

FAITH AND FINANCE: A CATHOLIC CONSIDERATION

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Introduction

Faith traditions are grounded on their respective understandings of God that have been informed and nourished through a number of revelatory events. These revelations take place in and through the historical experience of communities and individuals and have been recorded in sacred books; through the grandeur and order of creation itself, and through the deepening and ongoing understanding that emerges from the lived experience of communities and believers across the world. The specific wisdom, teachings and truths that are constitutive of each tradition have as a horizon of reference the human-divine, the human-human and the human-earth relationships.

It is also important to acknowledge, from the outset, that the historical and scientific developments and perspectives on how the earth life systems upon which all activities depend have evolved—the big picture—do inform any reflection on faith and finance. The understanding that has emerged from scientific exploration about the origins and destiny of the earth as a living organism has important implications for both religion and ethics and can serve to interrogate any understanding of the principles that emerge from the sacred teaching and tradition of religion.¹ This approach, of course, may seem more obvious within religious traditions that see creation as God's first language and a primary source of revelation and a place where we can encounter the truth that God wants to reveal to us.²

The process whereby goods and services are exchanged, the workings of the financial system and the economic activities that constitute the system take place within the context of a particular world vision and the role of human agency in these relationships. The vision and teachings of a faith tradition provide both the principles and the moral compass to evaluate the value and virtuousness of the system and the morality of the specific decisions and instruments that constitute specific economic models. One often will find a significant level of agreement among the faith traditions

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about the vision and the set of universal principles that might be employed to evaluate the political, financial and commercial systems that are found in different parts of the world. Honesty, trust, truth, justice, mercy, sincerity, accountability, responsibility, transparency and do unto others as you would have them do unto you, immediately come to mind.

With these introductory remarks as background, let me turn to the wisdom and teaching of the Roman Catholic tradition and review both the vision and the principles that it provides to organize and evaluate our financial systems and order the activities of our economic life. This review will hopefully also identify some of the challenges that the contemporary financial reality brings to that tradition.

The Foundation of Catholic Social Teaching

Catholic Social Teaching is rooted in the dynamic interplay between the teaching of the scriptures, the lived tradition of the church that includes a positive evaluation of the contribution of human reason, and the active presence of the Holy Spirit in the leadership of the church and the lives of the faithful. We will in turn review each of these diverse sources and briefly review the teaching that emerges.

Hebrew Scriptures

In the early books of the scriptures we read that God created human beings in his image and likeness, that God created the whole world (Genesis 14:19–22; Isaiah 40:28; 45:18) and that God looked on everything that he had created and saw that it was “very good” (Genesis 1:31). One theme that flows from this theology of creation is the belief that no aspect of human life is outside of God’s care and concern. God remains always present to creation, and creative engagement with what God has made is itself reverence for God.

Human beings are called to share in the creative activity of God and, according to the Book of Wisdom, they are “to govern the world in holiness and justice, and to render judgment in integrity of heart” (Wisdom 9:3). They are therefore considered to be co-creators, cooperating in the work of the creator. They did, however, turn away from God and gave to creation the obedience due to God alone. The Bible castigates both the worship of idols and the manifestations of idolatry, such as the search for unrestrained power and the desire for great wealth (Isaiah 40:12–20, 44:1–20; Wisdom 13:1–14:31; Colossians 3:5, “the greed that is idolatry”).

Throughout the history of the people of Israel, the Covenant that God makes with his people is captured in the different commandments and laws that are found throughout the biblical tradition (Exodus 20:1–17; Exodus 20:22–23:33). It includes God’s steadfast promise of love (*hesed*) and fidelity

(‘emeth) and the promise by the people to fulfill their side of the covenant by worshipping God and directing their lives according to His will.

Laws such as that for the Sabbath year when the land was left fallow (Exodus 23:11; Leviticus 25:1–7) and for the year of release of debts (Deuteronomy 15:1–11) summoned people to respect the land as God’s gift and reminded Israel that as a people liberated by God from bondage in Egypt, they were to be concerned for one another, especially the poor and oppressed in their midst. Every fiftieth year a jubilee was to be proclaimed as a year of “liberty throughout the land” and property was to be restored to its original owners (Leviticus 25:8–17, cf. Isaiah 61:1–2; Luke 4:18–19). The norms of the covenant: reciprocal responsibility, mercy and truthfulness were reflected in the codes of Israel.

The core of the prophetic tradition is proclaimed by the prophet Micah: “to do justice, and to love kindness, and to walk humbly with your God” (Micah 6:8, RSV). Biblical faith in general and prophetic faith especially, insists that fidelity to the covenant joins obedience to God with reverence and concern for the neighbor. The biblical terms that best summarize this double dimension of Israel’s faith are *sedaqah* (justice also translated as righteousness) and *mishpat* (right judgment or justice embodied in a concrete act or deed). The biblical understanding of justice gives a fundamental perspective to our reflections on social and economic justice.

God demands justice from the whole people (Deuteronomy, 16:20) and executes justice for the needy (Psalms 140:13). A key focus of the biblical understanding of justice is that the justice of a community is evaluated by its treatment of the powerless in society, the non-Israelites in the land. The Law, the Prophets and the Wisdom literature of the Old Testament all show deep concern for the proper treatment of such people. What these groups of people have in common is their vulnerability and lack of power. They are often neglected and without a protector or advocate. Therefore, it is God who hears their cries (Psalms 109:21, 113:7), and the king who is God’s anointed is commanded to have special concern for them.

Christian Scriptures

Jesus enters human history to announce the reign of God and its initiation in his life and teaching. He calls his followers to seek out ways in which God’s revelation of the dignity and destiny of all of creation might become incarnate in history. He warns against attempts to “lay up treasures on earth” (Matthew 6:19) and exhorts his followers not to be anxious about material goods but rather to seek first God’s reign and God’s justice (Matthew 6:25–33) and all things will be given to them.

When asked what was the greatest commandment, Jesus quoted the age-old Jewish affirmation of faith that God alone is One and to be loved with

the whole heart, mind and soul (Deuteronomy 6:4–5) and immediately adds: “You shall love your neighbor as yourself” (Leviticus 19:18; Mark 12:28–34).

Jesus offered a very clear picture of the last judgment (Matthew 25:31–46) when the nations of the earth will be assembled and will be divided into those blessed and welcomed into God’s kingdom or those cursed and condemned to eternal punishment. The blessed are those who fed the hungry, welcomed the stranger, visited the sick and imprisoned; the cursed are those who ignored the cries of the abandoned and neglected.

Jesus called his followers to a discipleship (Mark 1:14–15; Matthew 11:29) that involves a change of heart and imitating the pattern of Jesus’ life by openness to the will of God through the service of others (Mark 10:42–45). It is a model for those who suffer persecution for the sake of justice (Matthew 5:10). Nor did the death of Jesus mark the end of the disciples’ union with him. After the post-resurrection appearances and the gift of the Spirit (Acts 2:1–12), they became apostles of the good news to the entire world.

In the Gospel of Luke we are presented with a blueprint for Christian life that remains relevant today. Mary, the mother of Jesus, in the Magnificat prayer, rejoices in a God who scatters the proud in heart, brings down the mighty and raises up the lowly (Luke 1:51–53). The first public words of Jesus as he reads from the scroll of the prophet Isaiah are, “The Spirit of the Lord is upon me, because he has anointed me to preach the good news to the poor” (Luke 4:18; cf. Isaiah 61:1–2). Attached to this blessing of the poor, a warning is also issued: “Woe to you who are rich, for you have received your consolation” (Luke, 6:24). He warns his disciples about greed and the accumulation of abundant possessions and underlines this teaching by the parable of the man whose life is snatched away at the time he tries to secure his wealth (Luke 12:13–21).

This vision of creation, covenant and community, as well as the call to discipleship that demands a special concern for the poor and marginalized, which are articulated in the scripture, unfolds under the tension between the promise made by God and the ongoing work of creation. God’s kingdom has already been inaugurated but not fully realized and awaits complete realization under God’s providence.³

The Tradition

Early Christianity saw the poor as an object of God’s special love, but it did not canonize material poverty or accepted deprivation as inevitable. Few early Christians possessed wealth or power (1 Corinthians 1:26–28; James 2:5), though some were well off (Acts 16:14, 18:8). The early community at Jerusalem continued the concern that Jesus demonstrated for the poor by

distributing its possessions so that “there was no needy person among them” and held “all things in common”—a phrase that suggests shared material possessions, in the context of friendship and mutual concern among all its members (Acts 4:32–34, 2:44). Christians were a small minority in a hostile society in the beginning and cared for one another through generous almsgiving and sharing. The church fathers consistently reminded the early church that the goods of the earth were created by God for the benefit of all without exception and that all have special duties toward those in need.⁴

As followers of Christ strove to fulfill his teaching, they did so in very different historical and cultural contexts. Each century presented different challenges but there is probably no older or sharper dispute than that of the ethics of *interest* in the tradition. It is clear that there was a prohibition on the charging of interest on loans to the poor and the amassing of great wealth in the scriptures, but with the passage of time new interpretations of that teaching emerged. The early scholastics, like Aristotle, condemned the practice of interest on money because of the “sterile nature of money.” They nevertheless found that though it should be condemned intrinsically, it might be acceptable for extrinsic reasons. An example of the latter would be the loss sustained or the opportunity of profit foregone because of money that was out on loan.

Two key developments that spread rapidly across Europe in the late Middle Ages served to expand and intensify the already robust debate about debt and interest that had attracted great intellectual interest in the sixteenth and seventeenth centuries. The first was the growing acceptance of the idea that reasonable interest on a monetary loan under certain circumstances did not amount to illicit profit. This shift in mentality facilitated the growth and expansion of the banking system and therefore brought additional attention to the discussions about interest and usury. The second key development was the establishment and recognition of the limited liability corporation (LLC) as a separate “person,” a creation that presented a new set of questions and challenges about the responsibility and obligation of individuals to repay their debts. When we consider that the practice of charging interest had been strictly circumscribed in most of its forms for hundreds of years, these developments brought additional complexity and urgency to the debate.

While the church through the centuries condemned various practices concerning interest, it does not make the practice under all conditions a violation of justice. In Benedict XIV’s encyclical to the bishops of Italy, *Vix Pervenit*, in 1745, the practice of the later scholastics, which justified interest on intrinsic as well as extrinsic grounds, was deemed acceptable. The former notion, interest on intrinsic grounds, from their perspective, was

considered acceptable by distinguishing loans for production and those for consumption and seeing money loaned for production as productive or fertile. The encyclical “was extended to the universal Church by a decree of the Holy Office⁵ of July 28th 1835. . . . It is the last *ex professo* statement of usury by a pope. It is an espousal of the central scholastic position. It leaves a great deal unsaid.”⁶

Finally, in a series of decisions between 1822 and 1836, the Holy Office “ends all doubts and practical difficulties by publicly decreeing that the interest allowed by law may be taken by everyone.”⁷ These pronouncements settled the practical problem, without defining what a moderate rate of interest might be, but clearly left the theoretical question unresolved. This development and others in both the organizational structuring of ecclesiastical institutions and the financial system have led over time to the common practice of church institutions and organizations placing their financial assets in interest bearing accounts in banks and other deposit-taking institutions. This has also evolved into their availing themselves of the many other dividend producing investment vehicles and products that correspond to their operational needs and match their appetite for risk and sound management.

Guided by the teaching of the tradition, the writing of philosophers, theologians and the evolving natural law process, the church has continuously wrestled with the management of the temporal affairs of her institutions and organizations within financial systems that is built on the practice of deposits, credit and interest. She is also charged with the responsibility to articulate the basic principles in this arena for the good practice for discipleship, personal virtue and justice in society. Over the last 120 years, beginning with encyclical letter of Leo XIII, *Rerum Novarum* (1891), down to the writings and speeches of Benedict XVI, the popes and conferences of bishops have addressed more systematically in a series of letters and social encyclicals the rapid changes occurring in modern societies as a result of the Industrial Revolution, including those precipitated by the financial systems and economic models that have been established. These writings and the documents of the Second Vatican Council, which was held in the 1960s, are therefore especially significant for any consideration of and reflection on financial systems, economic life and how the faithful should participate in them.

Principles that have Emerged in the Tradition

Any reflection on the financial system and economic life today, from the Roman Catholic perspective, is therefore rooted in the biblical vision that we have inherited and is shaped by the rich and complex tradition of

Catholic experience and thought. The teachings and the principles in the area of finance and economics that have emerged in the tradition are offered for both the benefit and guidance of individual Catholics, catholic institutions and organizations and other actors in society, especially governments and more recently private corporations. These general principles may be enumerated as follows.

The Human Person in Community

Every human person is created as an image of God and the denial of dignity to any person is a blot on this image. The same God who came to the aid of an oppressed people and formed them into a covenant community continues to hear the cries of the oppressed and calls them to community that is grounded in His word. The “common good,” which means “the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and more easily,”⁸ is the expression of this belief. How we organize our societies in every sector—in economics and politics, in commerce and law and policy—directly affects human dignity and the capacity of individuals to grow in community. Economic life should enhance not threaten our life together as a community.

The Human Person and the Earth

To stand before God as the Creator is to respect God’s creation, both the world of nature and of human history. From the patristic period to the present, the Church has affirmed that misuse of the world’s resources or appropriation of them by a minority of the world’s population betrays the gift of creation, which is destined for and bestowed on all God’s people. The Church’s principle of the *universal destination of goods* is a clear and consistent reminder to all of the origin and purpose of the goods of the earth whose distribution is to be governed by the principles of fairness and solidarity.

Pope Benedict also reaffirms this principle when he writes:

At the same time we must recognize our grave duty to hand the earth on to future generations in such a condition that they too can worthily inhabit it and continue to cultivate it. This means being committed to making joint decisions after pondering responsibly the road to be taken, decisions aimed at strengthening that covenant between human beings and the environment, which should mirror the creative love of God, from whom we come and towards whom we are journeying.⁹

How we acknowledge our inherent dependence on the natural world and how we account for the use and depletion of natural resources within the financial system is critical for any comprehensive long-term sustainability planning.

Subsidiarity

This is among the most constant and characteristic principles in Catholic Social Teaching and refers to the human network of relationships and associations to which people belong and where they are free to develop and act. All people have a right to freely participate in the economic life of society through private initiative, through collaborative efforts, with the right balance between the public and private spheres and without the dominance of a centralized top-down authority. There is therefore an inherent preference that the freedom to legislate and decide about issues is the prerogative of local communities and as elected intermediary institutions they are deserving of protection and respect.

Solidarity

All members of society have a special obligation to the poor and vulnerable. “The exercise of solidarity within each society is valid when its members recognize one another as persons. Those who are more influential, because they have a greater share of goods and common services, should feel responsible for the weak and be ready to share with them all they possess. Those who are weaker, for their part, in the same spirit of solidarity, should not adopt a purely passive attitude or one that is destructive of the social fabric, but, while claiming their legitimate rights, should do what they can for the good of all.”¹⁰

The quality of the justice and goodness in a society is to be judged by the treatment of the poor, the widow and the orphan. This was also true of the justice that was constitutive of God’s covenant with Israel. It was measured by how the poor and unprotected—the widow, the orphan and the stranger—were treated. The kingdom that Jesus inaugurated and preached in his word and ministry excludes no one. The poor, throughout Israel’s history and in early Christianity, were the agents of God’s transforming power.

The Tradition and Financial Systems

At the systemic level, the tradition therefore offers a number of principles and criteria to serve as a compass to evaluate whatever financial system or economic model is operative. The 1986 pastoral letter on the economy by the United States Conference of Catholic Bishops is a good example of how these principles could work. They proposed the following questions for consideration and guidance as they began their reflection on the U.S. economy: “*What does the economy do for people? What does it do to people? And how do people participate in it?*”¹¹ An additional question that follows along the same lines and might appropriately be added today would be about the impact of economic activities and business models on the environment and on both local and global ecologies.

The universal principles of the faith that are available to examine and evaluate financial systems and economic models are grounded in the belief that God is the source of all creation and the construction, operation and regulation of all systems within that creation must be consistent with the fulfillment of the divine will. A prominent principle in the Catholic tradition is the protection and promotion of human dignity by respecting and loving one another and giving expression to this belief. Care and reverence for the earth, for instance, is another and this would resonate with many traditions, especially those who see the earth as a living system that is created by God as a blessing for all and must therefore be respected and safeguarded in all activities.

In order to serve the needs of all, especially the people living in poverty and the marginalized, and be based on a process that takes into account the earth as a living organism, financial systems must function honestly and equitably, be stable, transparent, accountable and be subservient to lawful political authorities who have a special responsibility for the common good. This could, in some instances, for example, justify the adoption of capital controls, temporary suspension of lending by banks and the placement of limits on the use of commodity markets for a speculative reason.

The Current Crisis

The wisdom of the tradition, especially as it is summarized in “*Caritas in Veritate*,” the recent encyclical from the Holy Father, is instructive and prescriptive in a number of different ways about the financial meltdown of 2008. These teachings can be divided according to the audience that is addressed and specific objectives but one must always keep in mind the coherency that exists between them. The encyclical takes for granted in its perspective the existing global financial system but also acknowledges that a number of unique tools, models of commerce and trading arrangements may exist on the periphery of the system or in communities or societies that are bound together by a common culture, set of values or beliefs.

It is important to reiterate from the outset both the dynamic conversation between faith and reason that exists in the tradition and the prominent place that reason and the intellect are given in the development and understanding of specific teachings and principles. There exists therefore openness to the various areas of learning and understanding that have been developed through the centuries and a commitment to allow those discoveries and principles to inform and enhance the understanding of the Holy Scriptures, the lived experience of the church and their application to modern life. An in-depth study, for instance, of the acceptance of interest and the prohibition against usury that has developed over time would be a clear

example of this approach. One could also look at the evolution of the Church's teaching on religious liberty or the acceptance of the concept of the democratic state as other examples of the evolution in the tradition over the past 200 years.

While there does not appear to be any reconsideration of the Church's position on the separation of church and state in response to the current financial crisis and the establishment of a financial system based only on the teachings of the tradition, there is a clear call for the engineers and regulators of the financial system to revisit some of the teaching and wisdom of the faith traditions as they work to reform and reduce the instability that emerged during the current crisis. The practice of excessive and highly speculative risk taking, especially in as much as they are of such a scale that they increase the level of systemic risk, must be examined and monitored in terms of their potential impacts on the common good. In the same way the impacts of the use of derivatives, credit default swaps and other activities such as short selling on the stability and soundness of the financial system and therefore the well being of communities across the world must be monitored and evaluated.

We have already reviewed a number of specific teachings and principles that are relevant to both the analysis and understanding of the current financial crisis but let me summarize them as we find them in the encyclical. I will examine consecutively the role and responsibility of government; the purpose and rules of financial activity; the responsibility of the institutions and investors who invest in the capital markets, the code of conduct for those who work in the financial services arena and the behavior of individuals.

Role of Government

The role and responsibility of the political community for the pursuit of the common good and therefore the governance of the financial system is articulated clearly by Pope Benedict when he writes, "Economic activity cannot solve all social problems through the simple application of *commercial logic*. This needs to be *directed towards the pursuit of the common good*, for which the political community in particular must also take responsibility."¹² The establishment of the rules and regulations whereby economic activity is directed to the achievement of a specific social purpose is a particular responsibility for the political community. The specific role of government is further elaborated in response to the "grave imbalances" that "are produced when economic action, conceived merely as an engine for wealth creation, is detached from political action, conceived as a means for pursuing justice through redistribution."¹³ Regulation and appropriate penalties for reckless speculation, undisclosed liabilities and risk taking that

can lead to a system-wide meltdown must be enforced and monitored by government authorities if the common good is to be served and protected.

Another set of questions emerges when one considers the global financial system as it exists today and is utilized by many global corporations as an operating platform. This reality presents government with a unique set of challenges to act collectively in such bodies as the G8, the G20 and the G77 or at the United Nations to provide a framework for both the smooth and fair functioning of financial markets and the service of their respective citizenry and at the same time addressing the great inequities that exist between countries and regions across the world. Pope Benedict in his encyclical reiterates the call of Pope John XXIII nearly 50 years earlier of the need for “a true world political authority” to manage the global economy and “to seek to establish the common good, and to make a commitment to securing authentic integral human development.”¹⁴

The encyclical goes on to recognize that the very existence of a global financial system with many global corporations operating from that platform presents some very unique challenges to this principle. It therefore goes on to point out the need for a global authority, not government, to regulate, monitor and revive local and regional economies.

Economic Activity

Among the operating elements, challenges and tools that constitute a functioning financial system are liquidity, stability, transparency, savings, capital adequacy, accountability, regulation, monitoring, taxation, systemic and credit risk management and innovation. The role of tools like credit default swaps that are mechanisms used to transfer risk and hedge exposure also come to mind. These and many other activities and tools are constitutive of the functioning of the system and the operation of economies at the country, regional and global levels. Overnight, they can have rapid significant positive or negative impacts on the lives of people in different corners of the world.

The church understands its role in monitoring and evaluating these activities and instruments not in themselves, but especially in how they are used by individuals, by public and private institutions and through the optic of their impact on the poor and marginalized. The encyclical clearly reminds us that, “Efforts are needed—and it is essential to say this—not only to create ‘ethical’ sectors or segments of the economy or the world of finance, but to ensure that the whole economy—the whole of finance—is ethical, not merely by virtue of an external label, but by its respect for requirements intrinsic to its very nature.”¹⁵ In addition, the church teaches “that *justice must be applied to every phase of economic activity*, because this is always concerned with man

and his needs. Locating resources, financing, production, consumption and all the other phases in the economic cycle inevitably have moral implications. *Thus every economic decision has a moral consequence.*¹⁶

It may therefore be asserted that economic decisions that fail to take into account the social and ecological consequences of the activities that they facilitate are not consistent with the teaching of the church. It is important also to recognize the level of congruence between this teaching and the direction of the socially responsible investment movement. The movement has now developed a body of research and analysis to measure some of the social and ecological impacts of economic activities and to also demonstrate that the impact of such considerations on expected return is negligible.

Responsibility of Investors

The teaching of the tradition is available to inform and guide the activities and decisions of all investors. It strives to promote a sense of stewardship over ownership, a reasonable balance between risk and return and between fiduciary responsibility and the promotion of the common good. The teaching of the Ten Commandments, as found in the scripture, is the source for the customary prohibitions on greed, cheating, fraud, robbery and deceit. Many of these are already enshrined in the laws of different societies even those that are made up of citizens who follow different religious beliefs and traditions. Many other faith traditions share these commandments and they may be identified in most countries as the virtues and customs that most societies rely on to function.

In addition to the commandments, the virtues of prudence, justice, solidarity and mercy are also a part of the framework that is provided for those responsible for investment decisions. The tradition also recommends the use of many of the tools that have been developed more recently to both avoid investments that are inconsistent with the teachings of the faith and to seek out positive social impact investments that contribute to the promotion of the common good. In many situations these approaches will be pushing against the standard practices of the financial sector that operates primarily from the maximization of profit principle and has resisted efforts to introduce social and ecological consideration into the investment process.

The same response is expected from catholic institutions and organizations as they navigate their presence in different societies around the world. They are expected to follow the laws and regulations that are enacted for the good of society as a whole, but in addition, to integrate into their activities and practices the additional standards and principles that are consistent with the teaching and practice of the faith tradition. For example, to sustain their extensive operations, religious organizations and institutions have

become active participants in the financial system and financial markets; they are expected to do this within the parameters and guidance of principles that are consistent with the faith tradition. This includes evaluating and monitoring the institutions with whom they do business and having a more active ownership of the positions they hold in corporations and financial institutions.

The use of specific tools, instruments and practices that are part of the financial markets and the market economy today are expected to be evaluated according to the same criteria. Hedge fund practices and private equity operations need to be evaluated not only according to their objectives and business models but also in terms of the amount of risk that they may be introducing into the system as a whole that can negatively impact the broader community. Securitization practices, excessive leveraging, short selling and any highly speculative activities, especially purely speculating on commodity prices, also deserve special scrutiny. Investing in life-sustaining commodities for purely speculative reasons should be avoided because of the disastrous impact such activities can have on the price of staple food prices, wages and safety for workers and the future of local communities, all of which are integral to the support of the common good.

Responsibility of Financial Managers and Businesses

While referring specifically to the responsibility of those in the financial sector and taking into account their roles in the financial meltdown, Pope Benedict writes that “Financiers must rediscover the genuinely ethical foundation of their activity, so as not to abuse the sophisticated instruments which can serve to betray the interests of savers.” The demands that are intrinsic to an ethical framework are not inconsistent with the achievement of positive financial results.

Turning his attention to the responsibilities of corporations in societies, the Holy Father reminds all that “the entire financial system has to be aimed at sustaining true development. Above all, the intention to do good must not be considered incompatible with the effective capacity to produce goods.”¹⁷ The social responsibility of corporations includes the interests and well-being of all stakeholders who contribute to the success of the enterprise, and this includes the local communities where they are located and operate.

The “short term” thinking that often drives businesses to meet specific stock market and shareholder expectations is judged inappropriate because of the negative impact such activity can have on social and ecological concerns and responsibilities. “What should be avoided is a speculative *use of financial resources* that yields to the temptation of seeking only short-term profit, without regard for the long-term sustainability of the enterprise.”¹⁸

Alternative Faith Based Models

Followers of particular faiths have created many different economic models and practices. One immediately thinks of cooperatives, microfinance schemes and credit unions. These models have, for the most part, operated on the margins of the prevailing financial systems though they may at times avail themselves of some of the credit mechanisms and services that the system offers. One example is the Mondragon system that was created in Spain. From its origins 40 years ago as an employee-owned cooperative manufacturing paraffin stoves, Mondragon has grown to 160 employee-owned cooperatives, involving 23,000 member owners, with sales grossing \$3 billion dollars U.S. in 1991. Statistics show the Mondragon cooperatives to be twice as profitable as the average corporation in Spain with employee productivity surpassing any other Spanish organization. It has its own bank, a research institute, an entrepreneurial division, insurance and social security institutions, schools, a college, a health maintenance system and a health insurance cooperative. It is focused on relational cooperatives dedicated to the common good.

On the margins and the edges of the formal and dominant financial sector, one finds a variety of models of financing and economic activity that were initiated and shaped by both the beliefs and values of the individuals, communities and the institutions that use and participate in them. Many place limits on some of the usual practices that operate in the market place in favor of those activities that support a more communitarian risk sharing approach. These models and activities are grounded on the virtues of justice, community, solidarity, love and sharing.

Pope Benedict XVI encourages these types of activities and developments by suggesting that “space also needs to be created within the market for economic activity carried out by subjects who freely choose to act according to principles other than those of pure profit, without sacrificing the production of economic value in the process. The many economic entities that draw their origin from religious and lay initiatives demonstrate that this is concretely possible.”¹⁹

New and creative prospects for investment in local initiatives and communities continue to emerge and provide opportunities to the faith inspired or responsible investor. Many of these are at a fixed rate of interest that is below the market rate but are connected to local communities and created to promote and sustain strong local neighborhoods and communities. These community development loan funds and institutions provide an excellent opportunity for believers to make investments that are consistent with their faith and active participation in local community development.

The *shari'a*-compliant funds that have been established by followers of Islam who seek to integrate the principles of their faith into the management of their financial assets, are clear examples of answers to the call by the Holy Father to create alternative faith based funds and practices for believers. These exist and operate both parallel to and on the margins of the dominant financial system, and are grounded on the practice of faith and founded on a vision of community well-being that is consistent with the Islamic tradition.

Conclusion

This review of the teaching of the Roman Catholic tradition as it relates to finance and financial systems and their activities set out to explore the contribution of the tradition and how that living tradition continues to inform and evaluate contemporary economic activities and financial systems and guide the decisions and behavior of investors. This included an elaboration of the set of principles that are grounded in the scripture and the lived experience of the community and a consideration of how these principles operate as a moral compass to evaluate a financial system in terms of its contribution to the well-being and future of both people and planet.

It furthermore presented the teaching and universal principles that the tradition offers about the responsibilities of governments to create a legal foundation, establish a regulatory framework for the financial system and develop a reliable structure to monitor the different aspects of economic activity. In reviewing the tradition and the most recent encyclical of Pope Benedict XVI, the chapter highlights the specific analysis and observations on the causes of recent financial crisis as well as the guidance that is offered about the responsibilities of different constituencies to ensure that the financial system functions in the service of the common good. The chapter also looked briefly at some of the specific small-scale projects, initiatives and models that faith communities have established as an alternative to prevailing financial models and practices.

We have seen, in this brief excursus through the teaching and reflection of the Catholic tradition on financial activities and practices and on the specific practice of lending at interest, that the intersection of the teaching with the lived experience of the community across the European continent was the source of vigorous debate and resulted in a doctrine that evolved over time. A salient feature of that process was the way in which teachers and thinkers drew on the broad currents of civil, legal, political and theological developments of the period to formulate the principles they developed to guide behavior in the market place.

This practice was most evident during the scholastic period where thinkers, philosophers and legal scholars, who were looking for a broader natural law foundation for the theological revealed teaching of the tradition, participated actively in the dialogue that was emerging because of the new and innovative practices in the commercial sector. This was entirely consistent with the broader conversation between faith and reason that both intrigued and fueled the centers of learning during of the time. The presence of the supreme teaching authority of the papacy to define acceptable practices at different periods was also an essential ingredient in the evolution of the teaching and understanding.

These unique developments, from within the Catholic tradition, could prove to be a fertile field for study and dialogue with the Islamic tradition as they each continue to reflect on their participation and relationship with the assumptions and practices of the dominant contemporary financial system. Can the traditions working together be a source of critique and analysis of the benefits and social purpose of specific economic activities and financial institutions that are part of the dominant financial system? With the stream of new products and innovative services that the financial sector continues to uncover and create, the combined wisdom, experience and insights of the traditions may be invaluable in both guiding the practitioners of the respective faiths and engaging the constantly evolving world of finance.

Endnotes

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3. National Conference of Catholic Bishops, *Economic Justice for All*, (Washington, DC: United States Conference of Catholic Bishops, 1986), nos. 30–44.
4. *Ibid.*, nos. 48–60.
5. The Roman Congregation charged with the supervision of Catholic doctrines and morals.
6. J. R. Noonan, *The Scholastic Analysis of Usury* (Cambridge, MA: Harvard University Press, 1957), 357.
7. *Ibid.*, 377.
8. Second Vatican Council, *Pastoral Constitution on the Church in the Modern World*, no. 26 in Vatican Council II, Volume 1: The Postconciliar Documents, ed. Austin Flannery, O.P., new rev. ed. (Northport, New York: Costello Publishing Co., 1992).
9. Benedict XVI, *Encyclical Letter, Caritas in Veritate: Charity in Truth* (Washington: United States Catholic Conference, 2009) no. 50.

10. John Paul II, *Encyclical Letter, Sollicitudo Rei Socialis: On Social Concern* (Washington: United States Catholic Conference, 1987) no. 39.
11. National Council of Catholic Bishops, *Economic Justice for All*, no. 1.
12. *Caritas in Veritate* no. 36.
13. *Ibid.*
14. *Ibid.*, no. 67.
15. *Ibid.*, no. 45.
16. *Ibid.*, no. 37.
17. *Ibid.*, no. 65.
18. *Ibid.*
19. *Ibid.*, no. 37.