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INTRODUCTION TO THE SYMPOSIUM ON RELIGION AND INVESTING

Mark A. Sargent*

“Religion “and” investing” would not seem to have much to do with each other. What does the language of the spirit, after all, have to do with the rational calculation of self interest made by *homo economicus*? And what do religious values have to do with the massive flows of capital through global financial markets, the management of fund complexes, or the issuers of securities in which investments are made?

Surprisingly, and increasingly, the two do have something to do with each other. The phenomenon of faith-based investing is growing in significance, and deserves to be better known by the fund industry. In a symposium held at Villanova University School of Law in April 2002, fund managers, practicing lawyers and academics from different disciplines met to review both the practice of faith-based investing and its broader significance. The academic papers presented at the symposium are published in this issue of *Villanova Journal of Law and Investment Management*, in a departure from our usual focus on purely legal and regulatory issues.

The Symposium revealed some fascinating cleavages within the phenomenon of faith-based investing. While it bears some similarities to the now-familiar practice of “socially responsible investing,” the differences in religious perspectives and values among the actors in the field make it both different from socially responsible investing and internally disparate. A brief survey will show the outlines of the phenomenon.

First, “faith-based investing” involves many different faiths: Roman Catholic, mainstream Protestant denominations, Evangelical Protestants, Moslems and Jews. Some groups are more active than others, but many are represented. Second, as might be expected, different religious groups use different investment “screens” reflecting different values and priorities in their investment decisions, ranging from Islam's prohibition of interest, to Mennonite pacifism, to Catholic opposition to abortion.

Third, the phenomenon involves both mutual funds aimed at individual investors of particular faiths, and the practices of money managers responsible for the assets of religious organizations. There are, for example, faith-based mutual funds aimed at a wide variety of individual religious investors. On the other hand, religious organizations as disparate as Roman Catholic religious orders and dioceses and the pension funds of both mainstream and Evangelical Protestant denominations function, in effect, as institutional investors who manage their investments according to their own religious principles.

Fourth, faith-based investing sometimes involves essentially “negative” activity, i.e., the withholding of investment from companies engaged in businesses the religious investor disfavors, hence eliminating certain companies or even entire industries (i.e., arms manufacturers, movie producers) from investment portfolios. It also may involve the use of

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shareholding positions in a proactive way through the SEC-regulated proxy system, allowing religious investors to present proposals to management and other shareholders. This highly controversial practice is used by such investors to garner attention for their reform agendas in essentially the same way as secular activists, with whom they are sometimes allied. The Interfaith Center for Corporate Responsibility is the leader in this field, and pursues a generally left-oriented social justice agenda. More conservative religious institutions, in contrast, pursue a different agenda, presenting shareholder proposals that focus on their particular moral concerns.

The ideological cleavages within faith-based investing raise many questions about the purposes, effectiveness and ultimate meaning of the practice. To address some of these questions we brought together at our symposium Stephen Bainbridge, a lawyer (with a grounding in economics), Margaret Blair, an economist (with a grounding in law) and Samuel Gregg and Robert Kennedy, two philosophers. Their contributions to this symposium are intended to spur further discussion of the growing phenomenon of faith-based investing.