

**Investing in Stocks: Three Models of Faith Integration**

**Submission for 2003 Christian Business Faculty Association Conference  
October 17, 2003**

**Authors: Brian E. Porter, Ph.D.**  
**Hope College**  
**Department of Economics, Management, and Accounting**  
**P.O. Box 9000**  
**Holland, MI 49422-9000**  
**Phone: (616) 395-7572**  
**e-mail: porter@hope.edu**

**Todd P. Steen, Ph.D.**  
**Hope College**  
**Department of Economics, Management, and Accounting**  
**P.O. Box 9000**  
**Holland, MI 49422-9000**  
**Phone: (616) 395-7582**  
**e-mail: steen@hope.edu**

By some estimates, 80 percent of the American population owns stocks or stock mutual funds. This percentage is even larger when one considers those that are indirectly invested in the market via owning insurance or participating in pension funds. Christians are among these market participants, and many of them struggle as to how their faith should be integrated into their investment decisions. The 2001 report, “Where Faith and Wall Street Intersect,” analyzes data from a survey of 1,141 investors, revealing the importance of faith in one’s investment decisions (Berger and Hunter). Some findings of the study include:

- A large majority (79 percent) of investors describe themselves as religious or spiritual
- A majority (62 percent) of religious investors exercise faith in their financial decisions, whereas only 33 percent of non-religious investors exercise personal values in their financial decisions
- Though investors are willing to integrate faith in their investment decisions, 81 percent are not familiar with religiously oriented mutual funds
- A minority (38 percent) of investors invest in “socially responsible” funds
- Only 12 percent would buy stock in socially responsible companies if it meant lower returns

A large percentage of investors, particularly those invested in mutual funds, can be considered passive investors. That is, they are not actively involved in nor are they knowledgeable about the companies of which they are partial owners. They have

invested merely in hopes of achieving financial gain. The virtue of a laissez-faire involvement with equities is questionable, especially for one adhering to moral standards or religious principles. Although there is no occurrence of the terms “stock market” or “investing” in the Bible, there are numerous passages in Scripture that speak to how Christians should regard and take care of their financial resources. The overall context for our view of financial matters should be that of stewardship. This often used term reminds us that “the earth is the Lord’s, and everything in it (Psalm 24:1).” All that we have belongs to God and we are responsible to Him for its care and good use.

In this paper, we wish to consider three possible models for Christians in dealing with the stock market and investing. All of these models can be based on a principled interpretation of the Biblical message. It is clear, however, that each model takes one down a different road in terms of how one will invest one’s money.

### **Model One: Avoiding the Stock Market**

One possible model of involvement with the stock market is that of avoidance. A possible Biblical justification for such a position can be found in a passage such as I Timothy 6:10-11 NIV: “For the love of money is a root of all kinds of evil. Some people, eager for money, have wandered from the faith and pierced themselves with many griefs. But you, man of God, flee from all this, and pursue righteousness, godliness, faith, love, endurance and gentleness.” Another Biblical passage that could be used to support such a position is that of Matthew 6:19-21: “Do not store up for yourselves treasures on earth, where moth and rust destroy, and where thieves break in

and steal. But store up for yourselves treasures in heaven, where moth and rust do not destroy, and where thieves do not break in and steal. For where your treasure is, there your heart will be also.” If involvement in the stock market is seen as the love of money or building up one’s treasures on earth, it is understandable that we would want to avoid it as much as possible.

Another basis for avoidance could be based on the admonition of Micah 6:8: “He has showed you, O man, what is good. And what does the LORD require of you? To act justly and to love mercy and to walk humbly with your God.” The Bible is filled with passages that command believers to bring about justice. If one believes that corporations are not fulfilling this Biblical mandate, it makes sense to avoid investing in these companies or supporting them in any way.

Although this is an option exercised by relatively few Christians, some believers choose to separate themselves as much as possible from involvement in the stock market. The major problem with this model is that it is very difficult to completely remove oneself from the financial world. If an individual has a pension, these are often required by the worker’s firm to be invested in stocks. If one doesn’t invest in stock ownership, this leaves keeping one’s financial assets in a bank, which raises the same type of questions with regard to the corporate behavior of the bank. If one tries to avoid all entanglement with the financial world, one is left with the option of keeping one’s savings under the mattress, an option which sounds very similar to that adopted by the lazy servant of Matthew 25. Even if one is not involved with the ownership of companies, purchasing the products of companies still supports their activities. The only position that is left is total avoidance of the world. Even if one could avoid the rest of the

world completely, we can not avoid sin. There is still plenty of sin left in every believer's life; the radical effects of the fall are found everywhere.

We believe that the model of avoidance is a well-intentioned response to the Biblical commands to flee from the desire to become rich and the temptations that it can bring (I Timothy 6), as well as the Biblical message that we are to live holy lives as "strangers" in this world (1 Peter 1). However, we also believe that this way of interacting (or not interacting) with the world falls short when we consider our God-given tasks of bearing fruit and being part of the building of the Kingdom of God. If we are to participate in fulfilling the "cultural mandate" found in Genesis 1:28, Christians can not simply withdraw from the world in order to maintain a holy lifestyle. The behavior of the noble wife of Proverbs 31 and that of the early Christian church (as described in Acts) show us that withdrawal from the financial world is not the preferred option.

### **Model Two: Investing With Minimal Ethical Discretion**

If we choose to be involved with the financial world, any decision we make to invest money in the stock market is an ethical (good or bad) choice. One might choose to base investment decisions on risk and return alone, or base decisions on an evaluation of the ethical behavior of the firm, or choose some combination of these different areas. In looking at the ethical behavior of firms, it is necessary to formulate an ethical criterion to filter companies eligible for investment. Creating and implementing such a filter is not an easy task. A case can be made, or least it is understandable, why a Christian may invest with little ethical discretion. There are at least three potential justifications for

why one may forego attempting to implement a more complex ethical litmus test for investment decisions.

### It is Impractical and Infeasible to Discern Ethicalness of Organizations

A first possible justification for investing with little ethical discretion is that the task of gathering ethical information pertaining to companies may be infeasible. Accurate, reliable, and objective information regarding ethical practices of publicly traded companies is not readily available. It is not easily learned from company executives, financial statements, or the media. CEOs, when questioned about a company's ethical behavior, are often not candid and reveal little information, preferring instead to state that the company staunchly adheres to its code of ethics.

Financial statements provide a glimpse into a company's profitability and monetary soundness, but offer no moral perspectives. A line item does not exist on the balance sheet or income statement which quantifies ethical considerations. Though there has been some discussion of one day including ethical information on financial statements, nothing is currently required. There is also relatively little interest from the media and public regarding business ethics. There may be a fascination with the occasional large corporate scandal (e.g., Enron), but compared to profitability and growth numbers, there is minimal scrutiny of an organization's ongoing everyday ethical behavior. On the other hand, each quarter, the market anticipates, and the media covers, the reported corporate earnings from Intel, IBM, Motorola and thousands of other corporations. The public does not eagerly await, or demand, a quarterly report of ethics.

Because of this relative lack of information, though one may desire to discriminate between investments based on ethics, it may be an insurmountable task. Even for one that is financially savvy, extrapolating and interpreting information regarding the ethical practices of companies on one's own would prove time consuming and difficult. Moreover, for the majority of people that are less financially astute, the task is clearly overwhelming.

### No Company is Totally Ethical

A second possible rationale for deciding to invest with minimal ethical discretion is based on the belief that no company is without sin. That is, purely ethical organizations do not exist. If no company is totally ethical, it is not worth using ethical categories in investment decisions. Just as Diogenes of Sinope searched endlessly for an honest individual, the quest for a businessperson and organization unblemished from unethical behavior is futile. Four decades ago Albert Carr recognized that even the most religious individual is unable to maintain complete honesty and ethical behavior while participating in business. Even if an organization is comprised of individuals with good intentions, the organization itself will be deeply involved in at least subtle strategies of deception.

For example, products may be advertised in ways that make them sound a great deal better than they actually are. Automobile manufacturers promise excitement and power, but neglect to state that much of the pleasure obtained from the vehicle is superficial. Nor do automobile manufacturers warn that there is a 25 percent decrease in a vehicle's value once it is sold and driven off the dealer's lot. Realtors stress a home's

great location, large yard, and newer roof, but not its older furnace, busy street, or lack of light. Seldom is a product marketed in a fully truthful manner, with advertisements devoting equal attention to both the negative and positive ramifications of purchasing the product.

Arthur Jones, in his book *Capitalism and Christians*, is also critical of modern day business and what capitalism has evolved into today. He contends that as an organization participates in capitalism and becomes fascinated by its own needs—survival, efficiency, maximized profits—the organization pays less attention to the “humanity” of its business. One might argue that, to some degree, this dehumanization permeates all organizations—no organizations are without blemish. Jones provides examples of this degradation, as follows:

- Organizations may close down and default on pension obligations (for example, International Harvester or Bethlehem Steel)
- Factories may knowingly continue to force unsafe practices on the worker
- The quest for efficiency and productivity produces a sort of intermittent servitude—bordering, in some places, on a type of erratic slavery (for example, Rawlings in Haiti or many sweatshops)

Another example of a common business practice that attempts to manipulate consumers is psychological pricing. This strategy, which prices a product so that it appears less expensive than its actual price, is used in many organizations. Houses are priced at \$199,900, bananas sell for \$0.39 a pound, gas sells for \$1.809 per gallon, an increase in tuition is 4.9%, or eggs sell for \$0.69 a dozen. Psychological pricing, though

arguably only mildly harmful, is still a subtle form of deception—an act of being less than completely upright, honest, and ethical.

It is not difficult to create lists of ethical shortcomings in the behavior of modern business firms. If one believes that all organizations fall short of an ethical norm, this conviction could be used as a justification for investing without screening for ethical conduct. Why bother with ethical considerations when almost all firms are unethical?

### The Majority of Organizations Are Ethical

A different type of reason one might use to justify investing without much ethical discretion is the notion that the vast majority of organizations **are** ethical and that capitalism is a purifying system. Often, a person with this belief holds one or more of the following precepts:

- Shareholder maximization is the chief purpose of an organization.
- The predominant criterion of an organization's ethicalness is if the organization abides by the laws of the land.
- The same actions that maximize stock prices also benefit society.
- Organizations are kept ethical when operating within capitalism, and in the context of a democracy and moral society.

One of the most outspoken advocates of this perspective is economist and Nobel laureate Milton Friedman, who espouses that an organization's primary responsibility is to operate in a manner that will maximize shareholder wealth. Those who concur with Friedman are completely alleviated from any conflicting interest between ethical behavior and financial return--they are one in the same. When one selects an investment

based on a potentially high financial return one is also selecting the most *ethical* company. Brigham and Houston argue that most actions that maximize shareholder wealth also benefit society at large. They claim it is because of this correlation between stock price maximization and ethics that capitalistic economies have been much more successful than socialistic and communistic economic systems.

Michael Novak contends that capitalism operates neither outside the law nor outside morality. Capitalism is paired with a political system (republican self-government) and a moral-cultural system (largely Jewish, Christian and humanistic) both of which properly check and guide it. Therefore, capitalism, by its very nature, is permeated with moral sensibilities and sensitivities. Even Max De Pree, the former CEO of Herman Miller, who is renowned for his ethical management, is quite temperate in his criticism of today's business organizations. Though disappointed with the recent looting by some CEOs and the greed that was inflamed by the booming 1990s economy, he believes the vast majority of corporations are operating honestly.

As described above, several reasons exist for one investing in the market while only minimally evaluating a company's ethicalness. These include lack of information or skill, a belief that no organization is completely ethical, and a belief that the vast majority of organizations are ethical. All of these reasons may support the notion that a complex ethical framework for evaluating investments is either futile or unnecessary, but their implications are different. The first two lines of reasoning might also cause one to consider withdrawing from the stock market, while the latter could lead to an enthusiastic participation in the market.

### **Model Three: Active Stewardship**

A third model of dealing with our investments is that of active and responsible stewardship. The notion of stewardship suggests that the Lord has entrusted us with the resources He has given us, and that we are to use them for purposes that bring glory to Him and support the building up of His Kingdom. This has major implications with regard to our financial behavior.

First, the Biblical message suggests that planning for the future is a positive act within the framework of complete reliance on God's provision. Joseph rose to prominence in Egypt (Genesis 41) because of his foresight in planning for the coming famine. He rescued both his family and the nation of Egypt as a result of the storage of grain during the "seven years of great abundance." Several passages in Proverbs extol the virtues of planning (Proverbs 21:5; 24:27; 27:12; 30:25), yet all of our plans need to be in line with the plans of the Lord. "Commit to the Lord whatever you do, and your plans will succeed (Proverbs 16:3)." God also knows the motives behind our plans and will respond accordingly (Proverbs 16:1-9). The Bible is also clear that our plans should not be the focus of our lives. Matthew 6 instructs us not to worry about the future but instead to seek first God's Kingdom.

The Bible also gives straightforward guidance on the goal of our investments, and the goal is not primarily earthly treasure. Although riches can be a blessing from God, the Bible is full of passages that warn believers not to let money take a central place in our lives. The fact that the love of money is the root of all kinds of evil (I Timothy 6:10) should serve as a strong warning to investors when they make decisions about where they

will invest their money. While the Bible tells us not to let money become an idol, it also tells us positively which goals we should keep in the forefront as we shepherd our financial resources. Micah 6:8 sets a high standard for all of our financial dealings: “He has showed you, O man, what is good. And what does the LORD require of you? To act justly and to love mercy and to walk humbly with your God.” The priority of justice is clearly to be above that of financial gain: “Better a little with righteousness than much gain with injustice (Proverbs 16:8).”

A third emphasis in the Bible directs in the use of our proceeds from all of our financial transactions, whether they be from work or the result of our investments. First of all, we all called to make adequate provision for our families. Paul writes to Timothy that “If anyone does not provide for his relatives, and especially for his immediate family, he has denied the faith and is worse than an unbeliever (1 Tim 5:8).” Beyond our families, the Bible constantly encourages us to open our hands to the poor (Deut 15:7; Proverbs 19:17; Galatians 2:10, and many others). In many ways the poor are seen as “God’s representative” on earth: “The King will reply, ‘I tell you the truth, whatever you did for one of the least of these brothers of mine, you did for me (Matthew 25:40).”

How then should we invest? As we look for places to invest our resources, we must become more aware of how our funds are going to be used. When we assume an ownership share of a company, we implicitly support the activities that the company is engaging in whether we realize it or not. Christians should actively seek out companies that conduct their business in an ethical manner, and should become as aware as possible about the purposes and practices of the company.

As noted above, obtaining information on a company's activity can be very difficult. The overwhelming nature of this task can easily discourage us from being responsible stewards. This is where the Christian community needs to work together to begin to obtain more information about the ethical behavior of companies. Just as there are multitudes of companies that supply information on how to increase financial returns on investments, there needs to arise more sources of information on how to be stewardly investors. Christians need to provide the demand for such services, and be willing to pay for them, just as Christians pay for advice as to how to maximize financial returns. Right now Christians rely heavily on secular financial advisors, as if the goals of these organizations were coincident with those of believers. If larger and larger groups of stewardly investors ask for more information on the ethical practices of firms as a condition for investing with them, companies may be more forthcoming with such information. It may be possible that in the future the financial pages of newspapers would not only be filled with numbers, but also a large amount of news about how companies are fulfilling the requirements of stewardship and justice.

As for now, Christians do have some options for investing in mutual funds that attempt to put some restrictions on the companies in which they invest. There are a variety of "social investment" funds, and also Christian mutual funds such as the Timothy Fund. Many of these funds simply screen out companies that produce products that are objectionable to investors. There is also a need for funds that actively look for companies that are doing "good works."

If Christians are to participate in the stock market, we must do this with more than an eye to just the financial returns that we will receive. Owning stocks brings with it both

the privilege and responsibility of participating in the decision making of the company.

There are a number of different actions that individuals can take in this regard.

Shareholders have the opportunity to vote their proxies for the board of directors or for resolutions on changes in corporate policy. Because of the often very low level of participation by shareholders in a company, issues that are raised at annual meetings or through letter writing campaigns can on occasion receive a fair amount of attention.

Here again the parable of the talents (Matthew 25) can give us guidance in how we are to treat our investments. If we simply own shares of a company but take no interest in its policies or behavior, we come very close to the behavior of the “wicked, lazy servant” who hid the talent he was entrusted with in the ground. We will not be found to be “faithful with a few things” and therefore not be put in charge of many things in God’s Kingdom. Maintaining an ownership share in many companies makes it very difficult to influence or even be aware of the policies and practices of the companies that one may own. This is not to suggest that Christians can not own stock in more than one company. Stock owners can start by choosing just one company to work to influence or to even follow more closely in terms of their ethical behavior. At the same time, for the other companies that they own, they may be able to rely upon information provided by other Christians or by other groups of people who have similar ethical concerns.

The model of active stewardship raises the bar for Christians with regards to their financial behavior. While many Christians spent a great deal of time trying to maximize their monetary returns and ensure adequate financial resources for the future, very few spend time considering how these financial resources are being used and what activities they support. To faithfully steward the resources that God has entrusted to us, Christians

may need to reallocate the time we spend on financial matters. In addition, because Christians often see financial matters as a very individual and private matter (in contrast to the behavior of the early church), we often do not work together to find ways to use our resources to “seek first the Kingdom.”

## **Conclusion**

Whatever one’s decision in terms of investing in the stock market, it is clear that the Bible commands that what we have is not our own, but belongs to God our Creator, Lord and Savior. As with most of the Christian life, doing the right thing (or even deciding what it is) is not always easy. Although Christians (and even authors of papers) can disagree as to the measures that need to be taken, we need to take this command seriously, whatever model is chosen in terms of investing the resources that He has entrusted to us.

## Selected References

Berger, R. and Hunter, S., (November-December 2001), "Between the Lines: Where Your Treasure Is," *Sojourners*

Brigham, E.F., and Houston J.F. (2003), *Fundamentals of Financial Management*, Dryden Press,

Brooks, Robert, (1996), "Financial Risk: An alternative Biblical Perspective," *The Journal of Biblical Integration in Business*

Carr, A.Z., (1968), "Is Business Bluffing Ethical?," *Harvard Business Review*.

Gardner, D. and Gardner, T. (2003), "Are You Saving Enough?" *The Grand Rapids Press*, April 26, p. A10

Gottschalk, Earl C. (1989), "Christian Planners Appear Worldly to Secular Rivals," *The Wall Street Journal*, September 12, p. A1.

Haglund, R., (August 21, 2002), "Ex-Herman Miller Chief Upset by Sinful Greed," *The Grand Rapids Press*, p. A1.

Herrmann, Robert L. (1998), *Sir John Templeton: From Wall Street to Humility Theology*, Radnor, PA: Templeton Foundation Press

Jones, A. (1992), *Capitalism and Christians*, Paulist Press, New York

Moore, Gary D. (1996), *Ten Golden Rules for Financial Success*, Grand Rapids, MI: Zondervan Publishing House

Moore, Gary D. (1998), *Spiritual Investments: Wall Street Wisdom From the Career of Sir John Templeton*, Radnor, PA: Templeton Foundation Press

"Students, Profs Want Schools to Dump Stocks Linked to Israel," (2002), *The Grand Rapids Press*, August 19, p. A5.

Thomasis, Louis D. (1987), "Monasteries on Wall Street? The Ten Commandments of Doing Ethics in Business," monograph from the *National Symposium of Socially Responsible Investing*