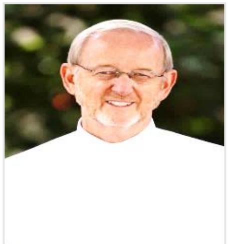

Thirty-First Sunday in Ordinary Time
October 30, 2011 A

Responsible Investing
Making Economic choices

The following article was written by Adam Kanzer and appeared in the September 2011 edition of Liguorian Magazine.

Imagine that you are a poor Brazilian peasant, desperate for a good job to feed your family. You accept what appears to be a good offer and climb aboard a truck that will take you to your new job. When you arrive, however, you are told you owe the driver for the cost of the trip. You are in the middle of a forest miles away from home. You agree to work off your debt, but debt keeps being added to what you owe. The work is grueling as you clear the forest to make charcoal. The food is unhealthy, and the water is barely drinkable.

This is called "debt bondage." It is a fact of life for thousands of poor people around the world. The Brazilian government calls this practice slavery, but there are no auction blocks. Workers are "bound by promises," enslaved by distance and threats of violence. Many feel honor-bound to work until their debts are repaid and do not realize that day will never come. The charcoal produced by these illegal camps is sold to make pig iron, which is then sold to international steel companies. Now imagine that you own a steel company. Would you buy the pig iron made from the charcoal produced by slave labor?

Becoming an investor

In one way or another, we are all investors. We invest in our neighborhoods when we buy groceries from a local store. We invest in our children when we finance their college tuition. We can see the direct results of these investment decisions when a business stays open or our child graduates.

When we invest in the financial markets, however, by buying stocks, for example, the consequences of our decisions are hidden from us. Many people invest in stocks or bonds to help them meet long-term financial goals, such as retirement or the purchase of a home. Although these investments carry greater risks, they also carry greater potential for profit than an interest-bearing bank account. When you own stock in a corporation, you own a "share" of the company. This allows you to profit (or lose) as the price of the stock changes.

Since most of us don't know much about investing, we entrust a financial advisor or a mutual-fund manager to do it for us. More than 90 million Americans invest in mutual funds, representing 44 percent of American households. If you have a pension plan or another type of retirement account, such as a 401(K) plan, you are an investor.

When you invest in a mutual fund, your money becomes part of a pool of assets used to buy stocks or other investments. Although all mutual-fund investors run the risk of losing their money, mutual-fund managers buy a variety of stocks or bonds to help reduce that risk. When one stock is falling in value, another may be rising. Rather than put all of your money in one or two stocks, as a mutual-fund investor, you hold shares in a basket of investments known as a portfolio. A mutual-fund portfolio may hold shares in hundreds of different companies.

Becoming a shareholder

A share of stock represents ownership in a corporation. As an owner, you have certain rights, including the right to vote on a wide range of issues, from executive compensation to climate change at annual corporate meetings. Your mutual-fund manager votes on your behalf. Stocks and mutual funds can also be used for the common good. Even a small investment can produce significant change. If you owned stock in the steel company, you could tell them not to buy pig iron from companies that use slave labor.

Institutions such as churches, healthcare systems, labor unions, universities, and foundations are also investors. Many institutions invest only to meet their organization's needs. Others use their investments more wisely, to make profits and support their organization's mission by holding corporations accountable to society or by investing in their communities. Several healthcare systems have used their leverage as shareholders to convince corporations to make safer, healthier products. This is called social investing. Socially responsible investors view investment as more than just making money. Social investors look to build a better world.

If you decide to buy stock or otherwise invest in the financial markets, a financial advisor will ask about your financial goals but will not typically ask if you have concerns about how that money is made—such as on the backs of slave laborers. Your advisor may even tell you that morality and investment decisions don't mix. However, after the financial crisis we have seen in the last few years, it is clearly time to say, "Perhaps they should." There is an alternative to this narrow view of investment.

Socially responsible investing

Socially responsible investing often begins with a concern. Are you troubled by teen smoking and alcohol abuse? Then you can decide not to invest in tobacco companies or alcohol manufacturers. You can decide to avoid companies that manufacture land mines or pollute the environment and put your money to more productive uses. The good news is that you can do this and still make money.

Although financial-investment decisions are less tangible than the "investments" we make in our children, all investment decisions have moral implications. Pope Benedict XVI brought this point home in his 2009 encyclical Caritas in Veritate *("Love in Truth"), issued in the wake of the 2008 financial crisis. Pope Benedict reminded us,* "John Paul II taught that investment always has moral, as well as economic significance." *Pope Benedict went on to say:*

"The Church's social doctrine has always maintained that justice must be applied to every phase of economic activity, because this is always concerned with man and his needs. Locating resources, financing, production, consumption and all the other phases in the economic cycle inevitably have moral implications. Thus every economic decision has a moral consequence."

Socially responsible investing seeks to understand and address these moral consequences.

You have a voice

In the corporate world, only shareholders have a voice. This was made clear at a recent Goldman Sachs annual meeting. Time was set aside for shareholders to ask questions of the CEO. A man approached the microphone and announced that he was a guest, not a shareholder, and wondered if he could ask a question. "No," he was quickly informed, "only shareholders can ask questions." So what does it mean to be a shareholder? It means to be a person of influence.

*Social investors believe shareholders have an obligation to use their power and influence for the common good. However, most shareholders have a more single-minded purpose for the company—*make me money*! When companies cut corners on safety or oppose environmental regulations, they often do so to satisfy their shareholders. If the company doesn't make money, the shareholders don't make money. It's that simple.*

Actually, it's not that simple. Moral and financial concerns are not independent but interdependent. Corporate success depends on a delicate web of relationships with employees, customers, communities, governments, suppliers, investors, and environmentalists. Environmental fines, discrimination, dissatisfied workers, and consumer boycotts are bad for business. Companies that treat workers and consumers with dignity and respect can avoid these problems, win the loyalty of their employees and consumers, and prosper in the long run. When oil companies like BP pay insufficient attention to worker health and safety, shareholders also suffer.

Back to Brazil

Nucor Corporation is the largest steel producer in the United States. They are also the largest purchaser of Brazilian pig iron. A group of concerned investors, led by Domini Social Investments - (domini.com), wrote to Nucor to ask what the company was doing to address slavery in Brazil. Although Nucor's General Counsel condemned slavery, saying that "any amount [of pig iron] that is sold with the use of slave labor is too much," we were not satisfied. We filed a shareholder proposal asking Nucor to report on steps the company could take to address this serious human-rights violation. The proposal received a 27 percent vote at Nucor's 2009 annual meeting. Because most large investors often believe management knows best and vote against these types of proposals, a 27 percent vote can send a strong signal to a company.

The story does not end there, however. Last year, Nucor agreed to address slavery in a meaningful way, and we withdrew our proposal. Nucor now requires their Brazilian suppliers to join one of two credible Brazilian initiatives to eradicate slavery. Trained monitors work to ensure that slaves are not being used, and Nucor will provide annual public progress reports. Ultimately, Nucor did the right thing—with some encouragement from its shareholders.

You can make a difference

The suffering of the poor and disenfranchised may be half a world away in Brazil, but it is also no farther than our mutual-fund portfolios. The modern global economy creates ethical bonds we can ignore but cannot break. The choice is ours.

The diocese and many parishes including Ascension invest their endowment funds with CBIS—Christian Brothers Investment Services, Inc. (website www.cbisonline.com).

Make Better Decisions

Social investors consider social and environmental factors when making investment decisions. Most social investors do not invest in tobacco manufacturers, military weapons manufacturers, or nuclear power. They seek out companies with strong environmental records that support human rights. To do this, they ask questions not generally asked by investors, such as why a corporation has no women or people of color on its board. Such questions can have an astounding impact. More than 4,000 corporations now publish reports on their social and environmental performance. CEOs regularly discuss how to protect the environment and value their workforce. This is often because their shareholders asked the right questions

Have a blessed week,