MORAL CONCERNS AND ECONOMIC STRENGTH

The Investment Philosophy of Organized Religion

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"Woe to you, scribes and Pharisees, hypocrites! for you tithe mint and dill and cummin, and have neglected the weightier matters of the law, justice and mercy and faith. . . ." — Jesus (Gospel of Matthew)

"We cannot keep our moral convictions in one pocket and our thoughts and action about business and politics and social order and justice in another pocket quite apart." —Bishop Arthur Lichtenberger
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Should churches, to the extent that they have economic muscle, use it to attack specific social evils and to support specific ethical ideals? The deepening involvement of religious bodies in social problems has brought them face to face with an old quandry in a new guise. Are there really two realms, God's and Mammon's, or is there only one, a kingdom of heaven on earth to be established at least in part by judicious combinations of moral right and economic might?

The dilemma is not conjectural. The invested endowments and trust funds of individual parishes and denominations add up to billions of dollars. The annual purchases of goods and services by churches run to billions more. Church construction alone amounts to something like a billion a year. The economic biceps of organized religion are powerful. How to flex them for specific moral purposes in the market place? Indeed, should they be flexed in this way at all? These questions, as never before, are the focus of soul-searching and tension within congregations and denominations. As the debate intensifies, church leaders at least have the solace of knowing that the differences of opinion swirl around real and relevant issues. The church, to this extent anyway, is alive and kicking.

A few years ago there came into being an organization known as the National Committee on Tithing in Investment, with a long, haloed list of prominent sponsors representing religion, labor, industry, Congress, education and the arts and professions. Its proposal was simple and direct. Investments can be an eloquent voice for housing integration. Money talks. If churches, and other non-profit institutions and individuals would invest ten per cent of their available resources in open housing, they could not only significantly reduce housing discrimination but earn a reasonable financial return as well.

Morris Milgram, a builder who has long believed and practiced the notion that racial justice can be sound business, promptly organized M-REIT—Mutual Real Estate Investment Trust—for the express purpose of channeling private investment into apartment properties in all-white areas and integrating them. Arlington Street Church of Boston, encouraged by the decision of the Community Church of New York to purchase $5,000 worth of M-REIT stock, prodded by its Human Relations Committee, and after vigorous congregational discussion, bought $10,000 worth of M-REIT stock, using unrestricted endowment to do so. By the end of January, 1967, seven months after its launching, M-REIT has sold $2,100,000 worth of stock to 2,600 individual and institutional investors, had purchased and integrated (without incident) four substantial and previously all-white apartment buildings, and had declared on the basis of earnings a first quarterly dividend of fifteen cents, a rate of 3% on the stock's purchase price of $20 a share.

M-REIT symbolizes one possible form of applied economic power by churches. Other similar vehicles are in existence, and many more will inevitably emerge, to involve the personnel, technological and management techniques of business to attack such social problems as slum rehabilitation, low-income home ownership, manpower training, and small business development. Senators Robert Kennedy, Jacob Javits and Charles Percy have all recently proposed formation of large economic opportunity corporations, privately funded, to cope with various slum and poverty problems. Several modest corporations of the type already exist in major urban centers.

Moreover, much of the necessary technology is perfected for making profitable attacks on water and air pollution, and on hunger in starving areas, if and when

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The Rev. Jack Mendelsohn, minister of Boston's Arlington Street Church (Unitarian Universalist) prepared this statement as a basis for discussion during a General Assembly of his denomination this spring.

the necessary venture capital becomes available.

Thus churches with investable resources will not be able to plead a lack of opportunities to test various calculated combinations of economic and moral levers.

Another kind of focus is provided by the ferment over ten major U. S. banks which together provide a $40 million revolving fund to the government of South Africa. The profits from this revolving fund are magnificent, yet the fund undeniably helps to bolster one of the world's most oppressive racial tyrannies. Some churches and denominational bodies use these banks as depositories, and many hold their stocks in investment portfolios. Should the deposits be transferred to other banks? Should the stocks be sold, or should concerned religious spokesmen, as shareholders, try first to persuade bank management to change its South African policy? Many individuals and some institutions have withdrawn their accounts. But there are substantial denominational investments in the various banks of the consortium. Is there a way to use these investments, short of outright sale, to discourage present policy?

At least some of the banks are providing financial support to efforts churches warmly approve. How are church officials to decide in the face of a conflict of likes and dislikes? Does the buttressing of South Africa's *aparthcid* outweigh, for example, Chase Manhattan Bank's admirable interest in Latin American development? If so, would the gesture of church disengagement be only a grandstand protest, or would it make a real difference? The issues are complex, yet they are genuine. The only thing that is unthinkable is that church members and leaders should not wrestle with such issues and accept the contamination of decisions about them.

Still another frontier is the church's vast role as consumer of goods and services, and a tangible example is the experiment known as Project Equality, a deliberate covenant among the churches and synagogues of a community to do business only with firms that can demonstrate their devotion to hiring workers of minority groups. The obvious purpose is to marshall the economic power of religious groups to combat discrimination in hiring and in job and apprentice training. Those firms with demonstrable policies of nondiscrimination are patronized. Others are not. Reduced to terms, it means that if a church intends to have its parish hall painted, it looks not only for the lowest bid, but for the lowest bid from among painting contractors who neither discriminate nor allow a union to enforce *dc facto* discrimination upon them.

All of these issues transport church people and denominational officials into unexplored territory, thus insuring emotional reactions. There are no maps. On the question of investment policy alone, for instance, there is no existing body of considered thought, no working document, no rationale for the advisability or inadvisability of novel social approaches. For those who wish to bring about such change and for those who wish to oppose or safeguard it, there is equal need for understanding the forces that generate a call for change in the first place. Since the stakes for churches are essentially the same as those for universities, fraternal orders, pension funds, and foundations, to say nothing of individual portfolios, the economic proportions of the issue are quite staggering.

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The investment programs of churches are guided by a traditional design of "prudence, intelligence and discretion," all admirable traits. Three factors are weighed and mixed in a pattern of investment decisions: the relative safety and liquidity of the capital involved, the pressing need of income to meet budgets, and reasonable growth of income and capital over the years. All of these factors assume that the economic system is autonomous or independent of all human problems except those concerned with the production and distribution of goods and services.

What is proposed is the addition of a fourth factor which views the economic system as part of a total effort to combat specific social evils and to improve the quality of human living in concrete ways.

Traditional church investment philosophy places itself entirely within the economy, and avoids looking beyond it, believing that this is the most prudent way to serve the financial welfare of the investing institution. The proposed innovation is that churches as investors also look at the economy from the outside to see how the church's participation in it aids or damages other major human concerns.

No one is suggesting that the elements of safety, income and growth be ignored. What is proposed is that in the total pattern of investment decision-making, consideration be given also particular purposes of human good or ill. Since the investment portfolios of churches and denominations already contain a variety of stocks, bonds and other securities, this is not an unreasonable request. Reason, however, comes in both pure and practical guises. It is a practical form of reason that undergirds the current call for adding a dimension of moral idealism to the present rubrics of investment philosophy.

In practical terms, church investment philosophy is now much more insulated from comprehensive concerns of human living than is business itself. Among the persons bearing chief responsibility for our greatest business enterprises there is widespread alertness to the need for creativity and innovation in meeting broad human aspirations. It borders on the ridiculous that the investment policies of churches should be less creative and less innovative than the managerial vision of major business.

The best of ideas can be spoiled by premature harvesting, but the idea of an expanded investment philosophy is ripe for harvest. The potential investment resources exist, the technology exists, the devices of propaganda exist, the mechanisms of organization and skills of management are available, for molding human life in many distressed realms closer to the likeness of an ideal. Or, to put it in classical economic language, opportunities abound for solving human problems with a legitimate return on investment, if only the investment philosophy of institutions and individuals will expand to embrace such opportunities.

The private profit-making corporation, through heightened management skills, organizational techniques and technological efficiency, has a special meaning for our time because of its unique flexibility in attacking human ills, a flexibility that can rarely be duplicated by governmental agencies. Yet, because of the many ways in which government now underwrites economic enterprise, the risk factors in private effort have been written way down from where they were a generation or two ago. To the person who says, "What will happen to these idealistic investments when we're hit by the next 1929?" there is only one proper answer. Another 1929, with massive bankruptcies, is simply improbable under the existing economic policies of business and government. Moreover, in the unlikely event of a deep depression, idealistic investments would probably be no worse off than non-idealistic ones.

Another practical factor is that in such fields as open occupancy housing, slum rehabilitation and low-income home ownership, one object of highly motivated management would be to edge out those who now bleed extraordinary profits out of segregation, block-busting and slum-lordism. The purely economic prospects for success are extraordinary.

Among the most efficiently managed business enterprises in this land are those that have learned to strive for the best possible balance between profits and social utility. Progressive business management does not, regardless of what some may think, simply try to maximize financial gain, knowing that in the long run the effort is sterile and self-defeating. It is difficult to explain why church investment policy should cling to a lesser standard.

A further practical consideration is this: Given the rapidly increasing power of technologically oriented business management, how can anyone argue persuasively that some church investments should not be deliberately made both to utilize such power and to influence its social vision, thus injecting the church's moral concerns most effectively by putting a measure of its economic muscle behind its verbalized ideals?

Since the investment resources of churches come mainly from contributions and bequests, the question naturally arises whether the future flow of such gifts and legacies would be choked off. What is more likely to happen is a redistribution of donors and bequeathers. Some would rewrite their wills or reinstruct their financial advisors to "disinherit" experimenting churches, while others, intrigued by new means of multiplying their largesse, would be attracted to placing it at the disposal of institutions of demonstrated imagination.

Still another practical issue, applicable to virtually all non-profit, value-serving institutions except foundations, is the fact that most individual members or adherents are not well-enough off financially to figure significantly in the investment field. However, as participants in an idealistically motivated institution, such as a church or denomination, they can gain an entirely new sense of personal participation in creative economic goals.

Money, as an investment resource of a church, is in part a means of extending and amplifying its communal wishes, motives, concerns and values. It is not now conceived in this fashion except as support for a church's budgetary programs. Beyond the present conception, however, is a new inkling of church investment as translater and amplifier of broad, beyond-the-budget social goals.

How can the church hope to be powerfully persuasive in changing the economic attitudes of others until its own house is in order; until its own economic behavior is defensibly consistent with its theoretical preachments? So long as a church's policies as an economic force are heedless of promising economic attacks on social evils, why should mere individuals or other institutions, mindful of their supposed private interests, act differently? If the church as an investor does not listen to its own teachings, why should any other investor do so?

No one is advocating a revolution. Rather, what is proposed is an evolution, a natural expansion of investment philosophy to embrace specific social objectives undergirded by available economic talents and resources. Because the logic of this expansion is too impressive to be dismissed, the role of wisdom is not to argue the proposed innovations out of existence but to help shape them with that intelligence, discretion and prudence which are the present hallmarks and glory of all self-respecting investment trustees.