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Investing for Mission: Endowment money and the challenge of Catholic Identity

Abstract

Engaged investing is an underused means of serving the Ignatian vision of finding God in the world—leveraging our financial assets to promote respect for human dignity and environmental health. As a Jesuit-in-training I wrote my graduate thesis on international trade and the ethical imagination, and later served as socially responsible investment advisor. Money is a great place to bridge the Jesuit works of faith and justice.

This fall I submitted an article to *America* magazine on the topic, *Investing for Mission*. It raises questions about the purpose of our Endowment portfolios, and how they can be more fully supportive of the Jesuit Mission—primarily as an agent for Advocacy and dialogue with corporate leaders. Secular institutions like Public Pension Plans are far ahead of Jesuit Colleges in terms of enacting comprehensive policy guidelines for values-based investing. Why is this?

My presentation encourages unifying our financial goals and strategies with Jesuit values. In directing our financial assets toward the common good, we can seize abundant opportunities to love neighbor and give effective witness to Jesuit Mission.

My Jesuit education provided an intellectual and moral foundation in money matters that continues to shape my passion for faith and finance. While an economics major at Holy Cross I learned the nuts and bolts of capitalism. As a Jesuit-in-training at Gonzaga University, I studied philosophy, theology and social analysis, leading to an integration paper on business and the ethical imagination. Eventually, after I left the Jesuits, my interests led me to become an investment advisor representative for Progressive Asset Management. Today, as campus minister at St. Peter's College, I have retained enthusiasm for intelligent, long-term investing—especially the kind that can save the world from destruction: institutional.

My love for investing was planted in me at an early age, around 10, when my father bought me 100 shares of stock in the company he worked for, Wang Labs. He taught me what to look for in the financial section of the newspaper, namely, the value of rising stock prices! My senior year in college I enjoyed playing the ATT Collegiate Investment Challenge. Starting with one hundred thousand dollars in a fictitious account I had tremendous fun buying and selling stocks and “making” money.

The addictive pleasures of the game notwithstanding, somewhere between taking a Sociology class as a junior in college and my year as a Jesuit Volunteer in Kansas City ('89-'90) I began to question the social and environmental implications of owning stock in multinational corporations. I listened to stories about labor exploitation and human rights atrocities in countries where companies with household names seized advantage of “profit-picking” conditions made easy by repressive military regimes. By the end of my year in JVC I began to feel uneasy about my \$1000 graduation gift, a mutual fund diversified among the largest American corporations. So I sold it all.

However, at that time I knew nothing about “shareholder advocacy,” the power of institutional ownership, or proxy issues. When I became a stockbroker 13 years later I came to the wonderful realization that owning stock in companies with questionable labor practices or dubious environmental records is not necessarily a bad thing. It all depends on whether or not you exercise your rights as a stockholder. For example, it is not only a right, but a responsibility—in legal jargon, a fiduciary duty—for owners to examine

ethical business issues, among other financial variables, in relation to the growth potential of their companies. One way to accomplish this is by casting votes on annual corporate ballots or “proxies” with deliberation or in investment parlance, “due diligence.” Thus, stockowners hold their companies accountable to the highest standards of excellence.

Realistically, unless you are an inordinately wealthy individual investor, how any person votes on his or her proxies has no bearing on voting outcomes, nor the decision-making of Management. The story turns when the investor is an institution, particularly one that is organized and discerning like the Connecticut or California Public Pension Plans. The Trustees of these and other public institutions, as well as the leaders of major trade unions and conscientious Churches—in particular a collaboration known as the Interfaith Center for Corporate Responsibility or ICCR—all understand the importance of relating financial returns to the social and environmental capital upon which depend their retirement funds or endowment money. In turn, these institutional owners choose to exercise all their public relations and organizational muscle, often through dialogue, to lobby for prudent change within the companies they invest in ways that most individuals cannot.

Fr. Mark Hallinan, SJ, Assistant for Social Ministries in the New York Province, applauds the financial-ethical research and investment savvy of ICCR. The Society of Jesus has its own counterpart that works closely with ICCR, the National Jesuit Committee on Investor Responsibility (NJCIR). NJCIR has been in dialogue with colleges and universities to explore ways that they can support the work of NJCIR. Fr.

Hallinan explains, “In managing their endowments, the universities and colleges must necessarily balance their fiduciary obligation to obtain the best return that they can in order to insure the financial health of their institutions while, at the same time, not sacrificing their institutions’ commitments to the ideals of a Catholic, Jesuit school.” Father Mark observes, for example, that “moving corporations to adopt global human rights standards...is not simply ‘good policy’; the standards will also serve to protect corporations from lawsuits that are damaging financially, and in terms of their company’s reputation.” ICCR and NJCIR assist corporations in making these connections.

For faith-based or mission-related institutions like Public Pension Plans, the key component to proxy ballots are shareholder-sponsored resolutions addressing bottom-line relevant misbehavior. Although an investor needs only \$2000 of an ownership stake in a company to file a resolution, it is the institution, typically, that pushes a resolution through the legal process of the Securities and Exchange Commission (SEC), and onto the ballot. Corporate issues addressed by resolutions range from cutting corners in accounting or auditing to human rights abuses in outsourced factories, waste disposal, pollution, or any corporate action that puts its long-term financial condition at risk. The number of shareholder resolutions being filed by the SEC have skyrocketed since the wave of corporate ethics scandals scorched Wall Street in 2001.

Failure to make the link between financial health and the sustainability of social/environmental capital is no longer a viable option. In a world on the brink of ecological collapse, with regional water shortages, widespread industrial contamination of the

biosphere, and the meteorological effects of global warming threatening social chaos, Trustees who continue to ignore the fiduciary-faith-justice connections are not only placing at risk the long term financial survival of their institutions, but also the very existence of civilization. This is the enormous investment challenge our Boards of Directors must face, if they are to remain true to the lifeblood Missions of our Catholic institutions.

Although widening perceptions of fiduciary duty and mission-based investing are gaining new traction, the air we breathe deserves better than from traditional investment strategies alone. Our rainforests, coral reefs, wetlands—our children—require far more than what our returns are doing, and I am not speaking about numbers. Today’s prophets speak creatively about commercial profits. A growing chorus of voices in law and journalism, business and finance, from Bobby Kennedy and Bill Moyers to Paul Hawken and Amy Domini, are urging a corporate-political ethic of human dignity and reverence for Creation—bedrock values of Catholic Social Teaching (CST)—as the only known strategy to advance our survival.

At Saint Peter’s I am preparing to travel to West Virginia with a group of students during Spring Break for a week of service and learning. In preparation, I have found the 1995 Pastoral Message of the American Bishops in Appalachia, “At Home in the Web of Life,” could not be a more eloquent statement on the sacred seamlessness of life and all areas of human endeavor. The Bishops describe the struggle of mountain people to resist the horribly unsustainable profiteering of giant mining and other companies—the

mechanized removal of mountaintops for minerals, clear-cutting forests for timber, or the dumping of faraway garbage in their valleys. In beautiful prose our Church leaders empower the people of Appalachia to know their God-given right to create a *sustainable* economy, to build communities of balance with each other, and in harmony with the land. But do the financial portfolios of our Church institutions support the advocacy of the Appalachian Bishops and the labor of the poor of Appalachia?

As an employee of a Jesuit College I see that members of our faculty and staff are working each day to impart wisdom and foster creative dialogue with students. Many of us are inspired by the Jesuit call to faith and justice in the mission of the Jesuit College or University. Our retreats aim to give students deeper experiences of God's love and mercy. Our classrooms seek to develop the minds and hearts of the students, and purchase for them critical tools to prepare them to enter the workforce—that they may be able to meet the ideals of a Jesuit liberal arts education. How can our institutions support the lives of our students upon graduation, given the fragile, daunting challenge of living in the “real world”? How can our institutions help to nurture the unfolding reality of our recent graduates, to engender cleaner, healthier environments for their children and children's children? We can invest wisely, leveraging our financial resources through advocacy and proxy voting to sustain a responsible, multigenerational approach to corporate profits and financial growth.

We need to adhere more closely to the investment principles of ICCR and NJCIR, and join university assets with ICCR assets to strengthen our collective voice: demanding

that our investment choices no longer tolerate degrading labor conditions, or the indiscriminate destruction of rainforests and the poisoning of rivers. Our investment portfolios need no longer permit increased compensation packages for already bloated executive salaries at the expense of workers' retirement savings. In terms of endowment stewardship, we can make a difference, an enormous difference. We simply need to treat our investment assets with the same discerning love and foresight that we treat our curriculums, student activities and athletic programs, and show our students that we truly care for their lives and futures.