

*Exploitation or Liberation:
Ethics for Investors*

Priests/USA

NATIONAL FEDERATION OF PRIESTS COUNCILS
1307 SOUTH WABASH AVENUE
CHICAGO, ILLINOIS 60605

NATIONAL FEDERATION OF PRIESTS' COUNCILS
PROVINCE OF ST. PAUL-MINNEAPOLIS
in conjunction with the
NFPC JUSTICE AND PEACE COMMITTEE

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FOREWORD

PROCEDURES OF TASK FORCE

The House of Delegates of the National Federation of Priests' Councils, at its meeting on March 15, 1972 in Denver, Colorado, endorsed the following resolution:

BE IT RESOLVED that the House of Delegates mandate the Justice and Peace Committee of the NFPC to instruct the Province of St. Paul-Minneapolis

- a) to determine guidelines and criteria based on the Church's social justice teaching for examining Catholic Church investments;
- b) to propose models for the examining of present holdings of diocesan corporations in view of these guidelines and criteria.

BE IT FURTHER RESOLVED that the NFPC Justice and Peace Committee report this work to the House of Delegates of the NFPC and the Social Development Committee of the NCCB by March, 1973.

The task force of the St. Paul-Minneapolis Province was established on June 8, 1972, and suggested as goals of the project:

GOALS

- I) To develop a statement of moral principles by which social performance of the Roman Catholic Church can be evaluated in regard to its investments.
- II) To develop some guidelines for implementing the above principles; some specific criteria by which church investments might well be evaluated, and some criteria for selecting companies to be examined.
- III) To develop some general models for review of church investments.
- IV) To communicate developments, to educate local councils in this area of Christian responsibility, to assist local councils in implementation. This fourth goal is that of the NFPC, distinct from the instruction given to the St. Paul-Minneapolis Province.

On June 20, 1972, the executive board of the NFPC adopted the following resolution which was recommended by the task force:

RESEARCH

BE IT RESOLVED that the executive board approve the recommendation of the Research and Development Committee to implement national research on Church Investments.

The purpose of the research would be:

- I) Educational: by raising the question, the education process has begun. The research is to be designed for discussion.

II) Informational: Specific information from the survey:

- a) To what extent are local councils presently involved in review of church investments;
- b) What problems/obstacles are present or anticipated in this area;
- c) To what extent are members of priests' councils knowledgeable concerning the influence of corporation involvement;
- d) How well are priests' councils linking together the social teaching of the church and corporation activity;
- e) What strategies are possible or needed.

The research instrument was completed and distributed to affiliated councils in November, 1972.

The task force met four times from June to September in order to develop a preliminary draft. The draft was completed on September 18, 1972. The research procedures are now near completion. Upon analysis, the results will be forwarded to participating priests' councils. The information obtained from the data will be utilized in determining future methods and strategies for implementing the enclosed principles.

PRELIMINARY DRAFT

This draft was typed and duplicated by October 5, 1972. It was sent for reactions and critique to NFPC delegates of the St. Paul-Minneapolis Province, to the executive board of the NFPC, to interested persons and individuals with particular expertise.

In order to more adequately stimulate reaction to and improvement of the preliminary draft, the task force sponsored a Hearing by Invitation. Seventeen persons were present for and participated in the hearing. Nine persons, representing various organizations, offered "testimony" concerning the preliminary draft. The following questions were submitted to the participants for purpose of reaction and discussion:

Section I: Background Theology

- a) Is it faithful to Catholic Tradition?
- b) Is it adequate to convince people of the Church's role?
- c) Considering the people you have been dealing with, do you feel this will be helpful?
- d) Is this the way to approach the question?

Section II: How it Works

- a) Do people feel comfortable with the role of Church defined in this section?
- b) Does the position suggested offer adequate reason for the Church to be involved?
- c) Considering the people you have been dealing with, do you feel this will be helpful?

Section III: Models for Action

- a) Are Models A and B sufficient?
- b) Do you have other models you would like to suggest?

Section IV: Questions to Ask; Answers to Get

- a) The purpose of this section is to introduce people to areas of concern. Have other areas been omitted?
- b) Is the wording of the questions technically correct?

Incorporating the reactions and comments of the “hearing” and other respondents, the task force met on December 12, 1972 to develop this final draft.

NATIONAL FEDERATION OF PRIESTS' COUNCILS

TASK FORCE: CHURCH INVESTMENTS AND CORPORATE RESPONSIBILITY

ST. PAUL-MINNEAPOLIS PROVINCE

I. BACKGROUND THEOLOGY

Financial and industrial corporations dominate modern society. Those corporations deeply affect the lives of all people. Consequently, the church asks what its responsibility is toward corporations and the people affected by corporations. The statement that follows is an effort to answer that question. It is an attempt to examine the role of the church in the area of corporate responsibility.

Industrial and financial corporations have a strong effect on the lives of nearly every person alive. They can offer help to people, but they can also intimidate people; they can treat people with justice, but they can disenfranchise them, too; they can be instruments of progress and also of oppression. The profit motive can enrich some while threatening others with fear and anxiety. And so we are reminded of the words of Vatican Council II: "The joys and the hopes, the griefs and the anxieties of the men of this age, especially those who are poor or in any way afflicted — these too are the joys and hopes, the griefs and anxieties of the followers of Christ." (*Gaudium et Spes*, #1)

The church, then, should encourage corporations when they improve people's lives, and confront them when they threaten people's lives. The church must see to it that "the fundamental purpose of (society's) productivity must not be the mere multiplication of products. It must not be profit or domination. Rather, it must be the service of man, and indeed of the whole man, viewed in terms of his material needs and the demands of his intellectual, moral, spiritual, and religious life." (*Gaudium et Spes*, #64)

The church must teach corporations that their productivity is at the service of people, and may never be viewed (as it so often is) in terms of profit alone. The church must encourage corporations to ask questions like the following: Do their foreign investments reflect true justice? What effect do those investments have upon the people of that foreign country, especially upon Third World development? What is the extent and nature of the corporation's military contracts? Does the company pay attention to the demands of social justice, especially as it affects the economic development of minority groups? What are the company's policies with regard to environmental conservation and protection? What does the corporation do about consumer health, safety, product quality, and fair advertising?

The responsibility of the church in this area may be examined on two levels:

- (1) The church's evaluation of its own involvement in corporations. The church invest in the corporations of its society. This is certainly true in the USA, as it is in other capitalistic societies. The church must carefully evaluate this involvement. When a corporation is involved in immoral practices, (of whatever type or degree) the church, as stockholder, must evaluate its material cooperation in that evil. The church may never justify continued investment solely on the basis of desire for profit. To do so would be to support immorality in order to make money. In such an instance the church would be abdicating its own principles. If, on the other hand, its motives for retaining that stock were in order to have a

voice in preventing such immorality from continuing, then its motivation would be rightly conceived. This means that the church (as stockholder) would have to actively pursue a change in the company's policies. If the church uses its voting rights to speak out against the company's evil action, it may retain its stock. But it may not do so solely for the purpose of profit on investment.

- (2) The Church's responsibility to proclaim justice to corporations in which it holds no stock. The church is true to itself only when it actively proclaims the Gospel to all people. Thus, wherever society's productivity endangers the intellectual, moral, spiritual, or religious life of any person, the church must speak out against it. It must do what it can to help people recognize the evil and eliminate it. To stand by the wayside and allow the evil to grow is to abdicate the Gospel imperative to preach to all people.

Conclusion

In short, the church has a responsibility for action in corporate matters. Its responsibility derives quite simply from its mission: to preach the Gospel to all people. Vatican II reflected on that mission when talking about the role of bishops. Its words might well be the hallmark for the church's effort in this area: The bishops "should set forth the ways by which are to be solved the very grave questions concerning the ownership, increase, and just distribution of material goods, peace and war, and brotherly relations among all peoples." (*Christus Dominus*, #12)

Closer attention to corporate responsibility is one way for the church to fulfill this mission.

II. HOW IT WORKS

How, then, shall the church act effectively to fulfill its responsibility in this matter? In the field of action, it is unreasonable to choose means to an end which, by their very nature, cannot succeed in achieving the end. Having chosen to act to influence corporations to change, the church must use means to that end which have some promise of success. Success cannot be the measure of the justice of the cause—the means may, in any case, fail to achieve the intended end—but deliberately to eschew the possibility of success would seem to be contrary to the spirit of a faith which is held not to be opposed to reason.

If, therefore, the church aims to bring about a change in corporation decisions, policies, and practices, it must employ means suited to the nature of that enterprise.

Corporations and other social institutions are not individuals, but collectives of individuals. Two characteristics of an institution are: a) the diffusion of responsibility among many individuals, and b) mechanisms which ensure some separation of institutional positions from the personalities of individuals who fill them at any particular time. These two features are essential to the effectiveness and continuity of an institution, but they also make communication with and change of an institution somewhat more difficult than communication with an individual. An individual can be talked with, reasoned with; and, if he is persuaded of the desirability of some change in his personal behavior, he may at least try to make it. But the skills and techniques of persuading individuals are not sufficient to the task of changing institutions. To that end, means are required which are capable of counteracting the combined forces of diffused responsibility and institutional rules and procedures.

Historically, money and the weight of organized groups have proven to be the means needed for communicating effectively with institutions and for influencing them to change. These means seem to help to motivate individuals within an institution to take responsibility for the policies and practices of their institution and to persist in the difficult work of persuading other individuals within the institution to take responsibility. The employment of money and pressure facilitates changes of mind and waiving of standard procedures which are often unyielding even to the most cogent appeals of reason.

These are means which the church must employ along with appeals to faith and reason, if it intends to influence complex corporate institutions for change. Given the limited financial resources of the church, money is obviously the less useful of these means. But the pressure resources of the church are immense, by reason both of its size and of its public prestige. Thoughtful use of these resources, together with the limited, but not unimportant, financial resources, can add significant weight to the call to conscience.

In the past, and in our own day, the church has encouraged the use of these means in the furtherance of institutional change for the sake of justice. Especially in the area of relationships between employers and workers, it has long upheld the need and right of workers to organize into associations and unions to add weight to reasonable claims for just wages and working conditions. What it has counseled others to do, the church itself has done, as witnessed most recently by the US bishops' participation in Project Equality.

Two questions arise with regard to the practicalities of church action for corporate change: a) who shall act for the church in these matters; and b) specifically, what can be done?

a) Responsibility for action in this area certainly falls upon the church as a whole. Thus, every member of the church has a right and duty to act as his conscience dictates for change of corporations which are at variance with the spirit of the Gospel and church social doctrine.

In a special way, however, responsibility for action would seem to rest with the leadership of organizations within the church, and particularly of those organizations which hold investment portfolios. Religious superiors, councils of religious orders, officers of colleges, hospitals, and other church-related eleemosinary institutions all are in a position to arouse the interest and concern of the membership of their organizations about matters of corporate responsibility, and, with the support of the membership, to commit the resources of their organizations to the work of corporate change.

Most importantly, of course, responsibility lies with the bishops. Bishops, acting in a body through the NCCB, and singly with the cooperation of diocesan pastoral councils, councils of sisters and councils of priests, must take leadership if the apostolate of corporate and institutional change is to advance. The bishops may wish to delegate some authority in this matter to people more versed in the practicalities of moral theology, political economics, and corporate management. In any case, the bishops should take steps to ensure that the church will continually and regularly review its own investments and engage in active dialogue with corporations.

b) There are a number of avenues open to the church for influencing change in a corporation which is deemed to be acting in ways contrary to the norms of the Gospel and church social doctrine.

- I. Following the pattern suggested by Mt. 18: 15-18 for fraternal correction, the proper representatives of the church might first contact privately the management of the corporation or its directors — either in person or by letter — to explain the church's concern.
- II. Should such private conversation prove ineffective in beginning a change, after a reasonable period of time, the church might make its concern public. The most appropriate time, perhaps, is at the annual stockholders' meeting of the corporation.
- III. A third mode of action, in cases where the church owns stock in the corporation, would be to introduce stockholder resolutions on the agenda of the corporation's Annual Meeting, calling for change in the corporate policy or practice at issue. Or the church might vote its stock in favor of such resolutions proposed by other stockholders.
- IV. In connection with III, it might be useful for the church to purchase stock in a corporation it wishes to influence for change.
- V. The church might bring suit, or join with others in litigation, against a corporation for violation of laws dealing with human rights or safety.
- VI. In connection with options II-V the church might employ a variety of means of public pressure such as boycotts, and the solicitation of support for its cause from other churches and groups.

An option for action which does not appear to be an effective means for influencing corporate change is divestment or "cleaning up the portfolio." This approach does not recognize the immensely complex character of present-day corporate enterprise, and the many variables that must be considered in making moral judgments about the activities of corporations. A truly "clean" portfolio is simply not achievable. More often than not, "cleaning up the portfolio"

serves to remove the investor from the arena of controversy and difficult dialogue, an abdication of responsibility, rather than an embracing of it.

Even when not practiced as a means of avoiding controversy, divestment would not seem to be an effective form of action for corporate change. If anything, the corporation probably will welcome the relief from critical review which divestment offers it. The opportunities afforded by stock ownership for access to corporate management and for moral leadership within the corporation far outweigh the questionable influential power of divestment.

Unfortunately, divestment seems to have become a common tactic for churches trying to deal with questions of corporate responsibility and investments. In the face of this fact, at least let it be argued that, if a church insists on divesting, it should do so only partially. That is to say, the church should retain a few shares to indicate its continued concern and determination not to withdraw from the struggle for justice within the corporation.

The courses of action outlined above are by no means exhaustive of all possibilities. They are only the major options which appear to be open at this time in the interest of justice to a church interested in bringing moral and financial pressure to bear on corporations. Action along the suggested lines will no doubt reveal new possibilities for action, new ways of communicating clearly the concerns of the church to corporations, thereby establishing in the corporate world “a justice which will be less and less imperfect.” (*A Call to Action*, #15)

III. MODELS FOR ACTION

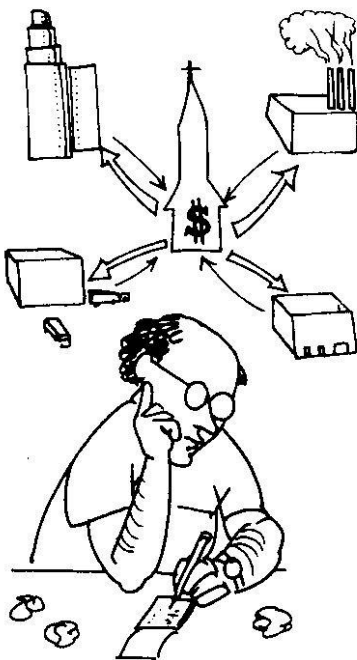
MODEL A

Synopsis

Appropriate social justice agency develops social criteria for investment activity of church portfolio and urges its study and implementation by the appropriate fiscal agents of the church corporation.

Model Step 1

Develop awareness of possible implication of church in social injustices by reason of its corporate investments.



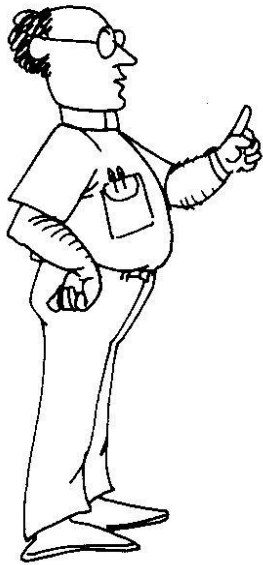
Fr. John Brown, a member of the Justice and Peace Committee of the Diocesan Priests' Council, has been thinking a lot about the fact that members of his parish work for an electronics corporation in his city. They assemble components used in anti-personnel weapons which appear to him to be serious violations of all ethical norms. Some of these parishioners have sought his counsel in their dilemma of having serious qualms of conscience about the implications of their labor and yet having no alternative employment to turn to. Protests to the company by these parishioners, concerned peace groups and Fr. Brown himself have brought no adequate reply from the company. It justifies its position by saying it is merely fulfilling its contract obligations with the federal government, and that government policy-making is the business of the United States Congress, not the corporation's board of directors.

Fr. Brown recalls that the estate of a wealthy widow left to the diocese 500 shares of stock in this same corporation. He wonders how much stock in this corporation the diocese owns altogether. He further wonders if the responsible fiscal agents of the diocese have ever had pastoral thoughts such as his, and how they resolved those thoughts. He wonders what criteria the diocese has developed for the management of its investment portfolio: are there at least some criteria that touch on the social implications of the corporation's activities? Not just in such obvious matters as anti-personnel bombs, but also in racial justice, environmental questions, employment practices, etc. The longer he thinks about it, the more complex the matter

becomes, but also the more sure he is of one thing: investment portfolios of churches have moral implications and should not be managed just for secure profit purposes, even if the

Step 2

Use appropriate social justice vehicle to refine, strengthen the concern.



Step 3

Use outside resources to refine, strengthen the concern.



assets are put to good use by the church. He feels very strongly that the church has an obligation to exert moral and fiscal pressure on corporations when it finds them in conflict with the Gospel.

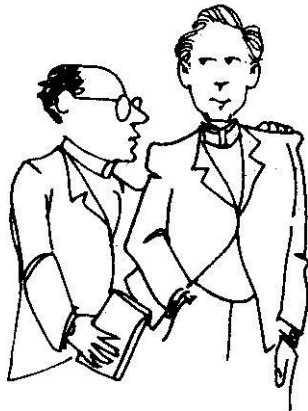
Fr. Brown brings the matter up at a meeting of the Justice and Peace Committee, and finds other members interested in the implications of what he says. The chairman appoints Fr. Brown to head a subcommittee on this subject, and asks for a report within 60 days.

Fr. Brown's Corporate Responsibility subcommittee studies the matter and finds ample resource material by contacting the Corporate Information Center of the National Council of Churches, 475 Riverside Drive, New York, NY 10027. The subcommittee decides to draw up appropriate social criteria which might be used by the bishop and his fiscal advisors as further factors or questions they might use in their periodic review of the diocesan investment portfolio. For this task they receive ample assistance from the Corporate Information Center in New York.

When they report to the Justice and Peace Committee, the full committee makes suggestions for additional questions and concerns, and they assign the task of bringing the amended resolution to the Priests' Council for their transmittal to the bishop.

Step 4

Use Priests' Council to refine, strengthen the concern, and be a vehicle to the diocesan leadership.



The Justice and Peace Committee sends background reading on corporate responsibility to each member of the Priests' Council. Key members of the Council are visited by members of the committee and engaged in prior discussion about the resolution. Their questions are answered, and their support of the resolution is finally solicited. From these meetings members of the Justice and Peace Committee learn which members of the Council can be expected to debate the resolution the strongest. People who are influential with these Council members are asked to visit with them and measure the strength of the opposition.

The Council debates the resolution over a period of several meetings. At the first meeting, the Senator assigned as liaison to the Justice and Peace Committee introduces the resolution and its rationale at the end of business at a regular meeting as a matter to be formally considered at the next meeting of the Council. At the second meeting, the Priests' Council enters into full debate on the resolution and attempts to weaken it are rebuffed by a motion to table until the next meeting. Members of the Justice and Peace Committee spend the intervening time with dissenting Council members and those whose position seems doubtful in an attempt to secure enough votes to pass the resolution by a strong margin. At the third meeting, the resolution is passed by the Council for recommendation to the bishop. Sponsors of the resolution reaffirm their agreement with what appears to be a major issue of the opposition, viz. the resolution does not ask diocesan authorities to open the investment portfolio to public scrutiny.

The public information officer of the Priests' Council releases to the press the fact that the Council has debated the issue of corporate responsibility and sent to the bishop a resolution for his serious study. The release notes the major features of the resolution, the actual vote and the fact that the resolution carries obvious implications to all parishes and institutions of the diocese. The press calls the chairman of the Justice and Peace

Committee for his comments on the resolution as sponsor, his expectations for success and an expected time-table.

Step 5

Maintain continuing interest in subject, and invite periodic progress reports from the bishop.

Within the month the bishop announces the creation of a Corporate Responsibility Advisory Committee and notes that its members are leading experts in business, investments and social concerns. The Priests' Council thanks the bishop for his response, assures him of their continuing interest in the matter, and expresses its willingness to hear periodic progress reports from the committee.

Features

- a. It goes beyond the traditional “prudent investor” criteria (maximum return consonant with reasonable security), adding moral criteria to which the church bears witness. These moral or social criteria can be developed with varying degrees of specificity.
- b. It entrust the final decisions regarding investments to the appropriate fiscal agents of the church corporation.
- c. It protects the anonymity traditionally associated with church corporate investments.
- d. It constitutes the safest approach a church body can adopt in this increasingly sensitive area.

MODEL B

Synopsis

Appropriate social justice agency arranges with appropriate fiscal agents of the church corporation for a complete, independent and competent analysis of church portfolio; and thereafter they jointly develop appropriate policies and practices based on that analysis.

Model

Step 1

Develop awareness of possible implication of church in social injustices by reason of its corporate investments.



Fr. Raymond Manning, member of a religious Community of priests, is home from the United States on vacation from his regular missionary assignment in a Latin American country. While watching television in the community room with some members of the provincial council one night, he comments on an ad promoting a large American steel corporation. "That company and two other American mining and manufacturing companies control the city where our Fathers' mission is located." He explains to some length how these companies, protected by trade agreements favorable to the US, in effect are milking his country of its natural resources. "The mass of the people are at the mercy of US economic policies. They lack adequate food, shelter and clothing. Their economy is even worse now than before these US corporations came into our area," he sadly remarks.

The Treasurer of the community is sitting in the group, and remarks that a bequest to their order has recently added to the community's portfolio 200 shares of stock in one of the three companies Fr. Raymond has just cited. "Is it possible, Father Raymond, that our community has ownership in a corporation that is somehow working against the best interests of the people you are working with in that Latin American mission?" he asks. "If what you say is true, then at least to some degree our right hand is working at cross purposes to the work of our left hand."

Step 2

Use appropriate decision-making vehicle to refine, strengthen the concern.



Step 3

Combine skills and strengths of appropriate social justice and fiscal decision-makers to refine, strengthen the concern.

Fr. Raymond turns off the television and discusses to greater length the social problems of the people he is living among and working with. The members of the provincial council listen intently as he develops the thesis that the nations of the third World are being held in their underdeveloped conditions by nations of the First World, the so-called developed nations of the free world. He cites *Populorum Progressio*, Pope Paul's Apostolic Letter to Cardinal Roy and the documents coming from the 1971 World Synod of Bishops on justice and peace as clear statements condemning this abuse. He refers also to various statements of Latin American bishops' conferences as even more explicit because they focus on the problem with a closer perspective.

What he says makes sense to those priests in the group who have served in foreign mission posts. All agree that these recent statements of the church -and their own experience offer some challenges to their community. To some degree their community may be financing its missionary efforts by profits on investments that at the very least raise some questions of a moral nature, they assert.

The community Treasurer remarks that, since his training and experience have always kept him in the world of finance, securities and investments, "this conversation puts a whole new dimension on my work. It becomes necessary to think of new criteria — of a social and moral nature — to add to the regular fiscal criteria that dictate our present fiscal decisions."

The provincial council, at its next meeting, decides that Fr. Raymond's questions need further probing. The community Treasurer expresses his willingness to cooperate in such discussions and studies, and is appointed by the Provincial to co-chair a Corporate Responsibility task force. For the second co-chairman the Provincial appoints a member of the community's Southeast Asia missions. Fr. Raymond accepts the Provincial's appointment as a temporary adviser to the task force, until his return to work in Latin

Step 4

Religious leadership makes prior commitment to some form of appropriate action, pending results of study.

Step 5

Use outside resources to refine, strengthen the concern.

Step 6

Heighten involvement of entire religious community in the decision-making process by making full disclosure of community's investment portfolio.



America. Some of the Fathers complain that nothing hasty should be done, like “a quick rash of selling.” They are assured by the Provincial that no final decisions on the community’s investment portfolio will be made until the task force report has been studied and discussed by the entire provincial council, including members in foreign mission posts.

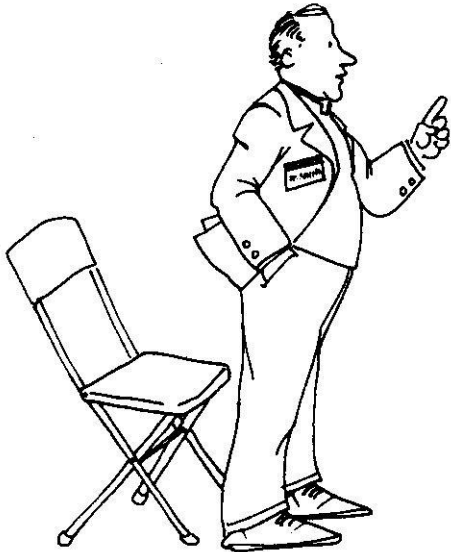
But he states that he is determined that as elected leader of the community he is committed to positive action to eradicate “any trace of contradiction between our missionary efforts on behalf of the Gospel and our fiscal policies.” The task force is given 90 days within which to report back to the provincial council.

The task force soon learns from the Corporate Information Center (National Council of Churches, 475 Riverside Drive, New York, NY 10027) that a lot of printed material very suited to its needs is already available. They also learn about a local, parallel group in their own area that is able to be of great help to the task force.

When the task force report is finished, it is in three parts: 1) a statement of the problem, with emphasis on the need for increased sensitivity in the use of community fiscal resources; 2) a set of suggested criteria by which the community’s fiscal policy might be updated and its investment portfolio regularly reviewed; 3) specific recommendations, with emphasis on the benefits to be derived from the use of an independent religious organization already experienced in reviewing church investment portfolios. The task force also recommends that the contents of the portfolio be openly and completely listed for all community members before each chapter meeting. They argue that as members of the religious community they have the right to know where and how the community invests its capital. Before taking the report to the provincial council, task force members review its highlights with members of the community least likely to support it without thorough study.

Step 7

Heighten religious community's potential moral impact on corporate policies and decisions by voting proxies at annual stockholder meeting.



The provincial council accepts the task force report with two additions. First, it provides for a permanent cooperation between the office of the community Treasurer and the Social Apostolate Commission in periodic portfolio reviews before each chapter meeting and prior to the report on its contents to the community, but after regular consultation with an outside church investment review organization, such as the Corporate Information Center. Second, it establishes a policy whereby the community might in good conscience maintain stock ownership in a corporation it judges to be at least partially engaged in activity of a questionable nature. It will exercise its prerogative of voting its stock at annual stockholder meetings as a means of influencing corporate policy. The council feels that its ownership of stocks will quite obviously always be a small fraction of the corporation's total stock, and that having the community's voice heard at stockholder meetings might have a moral influence on the decisions of the corporation. Some council members feel that this procedure might lead to "cooperating with rabble-rousers," and they object unless the community attorney's opinion is first secured. The policy is thus amended to provide for legal counsel on that point. The Treasurer, after consultation with the community Finance Committee and the Social Apostolate Commission, is designated to be the official spokesman at such corporation stockholder meetings.

The provincial council mandates implementation of the amended report in time for the next general chapter of the community fourteen months away.

Features

- a. It is characterized by a prior commitment to action from the outset.
- b. It assures shared decision making between social and fiscal agents of the church corporation. It will utilize services of parallel interest groups, especially in the religious community.
- c. It likely would act, although it would not have to, more in the public arena. Whatever corrective measures the church corporation decides to take are more likely to be subject to public scrutiny and be the occasion of encouragement to other, parallel bodies. It is predicated on the

belief that the members of the religious group have a right both to know the contents of their group's portfolio and to share in the decision-making process about its conduct.

d. It offers the possibility of a rather open approach to the process and the cooperation with other, similarly motivated religious groups to effect maximum change on corporate policies, the ultimate purpose of the project. This approach is more likely to suggest retention of securities (rather than divestment) with the exercise of voting rights therefrom to effect policy changes with the corporations.

Notes

1. The two models obviously allow for a variety of degrees of adoption and commitment. They are sketched as they are to suggest the maximum differences in approach to the problem after the church has made the decision to act on the problem.

2. The models are formulated from the study of actual models, plans or proposals of the following Catholic church bodies:

Archdiocese of St. Paul and Minneapolis
Province of St. Joseph, Capuchin Franciscan Order
Maryknoll Fathers Chapter
Paulist Fathers General Council
Society of Jesus, California Province
Society of Jesus, New England Province

IV. QUESTIONS TO ASK, ANSWERS TO GET

Preliminary Questions about the Portfolio

The following questions are meant to be suggestive rather than definitive. Brief answers will help your group define its interests and perhaps suggest new areas for action. The organizations listed in the addendum can then provide more detailed resources for the specific issues you have chosen.

I. Control and Management of the Portfolio: who decides what the portfolio contains and how it is managed?

A. Questions about control and management of the portfolio:

1. Who has final authority over the portfolio — e.g. archbishop, board of trustees, investment committee? If a committee or board, who are its members?
2. Is there an investment policy committee? To whom does it report? What are its functions and authority?
3. What, if any, is the stated policy of how the portfolio is to be managed?
4. Who manages the portfolio?
5. Is the portfolio divided into such categories as “restricted” and “unrestricted” funds? Is there any difference in how these are used?
6. Is the portfolio stock voted? By whom? How have minority shareholders’ resolutions been voted?
7. Who can find out what the portfolio contains? Is it a matter of public record?
Restricted to _____?

II. Contents of the Portfolio: what is the money being used for?

A. Questions about the portfolio in general:

1. How much of the portfolio is invested in minority banks or other businesses?
2. How much of the portfolio is invested in the top 50 defense contractors?
3. What kind, if any, of government bonds are included in the portfolio?
4. Have any corporations included in the portfolio been in the news recently about an issue of possible concern to your group?

B. Questions on specific corporations included in the portfolio:

If you are interested in one or more particular corporations — to see what kind of handles you might have on the corporation in addition to stock, how realizable your goals for change are — you will want to know:

1. Is it an independent or a subsidiary corporation? If the latter, who is the parent company?
2. What, very briefly, is the corporation’s history of growth?

3. Where are the corporation headquarters?
4. Who are the chief executive officers? Who are the board of directors? What other boards do they sit on? To what civic and social groups do they belong? Which churches do they belong to? How many shares of stock does each own?
5. What are the corporation's main products? Total sales?
6. Who are its clients — consumers? business? government?
7. How many individual and institutional stockholders are there? How many shares does each group hold? Are there any geographic concentrations to the shareholders?
8. What is the corporation's record in such areas as:
 - a. Environment
 - 1) What is the nature of the environmental control programs of this industry and how much will be needed to achieve results?
 - 2) What amount of cost will be borne by the industry, the stockholders, and/or the consumer? What amount of the cost will in part be alleviated by tax incentives?
 - 3) Does environmental improvement conflict with the continued economic growth of this company?
 - b. Land
 - 1) Does the corporation hold large tracts of land? How were they acquired? How are they used?
 - 2) Is the primary purpose of land holdings to maintain tax shelters?
 - 3) Does the corporation hold large tracts of agricultural land?
 - 4) What effect do these large agricultural land holdings have on the small farmer and the farm worker?
 - c. Advertising and Consumer Interests
 - 1) How much does this company spend yearly on advertising, and what percentage is this of the net income?
 - 2) Is there or has there been any litigation against this company for false advertising, or regarding the health and safety of its product?
 - 3) What remedies does the company plan?
 - d. Labor and Minorities Policies
 - 1) What is the total domestic employment of the company?
 - 2) What percentage of Blacks, Indians, Spanish-Americans, women and other minorities are included in the following categories: Directors, Top Officers, Management, Technicians, Professionals, Labor — both skilled and unskilled?
 - 3) What is the estimated salary and pension for each of the above groups?
 - 4) Does the company have an Affirmative Action Program?
 - 5) Are the employees unionized? In what union?
 - 6) Are there particular health and safety hazards connected by employment in this industry? What is the industry doing about this?
 - e. Military Contracts
 - 1) Does the company encourage government contract work? What is the nature of the work in terms of products and services?
 - 2) What percentage of total sales and net income is derived from government contracts? What percentage of total employees work on these contracts?

3) Are employees released once the contract is terminated?

f. Foreign Operations

- 1) In what countries is the corporation active?
- 2) What percentages of revenues from operations remain in each country?
- 3) What is the company's rationale for involvement in politically repressive countries such as South Africa, Portugal, Angola?
- 4) What reciprocal privileges are afforded the company by the country's government?
- 5) What percentage of the company's employees are nationals? at what levels?
- 6) What percentage of stock ownership is held by nationals?

g. Taxes

- 1) How much does the corporation pay in local, state and Federal taxes? Or does the corporation have an agreement on payments in lieu of taxes?
- 2) Is the value of the corporation's real and/or personal property determined by the public assessor or the corporation's own estimate?
- 3) Corporations engaged in defense work often lease their equipment from the government. What is the local regulation regarding the tax value of this equipment?

h. Benevolences

- 1) How much does the corporation give annually in charitable contributions?
- 2) Does it have a stated policy on these contributions?
- 3) To whom and how much has the corporation contributed?

ADDENDUM OF SOURCES FOR INFORMATION

Corporate Information Center, 475 Riverside Drive, New York, NY 10027; (212) 870-2295 — excellent source of information on specific corporations, corporate—action groups, and the current status of church efforts in corporate responsibility and church investments; their *Corporate Responsibility and Religious Institutions* (\$2.95) contains an extensive bibliography; CIC will also contract to evaluate a portfolio according to social responsibility criteria.

Justice and Peace Committee, National Federation of Priests' Councils
1307 S. Wabash Avenue, Chicago, IL 60605; (312) 427-0115.

Council for Corporate Review, 212 West Franklin, Minneapolis, MN, 55404; (612) 336-3619 — a Minneapolis-based corporate-action group that has been involved in major campaigns with defense contractors and electric utilities, working primarily with local and national church bodies; a good source of information on conducting a local action campaign.

Project on Corporate Responsibility, 1609 Connecticut Ave., NW, Washington, DC 20009; (202) 387-3210 - a national group, supported by churches, which has waged numerous public-interest proxy contests; a good contact for help in filing shareholder resolutions, Security and Exchange Commission regulations, proxy solicitations, and all other aspects of a minority shareholder proxy contest.

ADDITIONAL READINGS AND SUGGESTIONS

Social Responsibility and Investments, Charles W. Powers, Abingdon Press, Nashville, 224 pp, \$3.50 — a general rationale for socially responsible church investments and an analysis of Protestant action in the area up to 1971.

Simon, Powers and Gunnemann, *The Ethical Investor*, New Haven, Yale University Press, 1972 208 pp, \$2.95 — a definition of corporate responsibility, and a discussion of the responsibilities of the university as an investor, including treatment of the legal aspects of investment responsibility, “Suggested Guidelines. . .” and examples of how these guidelines might work in specific cases; particularly helpful for those concerned with investment policy committees.

Corporate Responsibility and Religious Institutions, Second Edition, Corporate Information Center, 475 Riverside Drive, New York, NY 10027, 109 pp, \$2.95 — good suggestions on how to research a corporation and extensive bibliography of groups and readings under such categories as “environment,” “military industrial complex,” “consumerism,” “corporations and social responsibility.”

Preliminary information on a corporation can be gained from the company’s annual report (available from the public affairs office), proxy statements (available from any stockholder) and a prospectus (filed with the Security and Exchange Commission every time the company makes a public offering of bonds or stocks).

Moody’s Industrials, Banks and Finance Utilities and Railroads manuals provide a quick history of the company, along with current information on the company’s financial status, directors, subsidiaries, etc.

Poor’s Register of Corporations, Directors and Executives indicates what the company makes and is a good beginning point for information on the company’s directors and executives; more information can be gathered from *Who’s Who*, particularly the specialized editions, and *Current Biography*.

After some preliminary information has been gathered, interviews with persons within the company can often prove useful, depending on how much one already knows about the company, how specific the questioning can be, and whether the answers can be verified through independent sources.

TASK FORCE MEMBERS

Rev. Stephen Adrian
Chairman, Justice and Peace Committee
St. Paul-Minneapolis Presbytery
Minneapolis, Minnesota

Rev. Edward Flahavan
Director, Urban Affairs Commission
Archdiocese of St. Paul-Minneapolis
St. Paul, Minnesota

Rev. Charles Froehle, S.T.D.
Professor of Theology
St. Paul Seminary
St. Paul, Minnesota

Rev. William Moore, O.P.
Staff, Urban Affairs Commission
Archdiocese of St. Paul-Minneapolis
St. Paul, Minnesota

Mr. Fred Smith
Director, Center for Urban Encounter
Minneapolis, Minnesota

Illustrations

Rev. Patrick Marrin, O.P.
Center of Studies in Religious Education
Chicago, Illinois

Coordinator of Task Force:

Rev. Donald Barga, O.M.I.
Associate Director of Minnesota Joint
Religious Legislative Committee
Minneapolis, Minnesota

PARTICIPANTS IN HEARING

(by invitation)

The task force received helpful criticisms of the drafts of this paper from the individuals able to respond to the invitation to the “hearing.” The usual exculpatory dispensations are bestowed on these participants, inasmuch as some might disagree with one or more of our recommendations. The National Federation of Priests’ Councils is deeply grateful for their participation and contribution.

Rev. Eugene J. Boyle
Director, Justice and Peace Office
National Federation of Priests’ Councils
Chicago, Illinois

Rev. Michael Daniel, S.A.
Superior General, Atonement Friars
Secretariat of Region II of the
Conference of Major Superiors of Men

Rev. Jerome Hackenmueller
Co-pastor, Parroquia de la Señora del Valle
Puerto Ordaz
Venezuela, South America

Rev. Ellsworth Kneal
NFPC Delegate
St. Paul-Minneapolis Province

Mr. Al Meric
Vice-President, Wright’s Investment Service
Bridgeport, Connecticut

Rev. Dale Olen, OFM Cap.
World Justice and Peace Office
Milwaukee, Wisconsin

Rev. Joseph O’Rourke
Corporate Information Center
National Council of Churches
New York, New York

Ms. Victoria Wiery
Registered Representative with the
New York Stock Exchange
New York, New York

Ms. Mary Williams
President, Council for Corporate Review
Minneapolis, Minnesota