

Clann Credo

15th Anniversary

**“Values in Finance: Are we ready to
learn the lessons?”**

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Introductory Comments

I am honored to have this opportunity to share a few thoughts this evening on the occasion of the 15th anniversary celebration of Clann Credo. What a wonderful achievement brings us together on this occasion.

It brings us together at a time of multiple crises in the operations of the global financial system that have resulted in bouts of alarm, fear, volatility and instability across the world. One could look at these crises from a global macroeconomic perspective or from their regional and sovereign dimensions. Each point of departure would eventually lead us to a consideration of some of the fundamental questions that are often easily neglected while we are busy with the ordinary and immediate financial, economic and commercial activities that fill our days.

Questions like, what is the social purpose of economic activity and what is the social purpose of the major financial institutions that are chartered by governments come readily to mind. What is the appropriate role of governments and regulators in establishing the framework and setting the foundation and boundaries for economic and financial activities? How is the public interest guarded and indeed promoted in the midst of the numerous conflicts of interest that are obvious in today's rapidly expanding, complex financial arena. Do the sovereign states have the capacity to adequately monitor and regulate financial institutions especially those that have a regional and global footprint and are contractually exposed and integrated into the global system and operate in numerous jurisdictions.

We hardly have the time to delve into many of these very intriguing questions this evening though we are essentially living in their shadows, their ambit and with their implications every day. Let me turn, however, to a more modest set of considerations that are not unrelated to the issues mentioned above and to this evening's celebration. They have to do primarily with the size of the space that exists or is claimed within the larger financial systems for the alternative activities and innovations that respond to the credit needs of local communities and numerous individuals across various constituencies. This will also include a consideration of the role of both faith communities and voluntary associations in that space. For purposes of these reflections we will be focusing on the space for financial activity and innovation.

Let me divide my reflection into three parts:

1. The relative ease with which the Catholic tradition examined and made peace with the prevailing capitalistic model.
2. The accumulated harm to human beings and damage to the environment that this model has been allowed to cause.
3. The opportunities that still exist for faith communities and traditions to claim the space for innovation and creativity that exists and thereby contribute to what promises to be a challenging debate about our common future.

1. The relative ease with which the Catholic tradition examined and made peace with the prevailing capitalistic model:

There is a long and rich history of how the teaching of the gospel and the church's tradition wrestled with the issue of interest and debt and the call to both to repay debts and to forgive them. The campaign for debt cancellation that was organized around the Millennium brought to our attention the deeply rooted teachings of the scriptures about both Sabbath and Jubilee years.

There have also been a number of very important volumes written about the concepts and history of interest and debt that have included in great detail the ways in which religious traditions have wrestled with the issues. John T. Noonan Jr's volume entitled, "The Scholastic Analysis of Usury" in 1957 is an example of such. Suffice it to say for our purposes this evening that many of the foundational distinctions and concepts that would evolve into the study of finance, the establishment of financial systems and the crafting of economic models, emerged from the very fertile debate that took place during the period that is documented in his book.

Subsequently religious communities, like most other institutions, would grow accustomed to the conveniences that normal banking activities and transactions would provide and would use them to facilitate their own credit and commercial activities. Over time they would also be attracted to such things as interest-bearing accounts that allowed them to make a profit from their savings.

More recently, they have also taken advantage of the various investment strategies, funds and innovations that promised even better returns while protecting their assets. This has evolved, today, into the adoption, as standard practice by religious communities and institutions of the generally accepted portfolio investment approach that seeks a balance between risk and return while being attentive to asset allocation and diversification.

I want to suggest that in many instances this process may have lost sight of some of the fundamental questions that the tradition had raised in earlier centuries and decades about the merits and purpose of financial systems,

such as capitalism, socialism or communism, and their attendant economic activities, and distracted faith based investors by the promise of greater returns to support their missionary and ministry activities. The financial professionals and money managers were, in my estimation, given the upper hand and some of the important ethical, social and environmental implications of financial and economic activities were neglected. In addition, some of the concerns, principles and teachings of the faith tradition were also left on the sidelines. This in many instances resulted in an investment process that was grounded primarily in the profit-taking premise at the expense of social, environmental, sustainability and development needs in local communities and regions.

2. The accumulated harm to human beings and damage to the environment that this model has been allowed to cause:

One of the results of this reality, the absence of a strong ethical and moral voice in the ongoing evolution and development of an investment process, was the ascendancy of a methodology that put profits above people and the environment. I am not for a minute suggesting that the voices of the faith communities or the size of their portfolios would have been big enough to redirect the process. I am however saying that in many instances their voices were either absent, muted, or ignored.

It would not be difficult to enumerate the countless cases where maximization of profit and short-termism were the only guidelines and benchmarks accepted in the corporate boardrooms, and rewarded by markets and shareholders. The exploitation of the environment and the interminable search for cheap labor that was at the heart of the industrialization model became an acceptable way of doing business. Efforts to regulate, eliminate or monitor some of these activities and behaviors were deemed to be harmful to job creation and to specific domestic industries while presenting a comparative advantage to competitors from other countries.

In the Roman Catholic tradition the skepticism that was found in the earlier decades of Catholic Social Teaching about the harmful effects of financial systems and the free market ideology did not slow down the engines of growth and prosperity. In far too many places the ideology of the free

market reigned supreme as the mechanism best suited to extend the benefits of prosperity across the world.

In the almost euphoric enthusiasm to promote development and multiply aid programs over the last half of the twentieth century too little was done to evaluate the ethical and moral dimensions of such efforts. Likewise, the sources of the profits that were accumulated and often used to finance these projects and programs were inadequately monitored and evaluated.

We have only begun, in recent decades, to get our heads around the enormity of the harm done to people and the damage done to the environment by the process of industrialization. The extent to which human rights violations and indeed actual slavery conditions existed and under which some enterprises operated is slowly being uncovered.

The extensive externalization of costs whether social or environmental that was accepted as standard practice is finally being measured. The enormity of the cost, whether it is measured in poisoned rivers or polluted water supplies; toxic air or exhausted land was extensive. (The Coca-Cola Company partnership to preserve critical fresh water basins is an example of the challenges that we face in our efforts to address our reckless treatment of rivers across the world).

The picture on the labor side is no better as struggles to eliminate slave labor, child labor and forced labor continue down to the present day. These days the ugly specter of human trafficking across a variety of sectors is yet another aspect of how readily human beings are and can be treated as a commodity.

3. The opportunities that still exist for the faith tradition to claim the space for innovation and creativity and thereby contribute to what promises to be a challenging debate about our common future:

In this final section I want to look at some of the opportunities that exist for the faith communities to claim the space for innovation and creativity in the financial sector and thereby contribute to what promises to be a challenging debate about our common future.

I think that we are in the midst of a unique opportunity to build on the experienced leadership that a small number of faith communities have accumulated, and to develop new ones. This will require the kind of dreaming and prophetic activity and daring that launched Clann Credo and similar efforts in other parts of the world. They are born of faith and the courage to take the kinds of risks that faith and innovation demand.

- a. In the financial investment sector, faith communities and organizations need to push professionals and institutions to create and innovate the kinds of products that can respond to the credit demands of their faith-consistent principles. Together we need to develop the instruments and approaches that can adequately promote these faith-consistent investment guidelines across all asset classes in an investment profile. We have the tools and the experience; this can be done
- b. We also need to engage the political leaders who are responsible for the framework and regulation of the financial space. This includes a consideration of and debate about the social purpose of the economy and the role that big financial institutions play in fulfilling this responsibility.
- c. We must be willing to visit what is generally referred to as the "alternative space" where throughout the decades religious have been willing to stick their necks out to take greater risk and defy conventional models and expectations. Clann Credo is clearly an example of this, and there are many others. There is room for many more such initiatives.
- d. Credit Unions, cooperative structures and organizations were in many instances developed around local parish institutions. Is there space for more of these and for new initiatives like Community Development Credit Unions, structures that can serve to reinvigorate underserved local and rural communities by preserving and circulating capital locally and regionally?
- e. What about Community Bonds? I came across this financing tool during a visit to the Center for Social Innovation in Toronto. It is an

approved investment that allows individuals and organizations to contribute amounts of \$10,000 or more toward the realization of the specific community enterprises, earning as much as 4% rate of return over a five-year term.

- f. The Isaiah Funds; An interfaith Partnership for Disaster Recovery (www.isaiahfunds.org): Leviticus Fund; Faith Capital for Building Communities (www.leviticusfund.org): Shared Interest; Investing in South Africa's Future (www.sharedinterest.org):

These are all examples of funds that were primarily created by religious orders and other faith communities to return both a social and environmental dividend while being willing to sacrifice some financial return.

- g. Positive Social Impact Investing:

Many in the faith traditions are working hard to find new opportunities to invest in projects and industries that are designed to have a positive social impact. They are doing this by counting the social and environmental dividend in the approach and on their balance sheet.

The Global Impact Investing Network is working to accelerate the maturation of an impact investing industry that seeks to create social and environmental benefit in addition to profit. In so doing, the intent is to unlock more capital for companies, funds and other vehicles that generate positive social and/or environmental outcomes.

Conclusion

Let me conclude by reviewing briefly the major points I have raised;

1. Faith communities and traditions need to re-engage in the discussion of purpose and operations of the financial systems and their priorities.

2. The damage that has been done to the people and the environment for the sake of fat profits and in the name of “progress’ has been tremendous and needs to be examined.
3. Religious communities, institutions and believers have always been willing to dream, innovate and risk new initiatives for the promotion of the common good.

Believers from faith traditions have always been willing to test the bounds of accepted practice and search for the alternative spaces and opportunities that can bring light and life into communities and into people’s lives. The lingering financial crisis that has caused great harm and has reminded us again of the destructive effects of greed and individualism, may now be both an opportunity and invitation to dream together about rebuilding communities and reforming institutions that are clear about their social purpose and mindful of their responsibility to the environment.