & reward practices)
- Practices increasing poverty (e.g. credit practices encouraging consumer debt)

Positive Screen

- By default, negative screening increases investment in 'ethical' companies
- To vote in accordance with ethical objectives e.g. re independent executive remuneration committees
- Sustainable environmental practices
- Family, neighbourhood and community friendly workplace practices
- Companies contributing to minimising inequality between first and third worlds

Character

Virtue (character-based) ethics deal with the qualities and motivations of individual and corporate characters or agents (in relation to stockholders and stakeholders). Clues to this can be found in corporate mission statements, values, codes and cultures. Such character based inputs could include the following:

Sound ethical practices

- Honesty, integrity, directness and prudence (in all communications & financial calculations & practices, including confidential avenues for whistleblowers)
- Transparency, accountability & relations of parity (to stockholders, stakeholders & regulatory authorities)
- Best practice governance (independence & inclusiveness of membership & thinking)

Social Stewardship

- Dignity and respect for all people (all ages, races, classes, sexes)
- Community and stakeholder relations (reconciliation, continuity, parity, multiplexity, directness - see Schluter's criteria of relational proximity below)

Consequences

Teleological (telos = end, purpose or goal) ethics are focused on the results of an action. These can be broader results in terms of the reign of God or Kingdom consequences i.e. 'seek first God's Kingdom' (Mt 6:33) – 'the kingdom of right, (i.e.

exclude these immediately but would want to see a prompt and sustained movement in the direction of kingdom values and minimising negative ones.

reconciled) relationships with God, humanity and the earth (see C. Wright, *Living as the People of God*). Or they can be narrower results – e.g. maximise my own personal, material pleasure and investment return (the happy hedonist, materialist retiree) or maximise society's pleasure over pain (utilitarianism) which may use individuals or evil as a means to an end.

Key consequential factors include the following:

Environmental Stewardship

- Efficient resource use and management (excludes pollution of land, air, water)
- Ecological sustainability (excludes extracting, making or marketing goods or services harming humans, animals, earth)
- Renewable energy sources (excludes destruction or waste of non-recurring resources)

Financial Stewardship

- Best practice financial management (including not being enticed or enticing people into financial over-commitment through excessive credit)
- Financial return (in socially productive, non-speculative/gambling ways)
- Risk management (prudent, cautious calculation of consequences & allowing for margins of error)

Thus while looking long-term towards the future in our investments, humility about unknown factors will keep us from being utopian or rash in our investment strategies. There will always be a d.v. *Deo voluntas* or 'God willing' after our proposals. 'Man proposes but God disposes.' The tragic, triumphalist stories of *Enron: The Smartest Men in the Room*, who arrogantly claimed to be 'doing God's work', one of whom, Kenneth Lay, was a preacher's son and adult Sunday school teacher, and of HIH and its Christian CEO's imprudent hubris should caution us.

This is true on the prophetic engaged side of Christian ethical investment also. The Action Stewardship plan is very challenging but perhaps too ambitious for a small fund with the financial, staffing, time and knowledge resources and access of Christian Super. Informed and direct engagement with companies is enormously time-consuming if it is to be done properly. Nonetheless CS should be seeking to educate its clients and companies invested in by promoting informed engagement through ethical investment, proxy voting, and its SRI representatives engagement on its behalf and in cooperation with various SRI groups both nationally and globally.

Further Development of Relational, Sustainable Investment Criteria

Measurable biblical relational criteria developed by Michael Schluter and the Jubilee Centre/Relationships Foundation in Cambridge UK and the ten ethical investment themes of the UK based Henderson Global Investors (comparable to AMP Capital Investors' emphasis) among others will be evaluated and applied to develop positive ethical investment criteria.

In a range of publically influential books including *The R Factor* (1993 ch. 3) and *The R Option* (2002, both written with David Lee) and *The Jubilee Manifesto*

(2005) Michael Schluter has developed a biblical relational theology based around the idea of ‘relational proximity’ or nearness. This is a way of concretely unpacking Jesus’ great commandment (Mt 22:34-40) as a summary of the Mosaic law.

The Relationships Foundation proposes five criteria of relational proximity or love based on God’s relationship to us in Christ:

1. *Directness of communication.* God came in the flesh in his Son (Jn 1:14) seeking a face to face relationship. This is more direct than phoning, emailing, writing or going via a third party. (This is important in choice of SRI fund manager within cost limits – hence face to face meeting soon to be arranged by Mercer. Also important e.g. in banks maintaining tellers for non-computer literate).
2. *Continuity of relationship over time.* God is faithful (1 Cor 10:13) and covenantal – committed wholistically and long-term.
3. *Multiplexity or breadth of knowledge of a person* – their personal, family and work relationships and roles. God knows us completely and is interested and present in every part of our lives (Ps 139:1-12)
4. *Parity or equality of power.* God empowers us in Christ by service and sacrifice (Jn 13, Phil 2:1-12) and we should empower each other
5. *Commonality of goals and dreams.* Jesus invites us to share and invest in his and God’s goals as his friends (Jn 15:15)

These criteria are a good guide for investing in God’s Kingdom and socially responsible investment but must be used recognising that the Kingdom has not yet come in all its completeness. Such investment should seek to enhance:

* Society’s relationship with God

* Relationships between citizens as individuals, families, communities and national and international relationships

* Relationship with the earth, creation, the natural environment

See Table 1 below for an initial application of some of these themes.

The companies include some suggested by Hendersons. They are purely illustrative, but intended to add some possible concreteness to the themes.

<i>3 C's Ethical Framework (CS Lewis & Preece)</i>	<i>Relational Proximity Themes (Schluter)</i>	<i>God</i> (CJH Wright,	<i>Humanity</i> <i>Living as the People</i>	<i>Earth</i> <i>Of God)</i>	<i>Investment Themes</i>
Commands, Principles, Rules	Stewardship	'Earth is Lord's' Ps 24	To image, represent God in dominion (Gen 1:26-8), service (Jn 13, Phil 2)	Develop, preserve, rest, renew earth (Gen 2, Ps 104, Rom 8, Rev 21-2)	Anti-24/7work idolatry, support companies not working Suns.
Character, Persons, Roles	Continuity Power Parity Directness	Faithful (1 Cor 10:13) Free & Just Love Mutual service (Jn 13, Phil 2)	long term, family friendly, covenantal, Relatively = work relations Face 2 face	Sustainability eg v. climate, species decline & for low carbon tech & energy/car/space efficiency	<i>ProCommunity/Humanity</i> v. monopolistic, anti-community corporations (Woolies – buying hotels, gambling, garages, pharmacies & long, unsafe work for drivers) & for neighbourhood, community friendly ones e.g. for Aldi & Bendigo Bank - if it tightens anti-fraud process & CEO salaries
Consequences, Purposes, Results	Kingdom of right, reconciled relationships	Shalom - Vertical Reconciliation	Shalom – Horizontal Reconciliation Gal 3:28	Shalom, natural, cosmic reconciliation new creation Is 11, 65, Rev 21	Against militarist, racist co's & for preservation of earth

While not directly based on these biblical criteria, the ten ethical investment themes of the UK based Henderson Global Investors Industries of the Future Fund (adapted slightly below in Table 2) have much in common with Christian Super's charter principles, and with scriptural principles (though God is not explicitly mentioned given that it is a secular fund). E.g. 'safety' is an application of the biblical command not to kill/injure applied positively through the law of love to our society just as Israel applied it to theirs in laws such as mandating fences for roofs so people wouldn't fall off (Dt 22:8).

The first five themes describe *ecologically* responsible investment, the second five describe *socially* responsible investment. Our key emphases of generational justice and ecological stewardship and sustainability feature strongly e.g. the former feature strongly under health, knowledge and quality of life. Henderson also argue that the growing shift to global sustainability by governments and business gives investments in these areas exciting probabilities of doing well while also doing good. They've discovered over 4700 companies world-wide potentially serving these themes worth c. \$US4 trillion.

Theme	Description	Examples /Illustration
Cleaner Energy	Energy sources combating global warming effects & increasing renewable energy use	BOC (UK), Solco (Aust)
Water Management	Managing & conserving water & minimising pollution	United Utilities?
Sustainable Transport	Less polluting & cleaner forms of transport & technologies	Canadian Nat. Railway, Vossloh (Austria)
Efficiency	Products & processes reducing energy & resource use & enabling greater business efficiency	Keyance (Jap), SIG (UK)
Environmental Services	Goods & services improving ecological quality & reducing pollution & waste	RPS (UK) enviro consultant?
Health	Preventative goods & services helping people live longer, healthier, happier, less obese & drug dependant lives. Mental health initiatives – depression most common disease by 2020.	Cochlear ear, adult stem cells
Knowledge & digital divide	Supplying educational goods & services improving opportunities for students & workers & overcoming digital divide as mobiles leapfrog fixed phones in developing world	Laureate (US) – career educ Reed Elsevier (educational Publisher)
Quality of Life	Goods & services promoting sustainable lifestyles for all ages, especially old & v. young	ABC Learning Centres (Aust) – Growing but at expense of local child-care?
Safety	Minimising risks of safety incidents at work, home, & community	Gentex, Intertek, Secom
Social Property & Finance	Providing property for social benefit, housing access, urban regeneration & better & wider access to financial services	Bendigo Bank

Educational Strategy: From the Personal and Local to the Structural and Global

We will develop this strategy with five main audiences in mind in order of priority and timing:

1. CS Board
2. CS Ethical Investment Committee
3. CS members not in ethical funds with a view to their change-over in July 2006.
4. Potential CS members attracted by a fully ethical and Christian fund.
5. Existing CS ethical investors continuing education in their reasons for doing so.

The attached newsletter article is aimed at no. 3.

The strategy will begin where CS people are, like Paul's strategy at the Areopagus in Acts 17 which was to connect first, correct second.

The global must be approached through the local, personal and even emotional or it will seem too abstract. Compare the way World Vision approaches global problems through a personal approach e.g. child sponsorship. For example we will pick up on the 'family values' aspect of CS's vision statement but expand it using the concept of 'generational justice' which involves the Fifth Commandment's principle of giving honour(arium) to the aged when they are no longer working or economically productive (Ex 20:12). Superannuation is one way our society reflects this command institutionally. We will expand this generational justice and family values emphasis to include caring for the vulnerable 'the orphans & widows' and providing economically and ecologically for our children and grandchildren so that 'they may live long in the land' (earth) in terms of environmentally sustainable investments in relation to climate change, possible water and oil shortages etc.

This leads into what Steven Viedermann calls 'the grandfather test' i.e. when your grandchild asks you what did you do to make the world a better place? - or better reflect God's Kingdom or anticipate the new creation – what will you say? While we don't know for certain now, Christian social and environmental stewardship will seek to leave open the options and give the benefit of the doubt to conserving the environment e.g. re global warming. This leads to making long-term sustainable investments in long-term sustainable companies seen in their larger social and ecological context.

Presidential award-winner, Fuller Seminary Trustee and former CEO of Herman Miller furniture company Max de Pree speaks of '*leaving a legacy*'. This is often a characteristic of those in mid to later life who have achieved certain career or vocational goals but want to leave a legacy, or pass on a passion or certain values to their children and grandchildren or the younger generation.

Similarly we will use the notion of *stewardship* but expand it from the narrow sense of 'my personal finances' and tithing to stewardship of all our relational responsibilities, to God, humanity and the earth.

We will use common ethical language - CCC rather than technical language such as deontological, virtue, teleological.

We will work gradually and progressively from minimal or floor ethics and negative or 'do not harm' criteria reflecting a fallen world to maximal or ceiling and positive or 'do good' criteria reflecting the coming of God's kingdom of right relationships.

These materials will be made available in timely ways for Board meetings, newsletters, website, a revised member Guide etc.

A later stage may involve us developing for Christian Super: Codes of Governance, Codes of Professional standards and behaviour – honesty, transparency etc.

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