

PRESBYTERIAN PRINCIPLES AND THE ETHICAL USE OF MONEY

One of my college professors often started a lecture by saying “Now this subject presents many problems” and he usually found quite a few! And my subject today, “Presbyterian Principles and the Ethical Use of Money” presents its problems, the basic one of course being obvious. Clearly, the Church’s Trustees should invest their monies to the best advantage of the beneficiaries. In the Bible parable of the talents two servants got large sums of money and earned good returns, but the third just buried the money, and then eventually returned it at par, for which he got a rebuke. “*The least you could have done was to invest my money and I would have got some interest.*” Trustees should maximize returns by all lawful means.

The church however has certain moral and ethical principles which can be restrictive. So in disputed areas, which prevails? Lawful profit or Presbyterian principles? The Trustees, don’t always understand church thinking, and many good and sincere church folk don’t fully understand the duties and responsibilities of trustees. In particular they may not appreciate that trustees are ultimately answerable not to church courts but to the civil courts. Years of debate in PCI – the Presbyterian Church in Ireland - have produced various reports, some written by me and some by other people, and today I’ll draw on both. I think it was Mark Twain who mentioned “blocks of material held together by a thin mortar of originality!”

It’s generally recognized that trustees are not legally obliged to act contrary to the basic interest, principles or objectives of the beneficiary, even if such action in itself might be financially advantageous, and that principle is not peculiar to us. However, P C I has a Puritan streak, not as strong now as previously, but still there and certainly stronger than in some churches. That Puritan streak emerges in firm convictions about such subjects as tobacco, gambling and alcohol.

Of course those traditional concerns are shared to some extent with other Christian bodies. We may differ from others, not in kind but in degree. On the question of alcohol, our church has commended total abstinence; as for PCI does not accept grants from any national lottery; the central church does not do so and all congregations have been similarly instructed, nor is it permissible to raise money by any kind of ballot, lottery or raffle. As well as these restrictions there are also (i) some issues of special concern to Presbyterians, for example Sunday trading, and (ii) other concerns that we share with modern society, like the arms trade or the environment, which I’ll mention later.

But first a typically Presbyterian concern! The Bible says “Remember the Sabbath day to keep it holy.” And we try to. But how does that affect our ethical investment policies? Well, years ago our Trustees diversified their portfolios to include commercial property; some premises were acquired for the rental income and possibly a little capital appreciation. But then there was a development - Sunday trading. On the one hand, the Church was preaching Sunday as a day for rest and family and worship. On the other

hand the Trustees might receive dividends from companies involved in Sunday trading on our property. We wondered what we should do about that conflict of interest. At first when we were letting we included a covenant in our leases restricting Sunday opening, and we managed that for a time, but it was a losing battle, and in the end it wasn't commercially viable. So we sold our commercial properties. We don't claim any prophetic insight but seeing the way the property market has gone now, that decision was no bad thing; our beneficiaries haven't suffered. Indeed our fellow Presbyterian, Gordon Brown, might say that that was prudent!

Apart from distinctively Presbyterian concerns, I've mentioned commoner issues. The church does see a lot of human suffering resulting from some addiction or other. We have therefore instructed our investment advisers to avoid businesses substantially engaged in tobacco, gambling, or alcoholic drink. (We define "substantial" as meaning more than 15 %.) However that restriction has a; sometimes our portfolio, doesn't perform as well as the benchmark. If we ask our investment advisers about it the answer may be "Well of course there are ethical constraints on your portfolio and that inhibits performance." If we do get shares in the proscribed areas, by way of a legacy for example, those shares are disposed of as soon as convenient.

Disinvestment is an easy way of applying ethical criteria to doubtful areas, but its application must be limited. The more activities we shun, the more difficult it is to run a general investment programme. We see disinvestment as the final sanction which, if used too often, means contracting out of the economic world in which PCI and its members have to live and work, so we only use disinvestment where the prime objective or end product of a business ought to be repudiated by the church. In other situations our ethical responsibility is to invest and participate actively as shareholders in the policies and decisions of the company, doing so in the interest of employees and the wider community as well as our beneficiaries.

However moral judgments can affect a much wider range of activities than those I've just mentioned. Should we invest in

- (a) Monopolistic companies, concerns that profit by exploiting a monopoly situation
- (b) Activities that seriously damage the environment or the community.
- (c) Processes dangerous to employees or others.
- (d) Companies where wages and conditions don't give employees a reasonable standard of living, especially in light of the profits made.

Some of these considerations apply in particular to countries without effective government regulations or trades union organisation; though those same countries may be most in need of development of industry and commerce, and the companies in question may provide just that. Investment in such areas can encourage economic, social or political development, or influence companies towards beneficial policies. Economic growth often brings some benefits or higher standards for the whole community, though experience in Southern Africa shows that it may also increase inequalities or intensify the sense of injustice and frustration if not matched by social and political development.

Indeed urban industrialization may even lower the standard of living of workers, as happened with the Industrial Revolution in England.

However, stockholder and church pressure can achieve, and has achieved, beneficial results. Commercial firms and governments generally are now showing greater sensitivity to such pressures, as in the thalidomide campaign in Britain. It is uncertain however, if such pressure has more than a marginal effect.

As long as the church is prepared to participate in a capitalistic, free or mixed economy and world society, we don't think it unethical or unchristian to invest for gain in industrial and commercial enterprises. However with the development of modern commerce and industry there has been great growth in multi-purpose and multi-national businesses, with widespread ramifications and interlocking of interest. Such connections aren't always obvious to the casual inquirer, or even to the persistent inquirer, which makes it difficult to invest in large businesses without being involved some areas we would rather avoid.

And such difficulties don't apply only to FTSE equities: local funds too may involve activities causing scruples among some, and many unit trusts and official charity investment funds hold part of their stock in tobacco and drink concerns. It's therefore our policy not to invest in such local or charity funds if they are substantially involved in the proscribed areas.

I also mentioned concerns that we share with modern secular society, for example the arms trade. There are endless supplies of arms and military equipment available to terrorist groups, which is a sad reflection on the nations and the financiers who profit thereby. By 1999 our Trustees had acquired a few holdings in firms involved the arms trade and some church members started to ask questions, though it emerged that their main worry was the arms trade with certain Third World countries with doubtful human rights records. In an imperfect world responsible armies and police forces will always need some guns to maintain law and order and to prevent aggression; arms in themselves are not necessarily evil. However, after some tragic events in Indonesia we sold the shares of one company supplying arms to that government and, for the sake of peace and quiet, we eventually decided to avoid any substantial involvement with the arms trade. Then there many other topics that have been raised or that could be raised, like the fur trade or asbestos and who knows what next. On the other side of the balance sheet there's much to be said for positive action; other things being equal, deliberately investing in companies that encourage fair trade, social and gender equality, world development, etc.

Presbyterian Principles and the Ethical Use of Money! This subject does indeed present many problems.

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