


# Vatican Calls for Economic Justice, Protection for Most Marginalized

Catholic  
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Investing

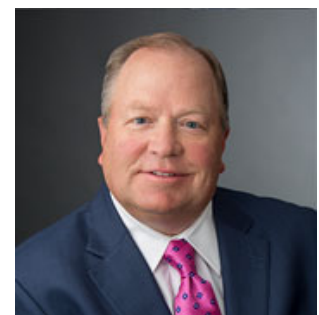


The Vatican published “*Oeconomicae et pecuniariae quaestiones*” (Questions on Economics and Finance) in late May, training a bright light on practices of banking and finance and their relation to the state of economic justice in the world today.

The paper, delivered jointly this spring by the Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development, calls for financial markets participants and regulators to seek to do more than just “not harm” with their actions. The paper directs these individuals and institutions to manage their behaviors and restructure global capital markets in a manner that ensures that markets do good, not just for investors, but for all the world, including its most marginalized members.

“CBIS is in support of the Holy See being more directly involved on these matters,” said Jeffrey A. McCroy, Chief Executive Officer. “We have been working in support of these efforts for the past 37 years.” (See sidebar, on page 2, “CBIS: A Force for Positive Change”)

The Vatican paper offers a detailed examination of conflicts between modern global financial practices and economic justice. While the document recognizes the need for efficiently functioning financial markets, it excoriates “predatory” financial behaviors, repeating Pope Francis’ 2013 Apostolic Exhortation that: “Money must serve, not rule.”



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Jeffrey A. McCroy  
Chief Executive Officer  
CBIS

# Vatican Calls for Economic Justice

## Key Points

In its key points the paper:

### **Decries the influence of financial markets on the quality of human relationships**

The global economy should be designed to help people reach their full potential, and each individual must rise to actively shape the economy to this purpose.

### **Calls for greater transparency, stewardship and responsibility.**

#### **Questions the sufficiency of regulation**

The document states that “it is clear that markets, as powerful propellers of the economy, are not capable of governing themselves.” Markets are not immoral, “provided they do not turn against the dignity of the person and are not indifferent to the common good.”

#### **Cautions against predatory and pure-profit-driven practices**

The document laments the lack of adequate regulations imposed following the global financial crisis to “neutralize predatory and speculative tendencies.” It expresses the view that: “Man is not in charge today, money is in charge, money rules ... men and women are sacrificed to the idols of profit and consumption.”

#### **Scorns financial transactions that have produced “manifest abuses and injustice” and “a capacity to create systemic and worldwide economic crisis”**

The document advocates more regulation to ensure ethical behavior in areas like executive bonus incentives, the operation of “offshore” financial bases, tax evasion and the outflow of capital from developing countries.



“At CBIS, we have found that building coalitions with like-minded investors and then presenting our findings and concerns to corporations is the best way to effect the type and magnitude of change envisioned by Pope Francis and expressed in the Vatican paper.”

Julie B. Tanner  
CBIS Managing Director  
Catholic Responsible Investing<sup>SM</sup>

## **CBIS: A FORCE FOR POSITIVE CHANGE**

**A history of initiatives, engagements and successes in the financial sector**



### **2017 Wells Fargo: Ethics**

CBIS joined other faith investors, raising concerns at a meeting with Wells Fargo's Vice Chair following a series of ethical violations by the bank.



**Deutsche Bank**

### **2016 Deutsche Bank: Refugees**

CBIS engaged with the bank and was influential in the institution's program of providing refugees displaced by war and conflict with financial products and services that could help them become part of the financial system and improve their lives.

# Vatican Calls for Economic Justice *Continued*

## **Calls specific credit securities and practices “usurious,” “iniquitous” and “harmful to the health of the economic system”**

The paper identifies subprime mortgages, credit default swaps, the growth of the shadow banking system and offshore transactions as contributing to inequities and hunger in the world.

## **Seeks ethical and socially responsible investing**

Advocates for investing in vehicles certified as socially responsible and engaging in shareholder actions meant to promote more ethical behavior by companies.

## **Expresses concern for the marginalized.**

The document is specifically concerned about the risk to the “majority of the men and women of our planet” at risk of being “excluded and marginalized.” The document condemns what it called a “reckless and amoral culture of waste” that has marginalized “great masses of the world’s population.”

## **Offers hope**

The Vatican document encourages people to work together and not feel intimidated by economic and financial systems.

This decidedly strong message is consistent with opinion from the Holy See dating back a half century and beyond. Still, its recent publication triggered widespread coverage and a broad range of responses.



CBIS created Partners for the Common Good in 1989. CBIS remains on the Member Board for this coalition of religious institutions committed to helping the poor and empowering the marginalized.

## CBIS INITIATIVES



### **2014 Wells Fargo: abusive credit practices**

CBIS' engagement with the bank culminated in Wells Fargo discontinuing its *Direct Deposit Advance* program, which was similar to payday lending, including hefty fees.



### **2011 Goldman Sachs: Ethics & Governance**

The bank strengthened its corporate governance guidelines following a three-year engagement with CBIS to bring attention to ethical and governance matters following the financial crisis.



### **2008 Payday Lenders**

CBIS embarked on a three-year campaign to encourage payday lenders to end predatory practices. The effort included filing shareholder resolutions at Cash America.



### **2005 JPMorgan Chase: Environmental & Human Rights**

CBIS led an investor group, reaching agreement with the bank to incorporate environmental and human rights guidelines into the bank's loans and investments and to establish the firm's Office of Environmental Affairs.



## Vatican Calls for Economic Justice *Continued*

At CBIS we participate, on behalf of many institutions of the Church, in the very global financial markets that sustained the Vatican's criticism. Our mission is to serve these Catholic organizations in a manner that integrates faith and finance, ensuring that investments are consistent with Catholic values and teachings. To do this we begin by screening out of our investors' portfolios any securities from companies whose products and practices violate Catholic doctrine.

Most importantly, we also engage corporations, encouraging them to adopt and follow business practices that support human dignity, environmental sustainability and social and economic justice. These engagement efforts are extensive. Representing our investors' shareholder status, we vote proxies, introduce resolutions and initiate constructive dialogue – all aimed at developing robust and substantive agreements with companies. In this way, we seek to be a catalyst for positive, moral change.

While the focus of our engagement efforts may shift over time, our dedication to Catholic principles never wavers. Our record of actions and initiatives seeking to reform practices in the financial sector is extensive. We have engaged banks to curtail abusive practices in the areas of

payday lending and subprime mortgages and we joined with other religious investors to encourage banks to direct capital in a constructive way to underserved, low-income communities.

In these efforts, we have been mindful of nuance, avoiding broad-brush characterizations and approaches. For example, we recognize that short-term lending facilities and subprime mortgages can deliver significant benefit to consumers when used responsibly. We focus our efforts on working with financial institutions to develop policies that set out responsible practices and the comprehensive frameworks that track their effectiveness in contributing to continuing improvement. (See sidebar, on page 2, "CBIS: A Force for Positive Change")

"The Vatican paper establishes a tone and direction for the world's financial systems to follow," said Julie B. Tanner, CBIS Managing Director for Catholic Responsible Investing<sup>SM</sup>. "At CBIS, we have found that building coalitions with like-minded investors and then presenting our findings and concerns to corporations is the best way to effect the type and magnitude of change envisioned by Pope Francis and expressed in the Vatican paper."

### About CBIS

A trusted investment provider serving Catholic institutions exclusively for more than three decades, CBIS seeks to deliver value in investment outcomes as measured by two bottom lines – one that tallies financial gains and another that measures the social and ethical behavior of companies in your portfolio against the teachings of our Church.

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