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Money and Morality: Pathways toward a Civic Stewardship Ethic (2012)

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Money and Morality: Pathways toward a Civic Stewardship Ethic

Based on a plenary presentation made at the Ninth Harvard University Forum on Islamic Finance, held at Harvard Law School in 2010, less than two years after the 2008 financial crisis, this article argues for the restoration of ethical values and civic commitments in capitalism and economic enterprise, drawing on traditional religious, theological, and philosophical principles regarding the civic moral obligations associated with building and managing wealth. The article is divided into three main parts. It begins with an overview of reform measures emanating from the financial debacle, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, and an explanation for why movements from the late twentieth to the early twenty-first century involving ethical investing (including Islamic finance), corporate responsibility, and corporate governance can make significant contributions. The article continues with an overview of what four of the world's major religions—Christianity, Judaism, Islam, and Buddhism—have to offer to help stimulate broader public dialogue and frame change. It ends with a proposed vehicle and set of actions that involve the establishment of "communities of inquiry and practice" that draw on enabling technologies, such as social media and other digital interactive tools, along with pedagogical insights affecting teaching and learning. The goal of these communities of inquiry and practice is to build wider knowledge, heightened engagement, and improved performance among professionals, practitioners, and plain people regarding civic stewardship and fiduciary obligation in modern economic life.

Introduction

The worst may be over on Wall Street, but the hope remains that the crisis in global finance—what many called the second-worst financial crisis in the history of the world—will move issues of ethics and values to the forefront of public concern and, presumably, decision making and practice. That still has not happened, but there are signs that serious consideration of the normative side of economic decision making—and even the purpose of capitalism—may take place in 2012.[1]

Until recently, discussion of ethics and values have remained well in the background, as politicians, finance ministers, regulators, policymakers, lawmakers, corporations and institutional investors, and the media worked to remedy and restore capital markets to a healthy state. What is disturbing about their efforts is that much of what has taken place since 2010s Ninth Harvard Forum failed to deliver on the promise of restoring trust and integrity to the marketplace. Within the United States, unemployment remains high (hovering at 9 percent, although trending down to 8.5 percent in December 2011),[2] companies and CEOs continue to reap high rewards,[3] and ties

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between Congress and Wall Street are tighter than ever, enabled in part by a Supreme Court ruling allowing unlimited corporate political campaign spending.[4]

At the time this paper was presented, in March 2010, the global economic crisis was under way and continued to worsen, but the massive instabilities were yet to come. Beginning in late 2010 with a fruit seller in Tunisia, a ripple of protest turned into a flood. The recession continued its dampening effect (now extended to the Eurozone), authoritarian governments throughout the Arab world were toppled, and those who play by their own self-serving rules were confronted by collective outrage. The peoples' cry *"Enough!"* produced regime change in places where political conflicts previously were muffled by fear and brute force. (Whether or not the new regimes are any better is another question, as we're seeing in Iraq and Egypt; perhaps counter-revolution is part of the yin yang force found in physics and nature.) In other places—Spain, Greece, Israel, France, Britain, Russia, China, Syria—protesters sick of economic disparities and corruption called for reform.

In late 2011, these political and economic events combined to drive the emergence of the global Occupy Wall Street movement, particularly within the United States where street protests of this kind had not been seen since the civil rights movement or the Vietnam War. At issue: how financial engineering has split society into pieces, with vast wealth, privileges and status accorded to the top 1 percent and the entrapment and struggles of everyone else. Occupy Wall Street protestors turned out in droves throughout the world, while those who stayed home continued to wonder why cheaters and lawbreakers never get punished, despite the collateral damage.

So where are we now? In this essay, I argue that efforts to reform our financial systems should also involve the broader goal of restoring an ethical and civic moral dimension to economic life. This can happen through reframing and re-visioning what capitalism and economic activity are supposed to do, to generate meaning and value in our lives. I draw upon the principles of world religions, theology, and humanist philosophy in thinking about implications for professional practice. I argue that the corporate responsibility, corporate governance, and ethical investing movements, as well as Islamic finance, have much to contribute to this renewed consciousness of the moral purpose of capitalism, of values in public life, because they stem from a set of guiding concepts and vocabulary with civic moral meaning.

At a deeper level, these ideas and words are rooted in world religious, theological, and humanist traditions regarding the civic moral obligations of wealth. Yet this dimension remains neglected by policymakers, financial professionals, the media, and even corporate social responsibility and sustainability practitioners who often are preoccupied with "measuring what matters" and fighting climate change—itself a moral prerogative—rather than keeping in mind and engaging in wider public dialogue about larger civic moral meaning and purpose. Islamic finance has much to offer in stimulating this public dialogue and frame change about economic stewardship as it seeks to apply *shari'a* law to its transactions.

A suggested vehicle for getting started: establishment of a series of "communities of inquiry and practice" along with broader public dialogue that take advantage of enabling technologies such as social media and other digital interactive tools, so that professionals and plain people can deepen their understanding and improve performance about the practice of civic stewardship in modern economic life. We desperately need this kind of conversation, which should include citizens as well as practitioners. These initiatives, coupled with others, might help revive a more ethically informed marketplace less impoverished along moral lines, and more suited to sustainable prosperity and justice, for all.

Our Current State

Within the United States, we are slowly emerging from the worst economic circumstance since the Great Depression, affecting not only major institutions and sectors—banks and other financial services, the housing and automotive sector, for example—but also individuals and families. Amidst public resentment toward bailouts and bonuses, Congress and the executive branch continue to grapple with legislation and rulemaking that alter regulatory system, affording greater consumer, investor, and taxpayer protection. These changes in financial regulations place new responsibilities on institutional investors, requiring new forms of engagement, education, and behavior. Meanwhile, investigations into the causes and culprits behind the disaster continue apace, although whether anyone gets punished remains to be seen.[5]

On the regulatory side, in the summer of 2010 the U.S. Congress passed what has been called the most sweeping piece of financial legislation since the Great Depression. Named after its two key proponents, Rep. Barney Frank (D-MA) and then-Sen. Christopher Dodd (D-CT), the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law by President Obama on July 21, 2010.[6]

Among its provisions: an end to "too-big-to-fail" bank bailouts; an advance warning system on systemic risks; greater transparency and accountability on "exotic" investments (such as derivatives and credit default swaps); stronger regulatory oversight and more aggressive investigation into financial fraud, conflicts of interests and manipulation of the system; and greater consumer protection. Also included are corporate governance provisions for "say on pay" votes and majority voting in board elections, as well as authorization for the Securities and Exchange Commission to adopt a proxy access rule. Overall, Dodd-Frank requires regulators to create 243 new rules, many of which fall under the watch of the SEC.[7]

More than 1,400 pages long, Dodd-Frank remains controversial for a host of reasons, ranging from perceptions that it is too unwieldy and will thus undermine capital efficiency and competitiveness, to beliefs that it is deeply flawed and fails to eliminate the problems that caused the crisis.[8] The most glaring omission in the law is what to do about Fannie Mae and Freddie Mac, two quasi-public agencies responsible for generating massive losses in the housing market, and costing the U.S. Treasury taxpayers $153 billion, a bailout tab that continues to grow, with no one able to predict how much it will ultimately cost.[9]

Worldwide, calls for reform continue, leading to passage of similar policies and guidance on what it means to be a trustee.[10] One such reform is the United Kingdom's Stewardship Code, which the *Financial Times* called "the first of its type in the world" and "designed to sit side by side with the U.K.'s code on corporate governance."[11] The Stewardship Code comprises seven core principles—including public disclosure of stewardship policy and approach to voting proxies, active engagement with portfolio companies and collective action with other investors—to which institutional investors would voluntarily comply, or explain why they would not.

Despite these measures, public ferment concerning trust in capital markets will continue to boil until there is a broader belief that duty, honesty, integrity, fairness, and transparency are given primacy of place. This is a mighty challenge, given the prominent role of financial services in the modern economy and the failure of reforms to address the moral dimension of economic decision making.[12] Unlike manufacturing or retail, the social, environmental, and governance imprints of the money business is hard to measure. It is an industry that creates value for a limited number of people—primarily its own employees—rather than creating vast numbers of good jobs, improving the quality of life, or conducting scientific breakthroughs. Profits do not create true value that accrues to a community and can inflict tremendous damage. Massive income and wealth inequalities remain in the United States[13] and elsewhere,[14] which can lead to political instability, violence and even regime change, as events in the Arab states demonstrated throughout the late winter and spring of 2011.

The financial services sector now dominates the U.S. economy and continues to grow; Gretchen Morgenson, *New York Times* assistant business and financial editor, told a Kennedy School gathering in April 2011 that since the crisis began in 2008, the U.S. banking sector has grown seven times faster than the U.S. GDP. Making matters worse, she said, is that Dodd-Frank does nothing to eliminate the threat of institutions that are too big and politically connected to be allowed to fail, despite their direct responsibility for the financial panic and attendant woes. On top of that, no high-profile participants in the disaster have been prosecuted or punished.[15] Yet in January and April 2011, two major reports—one from a ten-member Financial Crisis Inquiry Commission, the other from the U.S. Senate Investigations Subcommittee—were released, presenting both causes of and culprits in the crisis, and finding systematic breaches in accountability and ethics at all levels. Both reports had the same message: the financial crisis was caused by human actions, inactions, and misjudgments—warning signs that were ignored.[16] Only time will tell if justice prevails and trust is restored.

These values and others lie at the heart of the fiduciary ethic, rightly understood, which was eclipsed by the race to achieve profits at any cost, with whatever risk. Within a context where risk is diluted to virtually nothing—meaning one faces no fines, penalties, or other punishment for the results of one's actions, only rewards that enrich at the expense of others, most of whom are innocent bystanders with little knowledge of what has happened—our economic system has failed to deliver on its promise: that the playing field is open to those who chose to engage and that the game is not rigged in favor of a few.

While there are many good reasons to criticize those who have deceived to gain success, there also is a case to be made for our own failure to build a broader consensus for the change we seek to make. As we demand badly needed reform and condemn Wall Street buccaneers, I suggest that those of us who have called for the integration of social responsibility criteria into economic decision making reflect among ourselves about another insidious possibility: that we are at risk of losing our moral vocabulary and direction, our quest for values beyond meaningless generalities or quantifiable metrics. As Robert Wuthnow, Princeton professor and director of its Center for the Study of Religion, writes in *Poor Richard's Principle*, "Much of the Problem our society faces today in trying to bring its economic commitments back into alignment is rooted in the way we *think*, that is, in the moral frameworks we use in ordering our priorities and deciding how to lead our lives."[17]

We have become complacent in our respective niches, as a seismic shift has occurred in business thinking. As more companies, investors, regulators and intermediaries incorporate social and environmental factors into their decision making, we scramble for clients and subscribers, rather than create outlets for discussing what the moral roots of these matters and how we can do better. We have commercialized our commitments, without cultivating or converting them into public policy, public awareness, or public education. We have failed to develop a critical consciousness that examines the ways and means of doing business in a globalized world of limited resources, while reducing inequities and increasing opportunities for living a good life.

We have splintered into stakeholder groups and issue camps, our battles for legitimacy won but our battle for capitalism's soul lost—for now. We have polished our rhetoric and expertise in narrowly defined terms and communicate only with each other, rather than opening up the conversation to a more diverse group of participants, keeping our eyes on that larger prize: a vision of the public interest, the common good affecting all people, and our responsibilities for fulfilling it.

We have focused on tactics and strategies, on key performance indicators and other metrics, often to the exclusion of the larger ideals, hopes and aspirations—including justice, fairness, dignity and respect—that originally inspired so many of us to action. Rather than sequestered, they should co-exist, perhaps in tension but enriching discourse and decision making. At stake is no less than the future of civilization and community well-being, rather than whether or not one group's metrics are better or worse than another's, or one company's reporting format and story is better than another's, or one group's investment fund is better than another's. Put another way, economic rationality and its many applications exist in service to civic moral aims, just as economic behavior needs to be restrained by moral considerations—an idea that got lost in recent history, which landed us this mess.

Nota bene: Within the CSR realm, this realization surfaced again in March 2010, with two separate announcements of the "best" ethical or CSR companies made by two entities, *Corporate Responsibility Magazine*, and a group called the Ethisphere Institute. In both instances, questionable methodologies were used to determine what firms made the list. In the case of "100 Best Corporate Citizens," put together by *Corporate Responsibility Magazine*, a number of highly regarded companies with long-term commitments to CSR were not included. After checking into why, longtime CSR journalist Marc Gunther had this to say. "So what's wrong?" he wrote on his blog. "Essentially, the list takes a mechanistic approach that rewards structure and transparency—enacting policies, reporting and measuring data, and publishing all of that on a website—at the expense of substance."

As for the Ethisphere Institute, *Slate* magazine reporter Will Evans discovered that their list had validity and credibility problems. The Ethisphere Institute describes itself as "a leading international think-tank dedicated to the creation, advancement, and sharing of best practices in business ethics, corporate social responsibility, anti-corruption, and sustainability." In reality, it is a for-profit company, with an "advisory panel" of ethicists. According to *Slate*, several former members say they have had little, if anything, to do with it. Finally, "the Institute and an affiliated company sell services to and collect fees from some of the same companies Ethisphere extols."[18]

A Call to Action: The Need to Reassert Meaning and Public Engagement

Rather than take advantage of this sea change in business thinking to articulate its significance and
value to a wider public, we have remained within the rarefied air of our own institutions, talking to each other within our cohort circles, seemingly unable or unwilling to explain our actions, share our beliefs, engage in public debate, or mobilize support for building the kind of capitalism we want, and describing the vision it serves. We remain comfortable in our own moral rectitude, unwilling to form necessary alliances to combat suffering, injustice, inequality, ignorance, and other forces that poison public life around us.

My sense is that we have moved from flesh-and-blood activism to dispassionate and depersonalized, even parochial, professionalism. As corporate social responsibility, socially responsible investing, and now the term "sustainability" have evolved, so too has their routinization and insularity. Where once you could gather in one room those leaders and practitioners who built a movement, now there are literally thousands of providers and products from which to choose. Rather than focus on a vision embracing purpose, they focus on atomistic building blocks: how to write a sustainability report, how to communicate with stakeholders, how to vote your proxies.

Now that more companies issue sustainability reports (at last count, roughly 1,000 use the Global Reporting Initiative framework,[19] yet thousands more do not see the value in it), there is a danger that the spotlight will fixate on company numbers and narratives, rather than on norms and values that affect the broader system of which companies are but one part. The paradox of this progress is that as sensitivities to the environmental, social and governance ("ESG") dimensions of capital and corporate management grow, there seems to be less awareness of the greater good, the larger vision of sustainable prosperity and justice to which all this effort presumably is aimed.

Despite its sprawling infrastructure,[20] as demand for ESG services has increased, so, too, has the consolidation of the fledgling "industry." Once there were a number of specialized firms, including one co-founded by Steve Lydenberg called Kinder, Lydenberg and Domini. (The company has gone through several iterations since its beginning in a house on Dana Street in Cambridge: It later was called KLD Research & Analytics, then sold to RiskMetrics, a company that financial index and investment services firm MSCI bought for roughly $1.55 billion in 2010.) These specialized firms offered services to clients in ways that promoted public understanding, but now there is a low-key oligarchy, where oftentimes publicly-available knowledge is hard to get.[21] This is especially ironic in an open-source era, with Internet search engines providing timely information on unlimited topics. Gaining access to ESG information and shareholder resolutions, and their implications for a wider public, remains problematic unless you are looking for a specific issue covered by many websites (e.g., climate change or bonus pay/executive compensation) or are willing to provide private information for potential business purposes.

Three Propositions

In this article, I advance three propositions, all aimed at reinvigorating critical thinking and deliberation over why we do what we do, and inviting colleagues from other rooms in God's mansion to join us as we move along.

First, I briefly review the history of the CSR/SRI movement and its evolution into what we now call "sustainability," not from the standpoint of what has happened—historians can do a far better job of that than I—but from the standpoint of some of the key normative values and the source that informed them. I shall also touch upon the evolution of corporate governance and reporting within the broader context of accountability, although not with the attention it warrants. This history is rich in insights and has become much more exciting by current movement toward integrating financial and nonfinancial information into one unified report, as argued by Bob Eccles and Mike Krzus in their new book, *One Report: Integrated Reporting for a Sustainable Society*.[22]

My sense is that current practitioners may have forgotten these civic moral values, or lack a language for talking about them. They may be unaware of the rich traditions that guided those who pioneered this field, and may not comprehend the social compact, the spiritual resonance, that elevated the desire for human and ecological well-being beyond the limits of self-interest, politics, and markets.

Second, I argue that now is a propitious time to collaborate with those working in the field of Islamic finance, because we all can benefit from a deeper understanding of those religious, theological, and ethical ideas that animate our practice. I provide a small sampler of what I have learned and taught here, with respect to a vocabulary of values, certain faith traditions, and their teachings about the obligations of wealth. Indeed, I am reluctant to say much about Islam because I know so very little; I want to learn more about the values Islam brings to economic enterprise, and the implications for the work that we do. As for theological reflection—here, too, I am a novice, but know of rich repositories of related information—typically falling under the rubric "social ethics," from which we can draw, if we are willing. Indeed, our colleagues at ICCR are in a perfect position to help us with this, as well as participate.

Third, as a way of getting started, I propose the creation of a "community of inquiry and practice" that enables an ongoing process of dialogue and exchange. Relying upon virtual and face-to-face engagement, this community of inquiry and practice can help us achieve a broader and better appreciation for these values and their roots, as well as enable future possibilities for collaboration, education and innovation.

Laying the Foundation for Building the Bridge

Any current discussion of corporate social responsibility (CSR) and socially responsible investing (SRI)—as well as the related realms of social enterprise, venture philanthropy, sustainable business, and the integration of environmental, social, and governance (ESG) concerns into economic decision making and accountability—must begin with a recognition that we are in a very different place than when the modern "money and morality" movement began, some 40 years ago, here in the United States. Before turning to a discussion of bridges between this movement and Islamic finance, let us recall the evolution of the CSR/SRI movement—later to be joined by calls for better corporate governance and more disclosure and reporting, and more recent regulatory developments—so that a sturdier foundation might be laid, upon which that bridge can be built.

The Civic Moral Context: Controversy, Confrontation, and the Common Good

Within the United States, beginning in the mid-1960s, social turmoil, not economic turmoil, dominated the public policy landscape.

Back then, there was public concern about "equity," but of a very different kind. I shall refer later to the semantic roots of this term, and how it directly relates to the social justice meaning given here.

Back then, there were affirmative action pressures to open up boardrooms and civil rights pressures to open up ballot boxes. Blacks and women refused to be relegated to the sidelines, making their voices heard in ways that were to affect all institutions and organizations, and opening up pathways for others also harmed by discrimination: non-English speaking immigrants, the disabled, gays, lesbians and transgendered people.

Back then, there was public opposition to an unpopular war as well as weapons of mass destruction. Antiwar demonstrators calling for peace and justice put the military industrial complex on notice, demanding greater transparency and, as in the case of nuclear power plants, that they be shut down.

Back then, thanks in large measure to Rachel Carson's *Silent Spring*, there was recognition that unless we changed our ways, we might find ourselves living amidst environmental devastation.[23] In a bygone climate of civic engagement and bipartisanship, the belief that clean water and clean air are rights, not privileges; that endangered species and wilderness lands are to be protected, not bought and sold; and that certain pesticides and toxic waste were a menace to humankind—all of these met with widespread bipartisan support and resulted in the passage of new laws.

Back then, few worried that sometimes product malfunctions might injure people. Ralph Nader helped changed this way of thinking with the publication of *Unsafe at Any Speed: The Designed-In Dangers of the American Automobile*, ever more appropriate these days in light of Toyota's problems.[24] From then on, consumer protection and product quality and safety were viewed as legitimate matters.

Finally, back then, these respective movements—affecting civil rights, peace and justice, women's liberation, environmental stewardship, and consumer protection—were nourished by the religious and moral ideas, language, and symbols that comprise the beating heart of the American civic tradition. They existed within an ethos that recognized diverse perspectives while providing common ground.

Nowadays, the appeal is far more instrumental: that one can do the right thing, and profit, without having to concede any losses. Nowadays, even with the corporate civic responsibility overlay, the profit motive governs the direction of financial services and marketplace activity, rather than being in service to something larger, grander and far more enduring.

Since the birth of our Republic—a genealogical product of Enlightenment and religious traditions—these ideas, vocabularies and symbols have enriched the soil on which Americans found common ground, enabling personally held moral and religious convictions to find expression in how citizenship was defined. Even as there were carefully constructed divisions between church and state, notions of a "good society," a "common good," and a "commonwealth" were extensions of moral and religious beliefs, mediated by adherence to public reason, the rule of law, and a commitment to mutual honor and respect.

Notions of justice, liberty and fairness; of pluralism and diversity; of equity, "standing" and trust; of independence, vision and innovation; of freedom, self-governance, and self-determination; of political stability, safety, and security, were embedded in our social, cultural, and political life. These virtues helped define integrity—meaning, both literally and figuratively, their integration into the fabric of community, institutional, and individual life. They served as building blocks for our constitutional system of representative governance, enlivened by participation and public accountability. They were predicates, too, for our economic arrangements, because business was essentially about community.

Beginning in the late 1960s and early 1970s with FIGHT Kodak,[25] Campaign GM,[26] Dow Chemical's production of Agent Orange[27] and the Episcopal Church,[28] there were enormous social pressures on companies and institutional investors to eliminate discriminatory practices and promote equal opportunity for all. In 1971, the Interfaith Center for Corporate Responsibility (ICCR) was formed, now comprising 275 faith-based institutional investors.[29] Borrowing from the civil rights movement, the public actions taken during this period were accompanied by appeals to a civic moral consciousness that radiated Judeo-Christian religious themes, but were not restricted to them, including beliefs that:

- an all-knowing God, not mammon or the market, supersedes all authorities;
- we humans are called to an ethic of service, justice, and responsibility, especially in our professional and public life—a covenant, if you will, with God and for each other;
- human rights, a belief that each of us is made in the image of God, are a fundamental part of this covenant, thus enabling us to fight against oppression

and the diminution of human dignity;

- a pluralist, democratic society provides the free space—governed by the rule of just laws, subjected to ongoing critical assessment and revision—in which we respectfully work out our differences, in service to the common good;
- we are freely able to form associations—in addition to our membership in groups based on family ties, race, class, or jurisdiction—and that these incorporated entities, or "corporations," would be overseen by trustees who were accountable to the public interest obligations;
- as individuals and in communities, the covenant includes stewardship over the earthly realm of nature and her resources, another form of trusteeship that takes the long view of history; and
- our role in history is a tiny part of a longer journey toward a future destination, a New Jerusalem where life is transformed, that "city on a hill" to which John Winthrop referred when speaking of the founding of Boston.[30]

We have, of course, a long journey ahead of us before truly fulfilling these ideals, and I would be the first to say that we have made many horrible mistakes along the way. Democracy is a messy, unfolding project, and we still have much to learn, both within our own tradition and through insights gained from others, about how to do a better job.

But however imperfect and limited our progress, the "money and morality" movement that began more than forty years ago sprang from many of the same religious, theological, and ethical convictions that our forbears brought to public life. The idea was to make the American dream a reality and the country a better nation, with prosperity, liberty, and justice for all.

Sadly, this rootedness in historic civic moral traditions is lacking today, despite the advances that have been made in integrating social responsibility, environmental, and governance concerns across the range of economic decision making. While we can celebrate these tangible achievements—again, those of us of a certain age never dreamed we would come so far, in what feels like a short time—we should be alarmed by the fact that they appear untethered to a paradigm, ethos, or set of big ideas that can help us internalize a vision to help guide and assess our actions. You could argue that we have become a victim of our success, and that "the movement" is in danger of losing its soul. We need to dust off our moral compass and keep it in plain sight.

In addition to this depleted spiritual vessel, we suffer from an impoverished vocabulary. It is difficult to stir people's souls with terms such as social enterprise, sustainability, ESG (the acronym for using environmental, social, and governance metrics), social venture, or even that workhorse of a word, "responsibility." While perfectly appropriate for business cards, websites, or office doorways, there is no firepower in those words, no poetry, no spiritual resonance, no stirring call to action. This is in contrast to terms evoking image and emotion, such as justice, truth, trust, equity, duty, sacrifice, or liberty.

I shall return to this linguistic part momentarily, to show that there are historic precedents blending moral and economic meaning into one, reminding us that economic activity, rightly understood, is socially situated because it affects the life and well-being of people, of community—as well as the environment.[31]

From Confrontation to Collaboration: Stakeholders, CSR, Governance, and Reporting

During the late 20th century, the "money and morality" movement was led, appropriately, by institutions devoted to cultivating the mind and spirit. Churches, colleges, and universities advanced the proposition that companies and institutional investors had ethical obligations beyond the bottom line.[32] Today, these arguments are being advanced primarily by nonprofits and private sector, niche market organizations that have a stake in changing the system for the better, but tend to concentrate on their immediate goals and objectives, rather than visibly and verbally connecting them to their larger vision, much less a wider public.

Beginning with concerns about racial justice, urban unrest, and equal opportunity, early on the corporate social responsibility /socially responsible investing movement also addressed contentious issues of nuclear and military weapons, environmental degradation, and consumer protection. But by far the primary force driving advocacy and reform throughout the late 1970s until the early 1990s was apartheid in South Africa. That is when questions about “divestiture” (e.g., the sale of equity holdings with South African ties) and “disinvestment” (e.g., a corporate decision to withdraw subsidiary operations from South Africa) reigned supreme.[33] In short order, this was followed by similar pressures directed to institutions with economic ties to Northern Ireland and Burma.[34]

After Nelson Mandela’s release from prison in 1994, the CSR/SRI movement returned to the cause of environmentalism, now revitalized with the Exxon *Valdez* oil spill, which led to the creation of a coalition now known as Ceres.[35] Ceres borrowed from the South Africa playbook (which involved corporate agreements to abide by a set of fair labor standards called the Sullivan Principles, named after civil rights advocate Rev. Leon Sullivan, the first black board member of General Motors) and established a code for environmental stewardship. Shareholder resolutions became, much like the Sullivan Principles, the primary instrument for persuading companies to sign the Ceres Principles, along with corporate dialogue.

Stakeholder Theory

By the 1980s, the idea of external parties advocating for corporate change continued to gain popularity, particularly among college students and faith-based groups. Meanwhile, other actors emerged, called “stakeholders.” The term “stakeholder” was first used in an internal memo at the Stanford Research Institute (now SRI International) in 1963 to describe “those groups without whose support the organization would cease to exist.” According to R. Edward Freeman and David R. Reed, they included “shareowners, employees, customers, suppliers, lenders, and society.”[36] Eventually, this definition would be widely accepted, including other groups such as nongovernmental organizations, advocacy groups, and legislative and regulatory bodies.

The emergence of stakeholder theory represented the admirable realizations of a company’s role that stretch its vision and values beyond immediate self-interest. The problem, however, with the stakeholder approach to corporate (and investor) civic responsibility is the same sort of problem that bedevils contemporary political life: it reduces the corporate role to a series of bargains and trade-offs negotiated with particular special interest groups, absent the connective tissue of a philosophy, ethic, or mechanism that mobilizes moral and physical energy in pursuit of a broader public good. “Stakeholder responsibility” becomes “special interest group responsibility” and, *ipso facto*, atomistic and episodic. Often missing is an overriding vision of the greater good and the civic ideal, described in both financial and nonfinancial terms, which give life to corporate activity in the first place.

Corporate Social Responsibility and Business Strategy

With respect to CSR, activists eventually found that they could make inroads with companies by carefully designed strategies and arguments. Companies, too, would find that it was in their interest to listen to stakeholders, because doing so might well improve business operations. Over time, this "Path to Corporate Responsibility," as Simon Zadek, a long-time leader on the corporate Ster accountability front, puts it, would become less a matter of external pressure and confrontation, and more a question of organizational adaptation and dialogue with various external stakeholders. In 2004, Zadek presented a five-stage typology of organizational growth toward greater accountability through stakeholder engagement.[37]

Table 1. Path to Corporate Accountability

Defensive	**Deny practices, outcomes, or responsibilities** *("It's not our job to fix that")*
Compliant	**Adopt a policy-based compliance approach as a cost of doing business** *("We'll do just as much as we have to")*
Managerial	**Embed the societal issue in their core management processes** *("It's the business, stupid")*
Strategic	**Integrate the societal issue in their core business strategies** *("It gives us a competitive edge")*
Civil	**Promote broad industry participation in corporate responsibility** *("We need to make sure everybody does it")*

Source: Simon Zadek, "The Path to Corporate Responsibility," *Harvard Business Review* (December 2004), http://www.slideshare.net/soniabess/the-path-to-corporate-responsability-by-simon-zadek

As firms become less defensive and more strategic, they recognize the multiple benefits that can accrue by asserting leadership in "best practices," which Nike learned after being targeted by activists in the 1990s due to egregious worker conditions throughout its supply chains. Even though it remains a business accountable to its shareholders, Nike "has taken significant steps in evolving a strategy and practice that shifts it from being an object of civil activism to a key participant in civil society initiatives and processes," Zadek writes.[38]

Corporate Governance Reform

Up until the early 1990s, shareholder engagement was hampered because institutional shareholders were prohibited from communicating with each other, and therefore could not form alliances. A decision made by the Securities and Exchange Commission in October 1992 changed this, making it easier for large shareholder groups to talk among themselves and take collective action.[39]

Another reform measure at that time pertained to corporate governance. Until the late 1990s, the corporate governance and social responsibility movements were populated by different people. Even nowadays, these realms—both of which involve corporate power and accountability—remain distinct, despite their shared underlying values and concerns. A common goal for both groups: a desire for greater corporate disclosure and transparency. In the early 1990s, though, in a nod to mounting shareholder concerns about excess pay, the SEC required that corporations increase their disclosure of executive compensation packages. This facilitated greater shareholder scrutiny of pay schemes, a contentious topic in 2010.[40] Nowadays, bonus pay and executive compensation remain on the reform agenda as part of a broader policy commitment to greater transparency, accountability and shareholder engagement.

During the 2000s, as stakeholder activism continued on a number of social and environmental issues, perhaps the most prominent efforts were directed to corporate governance concerns along with greater corporate disclosure and voluntary reporting. By 2010, a myriad of legislative and regulatory proposals characterized the corporate governance reform movement—some involving sustainability factors—and included measures before Congress, the SEC, various states and the New York Stock Exchange, as well as proxy resolutions.[41] Most of them called for better transparency and shareholder engagement.

Since President Obama took office in 2009, the SEC has taken major steps to revive its role as shareholder advocate, including consideration of environmental, social, and governance factors. In June 2009, the new SEC Chairman Mary L. Schapiro created an Investor Advisory Committee (IAC) to give investors a greater voice in the SEC's work, and appointed a diverse and prominent group of eighteen experts to it.[42] By late summer, the IAC identified three areas of work on which subcommittees would concentrate, including investor education, investor as purchaser, and investor as shareholder.[43]

On February 22, 2010, the IAC met to review these subcommittees' preliminary recommendations. With respect to proxy voting transparency, the Investor as Owner subcommittee recommended that the SEC staff, as part of its review of the U.S. proxy voting system, study the costs and benefits of mandating a standardized tag-data format for certain proxy and proxy voting filings to make public search and access easier.[44] The IAC also discussed the formulation of an ESG Disclosure work plan; financial reform legislation and its implications for the SEC; a national survey of financial capability; and other investor education initiatives.

More than at any point in its history, the SEC has taken steps to integrate environmental, social, and governance concerns into its corporate disclosure requirements. In December 2009 the SEC adopted a set of new proxy disclosure rules, which took effect Feb. 28, 2010. These rules, primarily aimed at boards of directors, expanded ways in which material risk could be defined, including its application to executive compensation policies and practices; qualifications and experiences of board members and board nominees; interlocking board relationships; diversity in the board nomination process; board leadership structure; board role in risk management; potential conflicts of interest; and more timely voting results.[45]

The biggest area of corporate governance reform, however, involves opening the board election process to make it more consistent with our American tradition of self-governance and representative democracy, which is called "proxy access."[46] In theory, shareholders elect corporate directors to represent their interests; in practice, shareholders elect board candidates who are nominated by companies, not shareholders. Shareholder nomination of board candidates is an issue that has been around for a long time (at least eighty years), but in the future, there likely will be more activity regarding the provisions of Rule 14a-11 of the Securities Exchange Act of 1934. Rule 14a-11 is the shareholder proposal rule, which the SEC viewed as an impediment to the exercise of shareholders' rights, particularly with respect to board elections and shareholder nomination of candidates to corporate boards of directors. Its proposed changes to Rule 14a-11 granted investor groups owning at least 3 percent of the voting power of a company's stock for at least three years the power to nominate candidates for a corporate board; it also would let these nominations be included in the company's proxy materials, mailed to shareholders at the company's expense. Generally referred to as "access to the proxy" or "proxy access," this issue remained stalled until July 22, 2011, when the Court of Appeals for the District of Columbia struck down the SEC's proposed change to Rule 14a-11.

Here is the background on the battle for proxy access, which in some ways resembles the battle for self-governance and the voting rights efforts of the civil rights movement in the mid-20th century, albeit without violence.[47] In December 2009, the SEC reopened the public comment period for about a month on its modifications to Rule 14a-11,[48] first proposed in June 2009.[49] On August 25, 2010, the SEC made its decision on proxy access,[50] which was challenged by the U.S. Chamber of Commerce and the Business Roundtable, who filed suit[51] on September 29, 2010 in the D.C. Circuit Court of Appeals to block its enactment, on the grounds that it "empowers unions and special interests at the expense of shareholders."[52] On October 4, 2010, the SEC granted a stay on the effectiveness of its proxy access rule.[53] Oral arguments were held on April 7, 2011 before three judges, who questioned the SEC's assessment of the costs and benefits of the proposed rule, and whether it would empower labor and public pension funds at the expense of other investors.[54]

The measure was slated for adoption in November 2011, and would give shareholders the authority nominate directors on corporate boards through a federal proxy access right and include shareholder proposals in company proxy materials. This means that, under certain circumstances, a company would have to include in the company's proxy materials a shareholder's, or group of shareholders', nominees for director. Normally, this a prohibitively expensive cost for shareholders to incur, so the change will help democratize the process; so, too, will the use of Web 2.0 technologies to conduct public communication on director campaigns.

But on July 22, 2011, the D.C. Circuit Court of Appeals overturned the SEC's proxy access rule (14a-11), claiming that the S.E.C. "acted arbitrarily and capriciously" in failing to adequately consider the rule's effect on "efficiency, competition, and capital formation."[55]

"Here the commission inconsistently and opportunistically framed the costs and benefits of the rule; failed adequately to quantify the certain costs or to explain why those costs could not be quantified; neglected to support its predictive judgments; contradicted itself; and failed to respond to substantial problems raised by commenters," the court said, in a unanimous decision written by Judge Douglas H. Ginsburg.[56] The court also expressed concern that union and state pension funds might use the rule for their own purposes, at the expense of other shareholders.

Meanwhile, SEC proposed amendments to Rule 14a-8 remained intact, which lets shareholders owning at least $2,000 in stock for a year to submit proposals. This means that individual shareholders may continue to submit proposals asking companies to specify under what conditions they may nominate candidates for boards of directors, in fulfillment of Rule 14a-8, which took effect on September 20, 2011.[57] This is similar to conditions prior to the 1965 Voting Rights Act, when, absent a universal law protecting suffrage, civil rights attorneys had to go county by county to demonstrate that the constitutional rights of African Americans were being violated.[58]

By early 2012, a number of companies and grassroots groups such as the United States Proxy Exchange base their efforts on this, while seeking to open up corporate governance and accountability more broadly.[59] (Further information on the proxy access debate is available online at the Harvard Law School Forum on Corporate Governance and Financial Regulation, including its proceedings of the HLS Proxy Access Roundtable.[60])

On the environmental front, in January 2010, the SEC released what many consider to a landmark guidance on disclosure related to climate change.[61] Taking effect in February 2010, the guidance clarifies existing rules requiring companies to disclose material risks related to climate change, such as projected impacts of new legislation and international treaties capping carbon emissions.

On social fronts, pressure continues to mount on Congress and companies to address the role of corporate money in political campaigns, in the wake of the recent Supreme Court decision in the *Citizens United v. Federal Election Commission* case, which considerably expanded corporate political contribution rights.[62] At the end of March 2011, the SEC made an important decision to allow a shareholder resolution seeking a say on political spending at Home Depot, for consideration during the 2011 season.[63] Shareholders used a variety of approaches in their proposals to increase a firm's transparency and accountability of its political spending—including floor motions and votes at annual meetings questioning a firm's association with the Chamber of Commerce.

Meanwhile, in August 2010 the SEC proposed new rules for greater disclosure and engagement between boards and shareholders, as well as for board diversity.[64] And by June 2011, the United Nations ratified the Guiding Principles for the Implementation of the U.N. "Protect, Respect, and Remedy" Framework, affecting business and human rights. This concludes a global consultation process begun in 2005 by John Ruggie, Special Representative of the United Nations Secretary-General for business and human rights.[65]

Corporate Disclosure and Reporting

As with the notion of corporate social responsibility, within business circles the idea of corporate reporting covering both financial and nonfinancial areas is not new. Going back at least eighty years, academics, accountants, policymakers, and practitioners in the United States, Canada and Great Britain have tackled the interrelated topics of "social auditing" and "social accounting" as a means of measuring and appraising corporate social responsibility, in addition to economic performance. In doing so, they have wrestled with the scale and scope of definitions and with comparable forms of assessment.[66] Some of these efforts set the stage for normative accounting methods as a complement to financial metrics. In the meantime, many companies in the Netherlands, Sweden, Germany, and India also reported on their social, environmental, and economic performance, which supplemented their annual reports, but were not integrated into corporate decision making.[67]

The late Howard Bowen is credited with coining the term "corporate social responsibility" and "social audit"—arguing it should be conducted every five years by an independent agent—with the publication of *Social Responsibilities of the Businessman* in 1953.[68] Yet, as Eccles and Krzus point out in their book *One Report*, Bowen was not the only one thinking along these lines:

> Varying discussions on business's responsibility to and role in society had appeared even earlier, including Harvard Business School Dean Wallace B. Donham's *Harvard Business Review* article "The Social Significance of Business" in 1927. Donham claimed that "the development, strengthening, and multiplication of socially minded business men is the central problem of business' and expressed the concern that 'unless more of our business leaders learn to exercise their powers and responsibilities with a definitely increased sense of responsibility toward other groups in the community…our civilization

may well head for one of its periods of decline." Although Donham did not use the term "stakeholder," which appeared much later, he was clearly referring to them in his reference to "other groups in the community."[69]

By the early 1970s, the Boston consulting firm of Abt Associates created a social accounting instrument that combined qualitative and quantitative criteria, based on Clark C. Abt's work described in *The Social Audit for Management*.[70] Because the book was published during the height of social unrest, particularly directed to issues of military contracting and racial justice, companies were reluctant to reveal potentially controversial information to outsiders, and thus become vulnerable to boycotting, or other forms of sanctions.

During the 1980s, a different reporting approach emerged, which involved comparative rating schemes that addressed broad areas of concern, such as equality and labor standards, or environmental stewardship. As mentioned earlier, the success of the Sullivan Principles in the 1970s and 1980s, pertaining to labor conditions in South Africa, served as the prototype for subsequent ratings models, including the McBride Principles (regarding corporate activity in Northern Ireland) and the Valdez Principles (named after the 1989 Exxon tanker *Valdez* oil spill in Alaska's Prince William Sound, and directed to environmental responsibility).

Steve Lydenberg and Karen Paul examined this phenomenon in 1992 and identified four basic categories of CSR rating systems: (1) single company, single issue; (2) single company, multiple issue; (3) multiple company, single issue; and (4) multiple company, multiple issue.[71]

Since then, the notion of CSR rating has expanded greatly (as has the realm of corporate social responsibility reporting), driven by a combination of dynamics, including wider acceptance of the legitimacy of integrating sustainability concerns into business practices; more sophisticated stakeholder strategies and tactics; and changes in the public policy environment that raise public expectations while placing business under greater scrutiny.

In addition, the proliferation of innovative digital tools for the production of accurate, verifiable information make it possible for real-time, location-specific, widely accessible distribution to virtually anyone who wants it, even though few companies currently avail themselves of such options. Finally, recent calls for the integration of financial and nonfinancial data into one unified corporate report are taken more seriously, in recognition of both the materiality of environmental, social, and governance considerations to overall business success, and the urgency of a longer-term sustainability vision to overall planetary well-being.[72]

Since 1997, the Global Reporting Initiative has played a crucial role in driving acceptance of reporting on social, environmental and economic performance. In 1997, the GRI was created by Allen White and Robert Kinloch Massie, who believed there ought to be a publicly verifiable disclosure framework for corporate environmental, social and governance reporting. Following a period of global consultation involving hundreds of stakeholders, in 2000, the GRI's first Sustainability Guidelines were issued, with fifty organizations releasing reports based upon them.[73] By 2008, the global number of companies issuing CSR reports had reached an all-time high, with more than 1,000 relying upon the G3 Guidelines, the latest generation of guidelines, issued in 2006.[74]

The G3 Guidelines generally are perceived as the world's most authoritative framework for sustainability reporting, in part due to the highly participatory nature of their origins.[*]

[*]The G3 Guidelines were superseded by a new iteration of the Global Reporting Initiative Guidelines, referred to as "G4 Guidelines." Beginning July 1, 2018, they will be superseded by the GRI Sustainability Reporting Standards. For more on these developments, go to https://www.globalreporting.org.

In the *Commission Guidance Regarding Disclosure Related to Climate Change* issued in January 2010, the SEC cited GRI as a "widely used sustainability reporting framework."[75] At the February meeting of the SEC's new Investor Advisory committee (installed by Chairman Mary Schapiro in July 2009), the Investor as Owner subcommittee proposed a work plan to examine the value of environmental, social, and governance disclosure based on GRI and Carbon Disclosure Project frameworks.[76] Sweden already requires all state-owned companies to publish annual GRI-based sustainability reports and other countries—including Denmark, Norway, and China—are developing similar policies.

The GRI has added its voice to this call. In the March 2009 *Amsterdam Declaration on Transparency and Reporting*, the GRI urged all the world's governments "to extend and strengthen the global regime of sustainability reporting. In particular, assumptions about the adequacy of voluntary reporting must be reexamined."[77]

The Role of Religion and Ethics in Public Life

In March 2010, the Kennedy School's John F. Kennedy Jr. Forum hosted a panel discussion on the role of faith in the marketplace, and ways in which organized religion can be an important force for financial reform. According to the scholars who took part in a panel entitled "From Wall Street to Main Street: The Search for a New Moral Compass for the New Economy," the current economic crisis is not only structural, but spiritual. "We have to address both," said panel member Jim Wallis, an evangelical minister as well as president and CEO of Sojourners, an evangelical Christian organization. He described unwarranted high corporate salaries and bonuses as "a symptom of societal erosion." According to a report on this discussion in the *Harvard Gazette*, Wallis called for a new national ethic, one that "focuses on helping one another and that considers the repercussions of current actions on future generations."[78] Echoing the impetus that led to the formation of the Interfaith Center on Corporate Responsibility, panelists claimed that church and social justice organizations have an important role to play in pressing for reform, and holding policy makers and organizations accountable.

The moral responsibility of institutions is an important part of this effort, said Fr. J. Bryan Hehir, a former colleague of mine at the Harvard Divinity School and Parker Gilbert Montgomery Professor of the Practice of Religion and Public Life at the Kennedy School. Fr. Hehir is a distinguished thought leader in the realm of religion, social policy, and international affairs, particularly with respect to the Catholic Church. At the faith and finance forum, Fr. Hehir pointed out that the Catholic Church is "fairly institutional," and therefore well suited to address "what institutions need to do." Using that type of institutional framework, people can "then open up into other aspects of civil society," he said.[79]

Fr. Hehir and Rev. Wallis were acknowledging an essential truth: that economic enterprise is not value-free. Embedded within their structures and operations are assumptions about what is considered good and right, right or wrong, assumptions that become more coherent and fully developed as the institution or industry cultivates its specific culture and character. These assumptions, clouded as they may be by the language of financial accounting and quarterly reports, serve as the compass that guides institutional decision making and communication. Behind the numbers lie certain first-order principles or values—a company's moral sense, if you will—that need to be made more explicit, more transparent, as many thoughtful observers have recognized.[80]

A Values Vocabulary: Semantic Similarity

This is worth pondering: A striking example of the connection between economic activity and the moral realm is the semantic similarity of financial and religious vocabularies. Terms such as "good," "equity," "value," "trust," "denomination," "capital," "vest" and "invest," "redemption" and "redeem," "debt," "futures," and "dispensation" are examples of words with double meaning. In fact, the word "economy" comes from the Greek "*oikonomia*," which means "management of the household," with the household connected to the production, distribution, and consumption of life's necessities. *Oikonomia* is a multifaceted word that sometimes is translated as "stewardship," connected to the idea of "fiduciary," which means a designated agent occupying a special relation of trust, confidence, or responsibility in obligation to others.

As theologian John Reumann, who began studying and writing about the concept more than 50 years ago, put it, the term *oikonomia* "has an amazing host of established meanings in many areas of life. It [is] a word capable of new applications, a 'word field' of expanding horizons."[81] Put another way, the *oikos* (household) is the root of economy, representing a community of interdependent persons possessing a shared purpose, the locus of shared survival, its members immersed in a set of moral and political beliefs and seeking "the good life" as they understand it. The household becomes, in McGill University political scientist William James Booth's words, "the institution in which we labor to provision ourselves in the things necessary for life; but it is also where we seek to emancipate ourselves, as far as we are able, from the drudgery that is our estate. . . . [It] is the means by which we secure such freedom as is possible from the poverty of our condition and in which we avoid a freedom-robbing dependence on others."[82]

In the language of some Christian theologians, the metaphor of "economist" is applied to God's work, because He brings into being and seeks to maintain the household of Israel and the church, the household of all nations and, ultimately, the household of all creation; thus, whole economies can be referred to as households, constantly threatened by chaos, sin, evil, and death.[83]

Fiduciary Obligation

We hear the word often, but do we know what it really means, and how it is interpreted? Once again, there are deep roots in virtue language and moral philosophy, even as the idea of fiduciary is subject to legal and regulatory interpretation.

Notions of "fiduciary responsibility" are not absolute; they are relativistic concepts that have evolved over time. The idea of a fiduciary relationship to a fund of money is rooted in English common law but the legal concept of the "prudent man" was expressed in a case involving Harvard College 180 years ago.[84]

The scope of fiduciary responsibility as applied to institutional investors is subject to definition by federal and state agencies under existing laws. These agencies include the private pension system subject to the Employee Retirement Income Security Act of 1974 (ERISA) and the Department of Labor; investment companies subject to the 1940 Investment Act and the Securities and Exchange Commission; bank trusts subject to the Federal Reserve, the FDIC, and the Comptroller of the Currency; and public pension funds, charities, and endowments subject to the Internal Revenue Service, as well as state laws and the offices of attorneys general.

Under the laws pertaining to the fiduciary role, board members have three duties to consider in maintaining a trustee's standard of care. The first is to act as a prudent person might act in similar circumstances. The second is to avoid conflicts of interest. The third is to assure that the organization operates consistently, in keeping with the rules and laws governing its formulation, and in accordance with its bylaws and mission. Generally speaking, these duties entail full exercise of the legal rights of ownership, which includes the purchase and sale of assets, voting proxies, conveying concerns to corporate boards and management, submitting proposals for shareholder action at annual meetings, convening shareholder meetings or joining forces with other investors and interested parties on issues of mutual interest, taking legal action, conducting equity research, hiring outside specialized agents, and so on.

Thanks to the efforts of corporate governance activists, governance concerns are now considered a significant part of the fiduciary role, even though the focus is on companies rather than on an investor's own governance regime or that of stakeholders. This is where significant room remains for addressing fiduciary leadership and governance.

Similarly, there is room for addressing the "consistency" standard, meaning the extent to which an organization's investment policy and practices integrate the ideals, values, and principles embedded in its mission statement. The challenge of aligning investment decisions with institutional mission has yet fully to be met. Certain beneficial fiduciaries, including a handful of foundations, socially responsible investment funds, many religious investors, and a number of prominent pension funds have broken important new ground in this territory and serve as models for others to emulate. One such organization is the Initiative for Responsible Investment, the brainchild of Steve Lydenberg that is now based at the Hauser Institute for Civil Society at Harvard's Kennedy School.[85]

In addition to the meaning of "fiduciary," we also need to be clear about what "economy" is and what it is not. "Economics" is an array of analytic tools that apply to diverse situations. It is not a rigid set of universal principles, nor is it a roadmap for how we should live our lives. What *oikonomia* and economics both have in common is recognition, since the time of the ancient Greeks, that there was no sharp boundary between economic matters and those having to do with social status, politics, and ethics. The "natural" economy of the household and the world of the market, as Aristotle taught us, could either advance or undermine the good life, freedom, and community.[86]

We have come a long way from Aristotle, but the essential truths remain the same. Nowadays, although it may provide a glimpse, the marketplace is not a good gauge of the moral sense of society or of its institutions. It cannot help us understand what kind of world we want to live in, what our aspirations are, or how things might be better. In fact, the marketplace does little to help us maintain our civic moral bearing. It does little to preserve basic fairness, justice, or truth telling. It does little to help us aspire to greatness, the stuff of which our democratic way of life is made. In fact, within the globalized consumer economy, these values and democratic ideals have become corroded, with civic virtue giving way to crass commercialism and a consumer ethic of unbridled consumption.

The financial crisis is a painful reminder that corporate profitability and stock price value provide only a distorted picture of society's well-being, or of the extent to which human dignity or freedom are honored. After the meltdown, we are reminded that commercialism and consumerism are not enough, that some goods cannot be bought and sold, and that we have a long way to go before our dynamic global economy can produce a decent global life.

The call for a new breed of capitalism seeks to strengthen capital markets and corporate enterprise by promoting religious, theological, and ethically situated civic moral principles, standards, and procedures that are combined with trustee knowledge and competence. The goal is to help corporate directors and institutional investors fulfill their fiduciary obligation in a manner that balances long-term financial prosperity with the common good, a noble idea with ancient roots and enshrined within our democratic ideals.

Equity Culture

Another word with multiple meaning that is used by so many of us every day is "*equity*." Taken literally, equity means "standing," that one has a stake in an entity, whether it be a company (e.g., stock ownership), a society (e.g., fair treatment or social justice), or a relationship (e.g., an equitable right or claim). As British historian Anthony Everitt tells us in his superb biography of Cicero, in ancient Roman society the notion of *equites* referred to a class of citizens having commercial concerns. Equites were the landed gentry, businessmen, and merchants who tended to avoid national politics. Originally a military class, equites meant knights whose wealth enabled them to buy a horse for military campaigns. Within the Roman social hierarchy, equites ranked below the aristocracy, yet were above the plebs (the urban masses, including shopkeepers, artisans, and landless farm workers) as well as, at the very bottom, the slaves.[87]

Thus in many ways, "equity" denotes "citizenship." The late Harvard government professor Judith Shklar provided a contemporary notion of equity. She referred to equity as social standing—meaning inclusion and respect—symbolized by the opportunity to vote and to earn a living, as well as participation, accountability, and representation in the polity. One can only speculate as to how much we would have gained, had she lived to enlighten us, by hearing her tackle the question of citizenship as applied to corporate directors or shareholders, particularly institutional investors.[88]

With regard to human endeavors, "equity" takes on special importance because it suggests a capacity to be involved, to participate, to be in a position to chart one's course, to be engaged in a process of self-governance. As applied to social capital, "equity" is a cornerstone of democratic civil society. As applied to human capital, "equity" is a tenant of nondiscriminatory labor policies. As applied to financial capital, "equity" is a fundamental fixture of open markets and effective capitalism.

Whatever the capital domain—whether social, human, or financial—"equity culture" relies on certain virtues or else it faces collapse. The most basic of these is trust, so that decisions can be made based upon truthful and reliable information, that these decisions are guided by principles of ethics and fairness and that "access to equity" is not just a right but a responsibility for strengthening equity culture for generations to come. Another requirement for equity culture is knowledge, so that one's stake in an entity can be managed in a way that promotes growth and development, prosperity, and well-being. A third is sustainability, so that this growth and development can continue, without inflicting injury or falling victim to the dangers of greed, ignorance, or hubris.

As the past several years have shown, however, economic enterprise sometimes undermines the very virtues and values it is supposed to uphold. We should remember that not everything can be bought and sold, that intangible goods such as honor, trust, honesty, and integrity are the connective tissue that holds together the body politic, capital markets, equity culture, and civil society. Yet equity culture has been hijacked by those who have scorned these intangible goods, violated their fiduciary duties, made a mockery of our financial system and, in the process, inflicted damage on countless investors, pension beneficiaries, homeowners, and innocent bystanders.

Theological Reflections and Religious Teachings on the Moral Obligations of Wealth

Much can be learned from the world's faith traditions with respect to the moral obligations of wealth. Let us briefly review what the Christian, Jewish, Muslim, and Buddhist traditions have to offer, a point of departure for a far deeper exchange as we think about the implications for our professional practice.

Christian Traditions

In the late 1980s and early 1990s, various Christian groups and individuals issued a number of publications that specifically addressed the integration of civic moral concerns into economic decision making; generally left out of these, however, was the manner in which this might become manifest in corporate governance and ownership responsibilities. In 1986 the National Council of Catholic Bishops produced a pastoral letter entitled *Economic Justice for All*, a comprehensive and sophisticated work drawing upon scripture and Catholic social teaching as well as extensive consultation with lay people and economic, political, and social science experts.[89]

The bishops firmly stated that “economic decisions have human consequences and moral content; they help or hurt people, strengthen or weaken family life, advance or diminish the quality of justice in our land.”[90] Moreover, they elaborated on the idea of a “preferential option for the poor,” particularly as applied to U.S. relations with developing nations. Here they stressed the importance of understanding the interplay among three main sets of actors: individual nations; multilateral institutions, which channel money, power, ideas, and influence; and transnational corporations and banks, which have grown dramatically in number, size, scope and strength since World War II.[91]

Overall, the bishops suggested that the time has come for a “New American Experiment” involving the implementation of economic rights, the expansion of economic power sharing, and economic decision making that is more accountable to the common good. Essential to this is “an imaginative vision of the future that can help shape economic arrangements in creative new ways” and “new forms of cooperation and partnership among those whose daily work is the source of the prosperity and justice of the nation.

> The United States prides itself on both its competitive sense of initiative and its spirit of teamwork. Today a greater spirit of partnership and teamwork is needed; competition alone will not do the job. It has too many negative consequences for family life, the economically vulnerable, and the environment. Only a renewed commitment by all to the common good can deal creatively with the realities of international interdependence and economic dislocations in the domestic economy. The virtues of good citizenship require a lively sense of participation in the commonwealth and of having obligations as well as rights within it. The nation’s economic health depends on strengthening those virtues among all its people, and the development of institutional arrangements supportive of these virtues.[92]

Included in these new arrangements and partnerships were references to greater employee/labor participation in business, more local and regional cooperation with special emphasis on community development corporations, public/private efforts aimed at the formation of national economic policies, and the formation of new international partnerships, particularly within developing countries, “based on mutual respect, cooperation, and a dedication to fundamental justice.”[93] They lightly touched upon the topic of the corporate manager/shareholder relationship, claiming that “the parts played by managers and shareholders in U.S. corporations also need careful examination" and that this relationship be governed by broader criteria than simply return on investment. They said:

> Most shareholders today exercise relatively little power in corporate governance. Although shareholders can and should vote on the selection of corporate directors and on investment questions and other policy matters, it appears that return on investment is the governing criterion in the relation between them and management. We do not believe this is an adequate rationale for shareholder decisions. The question of how to relate the rights and responsibilities of shareholders to those of the other people and communities affected by corporate decisions is complex and insufficiently understood. We, therefore, urge serious, long-term research and experimentation in this area. More effective ways of dealing with these questions are essential to enable firms to serve the common good.[94]

In 1991, Pope John Paul II's encyclical *Centesimus Annus* ("The Hundredth Year") examined the economic and moral questions raised, among other things, by the upheaval in Eastern Europe in 1989; the 25,000-word document represented the most comprehensive treatment in any papal document of the role of the free market in the economy.[95] *Centesimus Annus* was issued to mark the 100th anniversary of *Rerum Novarum* ("Of New Things"), an encyclical by Pope Leo XII that marked the beginning of the modern era of Catholic social teaching. While *Rerum Novarum* dealt with the impoverished conditions of the industrial working class in the late nineteenth century, *Centesimus Annus* stated that "the free market is the most efficient instrument for utilizing resources and responding to needs," but that it exists within a moral framework limited by three realities: (1) "there are many human needs which find no place on the market"; (2) there are whole groups of people without the resources to gain access to the market; and (3) there are goods that "cannot and must not be sold." The Pope then continued:

> It is a strict duty of justice and truth not to allow fundamental human needs to remain unsatisfied, and not to allow those burdened by such needs to perish. . . . Even prior to the logic of a fair exchange of goods and the forms of justice appropriate to it, there exists something which is due to man because he is man, by reason of his lofty dignity.[96]

John Paul acknowledged "the legitimate role of profit as an indication that a business is functioning well" but claimed that this is not the only criterion. "Other human and moral factors must also be considered which, in the long term, are at least equally important for the life of a business," he wrote.[97] These are the elements to be found in what he called "the new capitalism," a capitalism that exists in service to human freedom, the core of which is ethical and religious.[98] Within this core are to be found a number of important economic virtues, including "diligence, industriousness, prudence in understanding reasonable risks, reliability, and fidelity in interpersonal relationships, as well as courage in carrying out decisions which are difficult and painful but necessary, both for the overall working of a business and in meeting possible set-backs."[99]

While insisting that economic development and the production of wealth are key to economic justice, the Pope also asserted the need to include labor and management in a "community of work" and "circle of exchange," thereby reinforcing the view that business is a "community of persons" or "society of persons" in which people participate in different ways and with specific responsibilities. He wrote:

> It is not wrong to want to live better. [W]hat is wrong is a style of life which is presumed to be better when it is directed towards "having" rather than "being," and which wants to have more, not in order to be more but in order to spend life in enjoyment as an end in itself. It is therefore necessary to create life-styles in which the quest for truth, beauty, goodness, and communion with others for the sake of common growth are the factors which determine consumer choices, savings, and investments. In this regard, it is not a matter of the duty of charity alone, that is, the duty to give from one's "abundance," and sometimes even out of one's needs, in order to provide what is essential for the life of a poor person. I am referring to the fact that even the decision to invest in one place rather than another, in one productive sector rather than another, is always a moral and cultural choice. Given the utter necessity of certain economic conditions and of political stability, the decision to invest, that is, to offer people an opportunity to make good use of their own labor, is also determined by an attitude of human sympathy and trust in Providence, which reveal the human quality of the person making such decisions.[100]

John Paul went on to argue for the inclusion of poor nations in the world economy's "community of persons" and for increased attention paid to ecological and environmental questions, which accompany the problems of production and consumerism. He also addressed the need to place the market economy in the broader context of state and society, noting the interconnections between faith and religious life and major political, social, and economic developments, particularly the internationalization of the economy. Admitting that the "Church has no models to present" because "models that are really and truly effective can only arise within the framework of different historical situations, through the efforts of all those who responsibly confront concrete problems in all their social, economic, political, and cultural aspects as these interact with each other," he referred to the Church's social teaching as offering "an indispensable and ideal orientation which recognizes the positive value of the market and of enterprise." Overall, these economic values "need to be oriented towards the common good."[101]

Insofar as ownership is concerned, the Pope did not discuss specific issues of corporate stock ownership or institutional investing, yet his pronouncements could be applied to this indirect form of property ownership. He continually reiterated the theme of "the relationship between individual or private property and the universal destination of material wealth."[102] In his view, ownership "morally justifies itself in the creation, at the proper time and in the proper way, of opportunities for work and human growth for all."[103] This "universal destination of material wealth" well could be interpreted as one call of the covenant, offering access to a better life to those traditionally excluded from economic enterprise.

In 1987, the United Church of Christ (UCC) issued its comprehensive *Christian Faith and Economic Life* to promote reflection and discussion of the relationship between faith and economic justice issues within the denomination. The paper was the product of the UCC's Economics and Theology Covenant Group and addressed a wide range of issues, including economic democracy, environmental hazards, and militarization; it focused on both domestic and global aspects of what it terms a "public theology of economics" and called upon the church for public advocacy and economic transformation.[104] In its section concerning the corporation, *Christian Faith and Economic Life* cited the need to address the relationship between corporations and the political and social order. Without offering specifics, the document stated:

> [T]he Christian principles of economic justice offer the basis for beginning to consider corporate roles, ownership patterns, and modes of operation in relationship to the wider society. The goals of such a reformation would be to assure the preservation of pluralism and the productivity of the corporation while promoting greater responsibility and accountability to the community, broader participation in corporate decision making, and greater justice in the impact of the corporation on the wider community.[105]

The application of ethical imperatives to economic enterprise is as old as civilization itself. Moreover, the contribution of organized religion to questions about the public moral responsibilities associated with the accumulation of wealth is not wholly restricted to Christianity but can be found in at least three other of the world's great religions. Moreover, the origin of the term "covenant" can be traced to Biblical times but is not restricted to them.

Jewish Tradition

Within the Torah, certain "laws of the household" are put forward as part of the covenantal relationship with the people of Israel (the Book of the Covenant, Exodus 20:22-23:33), with special emphasis on the needs of the poor. "The future is guaranteed not by I-thou contract but by the binding agreement of the community," writes M. Douglas Meeks, a theologian (and co-chair of the UCC Economics and Theology Covenant Group) who has written extensively about the relationship between Christian/Judaic doctrine and the political economy. "What is required for promise-keeping is that all put each other under obligation, [with] the multiple relationships of the community [serving as] the guarantor of all expectations within the community."[106]

These guidelines for household management enabled the Israelites to live faithfully to God and responsibly to the community. The Torah places limits on cultivating, collecting, buying, and selling, and emphasizes the subordination of economic activity to fulfillment of the covenantal relationships. Those who have no standing in the community are to be included as full participants in the promise of the covenant, including the poor (Exodus 23:6, Deuteronomy 15:7-11), the stranger (Exodus 21-21-24), the sojourner (Deuteronomy 10:19), and the widow and the orphan (Deuteronomy 24:19-22). The Torah respects the integrity of all of creation; land is to be included in the covenant with the faith community and not merely at the disposal of human beings (Exodus 23:11; Leviticus 25:1-7).

Extending from the covenant, other Torah laws have implications for our time, such as the issue of interest on loans. "If you lend money to any of my people with you who is poor, you shall not be to him a creditor, and you shall not extract interest from him" (Exodus 22:25; cf. Deuteronomy 23:19-20). Israel condemned interest because it led to poverty and certain forms of slavery; even with the introduction of a market economy, the Torah provided strict laws on surety, such as prohibiting the taking of collateral if it were to destroy a person's access to livelihood (Exodus 22:26-27; cf. Deuteronomy 24:6, 10-13; 15:7-11).

Another Torah law concerned the giving of tithes. The law of the tithe was intended to grant the poor access to a livelihood (Deuteronomy 14:22-29) and serve as a reminder that prior to the covenant the Israelites were slaves in Egypt (Deuteronomy 24:18, 22). Hospitality, too, is a form of inclusion for all those (the stranger and sojourner, the widow, the orphan and servants) who were excluded from the benefits of the economic order; indeed, true hospitality was considered a form of worship, because it consisted of inviting in all those who were excluded or denied God's gifts for life.[107]

Finally, the Torah made provisions for special mechanisms that confronted squarely disparities in wealth and class. During the Sabbatical year, every seventh year, the land was to remain fallow (Exodus 23:11; Leviticus 25:1-7); so, too, were debts to be released (except those held by foreigners) every seventh year (Deuteronomy 15:1-11). The Jubilee Year was to occur every fifty years (the year following seven times seven), during which liberty was proclaimed throughout the land: property was to be restored to its original owners, slaves were to be freed, debts were to be canceled and the land was to lie fallow (Leviticus 25:8-17; 23-24).

While disagreement exists as to whether or not the Jubilee Year ever was practiced, its images provide a powerful statement of the subordination of everything to the One Creator: that no one is given special status to take or withhold from others what they need to contribute to community, that there exists mutual respect among people and that the oppressed need to be released from bondage.[108] Put another way, this release from bondage occurs through the lifting of economic sanctions.

Islamic Tradition

The idea of moral obligation as applied to economic life also can be found in Islam, with God speaking through the Koran. Believers were expected to have total obedience. The covenantal relationship between God and the followers consisted of obedience to divine rules in exchange for divine favors, the faithful being called the *umma*, or community of Muslim believers. The Prophet Muhammad communicated a moral basis for society, with compassion, goodness, and piety as central virtues; extending from this is a specific way of life as determined through an elaborate system of rules for social behavior.

Insofar as wealth is concerned, one of the pillars of virtue in Islam is almsgiving. The Quran treats wealth (and children) as subordinate to deeds of lasting merit in service to the Lord. A sampler of these teachings:

- Let those who hoard the wealth which God has bestowed on them out of His bounty never think it good for them: it is nothing but evil;
- Believers, many are the clerics and the monks who defraud men of their possessions and debar them from the path of God. To those that hoard up gold and silver and do not spend it in God’s cause, proclaim a woeful punishment. The day will surely come when their treasures shall be heated in the fire of Hell, and their foreheads, sides, and backs branded with them. They will be told: “These are the riches which you hoarded. Taste then what you were hoarding.”
- You shall not barter God’s covenant for a trifling price. His reward is better than all your gain, if you but knew it. Your worldly riches are transitory, but God’s reward is everlasting. We shall reward the steadfast according to their noblest deeds. Be they men or women, those that embrace the Faith and do what is right, we will surely grant a happy life. We shall reward them according to their noblest deeds;
- And what cause have you not to believe in God, when the Apostle calls on you to have faith in your Lord, who has made a covenant with you, if you are true believers? Those of you that gave their wealth before the victory and took part in the fighting shall receive greater honour than the others who gave and fought thereafter. Yet God has promised you all a good reward; God has knowledge of all your actions. Who will give a generous loan to God? He will pay him back twofold and he shall receive a rich reward.
- God does not love the haughty, the vainglorious; nor those who, being niggardly

> themselves, enjoin others to be niggardly also.[109]

There are many rich contributions that Muslims can make in bringing moral values to bear on economic institutions, particularly transnational ones, in this globalized, interdependent world. As this Harvard Islamic Finance forum demonstrates, we have much to learn and share with respect to Islamic economic and financial principles and the moral obligations of wealth, not just in the Muslim world but our own. *Shari'a* perspectives, principles, and rules are especially relevant, given the horrific impact of financial buccaneering on community and environmental well-being.

Buddhist Tradition

The philosophical insights of Buddhism can be connected to the all-embracing nature of the covenant, particularly the foundational principle of *Paticcasamuppada*, or "dependent co-origination." *Paticcasamuppada* represents a radical form of interdependence and recognizes no independent causation of any circumstance: Everything is the result of everything else. According to Buddhist scripture:[110]

> That being thus this comes to be;
> from the coming to be of that, this arises;
> that being absent, this does not happen;
> from the cessation of that, this ceases.[111]

In contrast to the Judeo-Christian tradition of seeking divine guidance in moral decision making, Buddhism, which continues to evolve depending upon the different contexts in which it is practiced, offers certain moral guidelines by which monks and lay people are to live. A basic tenet is that "all conditional things" share three features called the Three Characteristics of Existence, which can contribute to an understanding of the covenant and its implications for the accumulation of wealth. The first characteristic, or "mark" (*lakshana*), is *annica*, which means "all mental and physical phenomena are impermanent." The second mark is *duhkha*, which means "all mental and physical phenomena are painful." The third is *anattä*, meaning "all things are without self." The idea of impermanence contributes to a sense of non-attachment to material things; the idea of no self contributes to a sense of social engagement because the ego does not get in the way.

Taken together, the ideas of non-attachment and no self, along with the foundational principle of *Paticcasamuppada*, can enable the shareholder, for example, to look at the impact of investing beyond immediate shareholder value or rate of return. Because of the reigning Buddhist philosophy that nothing is independent or value-free, justification can be found for understanding the impact an owner can have on a company and the reciprocal relationship that the company has with both society at large and the greater good.

Because enlightenment is defined within an individual context, "traditional" forms of Buddhism are far less oriented to social action than are other world religions. In part because of this, Buddhism is popularly viewed as an ascetic religion, which is misleading. The Buddha, who was an Indian prince before he attained enlightenment, was not overly concerned with issues of wealth. In fact, he rejected the extremes of both wealth and poverty and settled on a middle path that accepted prosperity, a condition of the social era in which he lived. Even though Buddhist monks were not allowed to own property—in Burma, they are not even allowed to touch money—wealth was not considered intrinsically bad. In some cases, it was seen as a manifestation of one's virtue in past lives.[112] The ultimate value of wealth was the way it was used and whether its use conformed to the Buddhist moral path.

Over the past few decades, a movement comprising Buddhist activists has evolved that combines a Judeo-Christian emphasis on social justice with Buddhist insights concerning the relationships among self, other, and society. A prominent proponent of this socially engaged Buddhism is a Vietnamese monk, now living in France, named Thich Nhat Hanh, who founded the Tiep Hien Order in 1964 in direct response to the war in Vietnam. "Tiep Hien" means "to be in touch with," "to continue," "to realize" and "to make it here and now." Evolving from this order are the Tiep Hien Precepts, fourteen maxims that are rooted in nonviolence and serve as guides to social action; the fifth of the fourteen states, "Do not accumulate wealth while millions are hungry. Do not take as the aim of your life fame, profit, wealth, or sensual pleasure. Live simply and share time, energy, and material resources with those who are in need."[113]

Another Buddhist seeking to connect Buddhist teachings to economic activity, particularly economic development, is Sulak Sivaraksa, a Thai thinker and writer. A co-founder of the International Network of Engaged Buddhists, Sivaraksa's work represents an attempt to develop a brand of Buddhist economic activism that incorporates the idea of service and certain moral teachings.[114]

Cultivating Communities of Inquiry and Practice

I began this paper with the observation, shared by most people, that the financial crisis provides an opportunity for those of us in the "money and morality" movement to reexamine what we do, why we do it, and how we can improve our performance by deepening our understanding of the fundamental values and principles that, presumably, guide us. This is important because the growth of the overlapping fields of corporate social responsiblity, socially responsible investing, corporate governance, and responsible ownership have created an industry that performs well with respect to the mechanics of accountability and transparency, but pays insufficient attention to the underlying ethical values and wider moral purpose, substance, and impact. This also applies to the related fields of organized philanthropy and program related investing, social entrepreneurialism, and sustainable enterprise.

Even the idiom and language used in these professional worlds reflect this mechanistic modality, with terms like "sustainability," "social responsibility," "metrics," "KPIs," "ESG," and so on dominating the discourse. These are mundane words that belie their noble intent, reflecting the reality that we are preoccupied with the trees, so to speak, and cannot see the forest—or the stars.

This is disturbing. I believe the time has come for those of us committed to integrating ethical and civic values in economic decision making and business practice to reappropriate the values that lie at the heart of our work, to develop a renewed and reinvigorated vocabulary for communicating why we do what we do. We can do this by engaging in an ongoing process of reflection, collaborative education, co-creation, assessment, and evaluation, so that we might deepen our understanding of these "first order principles" and how they apply in a globalized, interdependent world of rapid change.

How are we to do so? I think that this Forum is a good start. As stated in the materials we were given, the Harvard University Forum on Islamic Finance "provides a venue for the critical and objective examination of the purposes, theory, practice, structure, and institutions of the rapidly developing field of Islamic finance." The whole purpose of this Ninth Forum is "Building Bridges across Financial Communities." Islamic Finance Director Nazim Ali put it eloquently when he said:

> Dialogue among [faith-based, socially responsible, and corporate financial communities] will no doubt go far in determining the shape of the fields' future expansions, and the degree to which they become part of the financial mainstream. . . . Part of this global discussion on the need for greater or improved ethics, values, and social responsibility in modern finance includes a discussion on how religious principles and moral teachings can assist in defining this post crisis world. [115]

While this Forum has provided an excellent platform and structure for conducting such a discussion, it need not end here. Before turning to my thoughts on what we might consider, let us take a moment to think about who we are as professionals engaged in this quest.

Implications for Practice

What are the implications for recovering the ethical and civic moral paradigm for economic enterprise as we go about our professional practice? Many years ago, I asked Dr. Max L. Stackhouse this question. Stackhouse is an esteemed theologian, professor of Christian ethics *emeritus* at Princeton Theological Seminary and a member of the UCC Economics and Theology Covenant Group. He has spent his professional life studying the interplay between Christian ethics and the political economy. At the time we spoke, I was writing and teaching about the application of the idea of "covenant" to corporate equity ownership and investing.[116]

Professionals are people, he said, who not only have specialized knowledge but also "are supposed to be custodians of a resource for the whole commonwealth." The professional has a sense of calling. "We need that quality in the business world, where people are the responsible custodians, under first principles of right and wrong, for the creation and maintenance of wealth for the peoples of the world," he told me. "I think there's a higher calling in business than is often recognized, even by themselves."

Connected to calling is accountability ("Professionals have got to call one another to account when they don't live up to the calling") and the idea of stewardship:

> [The investment manager is] a steward of these resources, not only for me but for the well-being of the larger community, in the whole covenantal sense of to whom we are responsible. A serious business ethic not only has to have first principles and a sense of responsibility to the context, but also a vision and ultimate sense of the future. That's a sense of carrying on the human enterprise into the long range. The practical people engaged in business are building an openness that doesn't close down the future.[117]

As we think about our work as a "calling," what are the sources of inspiration that keep us on track? How do we prevent ourselves from falling victim to the encumbrances of the day-to-day, to a false sense of superiority, to the comfort of our routines, to the company of our cohorts, rather than maintaining a holistic view and extending ourselves into the world as agents of change and exchange?

Communities of Inquiry and Practice

Generally speaking, members of communities of inquiry and practice are professionals, practitioners who "develop a shared repertoire of resources: experiences, stories, tools, ways of addressing recurring problems—in short a shared practice. This takes time and sustained interaction."[118] The idea is rooted in ancient guild relationships, where practitioners learn from those who have mastered their craft; it is modernized by interactive tools, which tend to flatten hierarchical relationships, sometimes enabling "amateurs" to be "experts," too.

For our purposes, there are multiple forms this might take, including communities of practice devoted to issues specific to institutional investors, companies, financial service providers, professional associations, professional roles, or other stakeholders. Communities of practice also could address certain ideas, issues, or topics, such as the role of religious, theological, and ethical ideas in economic enterprise, human rights, regulatory reform, fiduciary obligation, climate change, or corporate governance. There are endless possibilities.

In a handful of cases, smaller communities of practice are supported by existing platforms such as LinkedIn, Facebook, and Twitter, through various member-initiated discussion groups. Meanwhile, communities of *inquiry* and practice emphasize mutual engagement in applied learning, and shared responsibility for knowledge *creation* ("co-creation") as well as presentation. The formation of communities of inquiry and practice, populated by a select group of individuals who are seasoned in their respective fields, can deepen understanding, incubate knowledge creation, contribute to improved professional performance and help to set standards in areas that have yet to be recognized and formalized. Ably supported, designed, and facilitated—drawing upon decades of experience and pedagogy within the field of online education and blended learning—communities of inquiry and practice hold the promise of truly "building value" in a globalized, networked world, and restore our sense of true professionalism in the process.

Blended Engagement

If we were to form a community of inquiry and practice, we would want to use Web 2.0 technologies to enable what is called "blended engagement." Blended engagement involves a mix of face-to-face (synchronous) and virtual (geographically distributed and atemporal, or asynchronous) communication and exchange.

Blended engagement offers a means by which an ongoing immersion into this relatively uncharted area can happen, without introducing too much disruption in people's busy lives and schedules.

Blended engagement is longitudinal and unfolds over a designated period.

Blended engagement permits attention to *context*, which often is missing in one-off, face-to-face meetings, or online social media or blog postings related to complex issues.

Blended engagement allows for a process of sorting, where participants can choose where they would like to "show up," and what they wish to know about based on what they consider important.

Blended engagement also enables multiple entry points to a topic, so people can examine it from different perspectives and with different cognitive styles.

Blended engagement creates a permanent record: Videos and podcasts can be replayed, for example, or conversation threads read over several times, whereas a face-to-face meeting may not be as easily "remembered" or archived.

Blended engagement promotes constructive use of "in between" times, say, between biannual conferences, quarterly meetings, or other regularly scheduled events, or, conversely, with face-to-face meet-ups, to supplement online interactions.

Blended engagement affords the opportunity to combine informal, spontaneous, even unconventional, exchanges with more formal, disciplined, ritualized ones.

Finally, blended engagement can provide participants with the opportunity for serious and sustained exploration of a complex problem or issue—generating new knowledge and insights as to how such problems could be addressed.

Web 2.0 tools can help a geographically distributed community of experts work together in common cause. They can foster dimensions critical to what Chris Dede, educational technology leader and Timothy E. Wirth Professor in Learning Technologies at Harvard's Graduate School of Education, told me is a "community of wisdom."[119] They include:

- A *cognitive* dimension involving rich understanding of a variety of intellectual disciplines and fields;
- A *practical-experiential* dimension of sophisticated, pragmatic comprehension about how to act, given the unresolvable questions, philosophic issues, and unavoidable problems (such as personal mortality) associated with everday life;
- An *interpersonal* dimension of insightfully appreciating the interactions and contributions of diverse groups, cultures, and societies in shaping civilization;
- An *ethical* dimension encompassing what the ancient Greeks meant by "knowing and doing the good";
- A *metacognitive* dimension of reflective judgments, awareness of the limitations of knowing and of how these limitations affect the resolution of ill-defined problems.

Conclusion

This essay is based on more than thirty years of experience with how institutions can be governed, organized, and managed in ways that promote high performance while fulfilling public interest and civic moral obligations, whatever sector (private, nonprofit, public) they occupy. My premise is, and remains, that organizations did not spring from Adam's rib. They are social constructs made with human hands, so therefore socially situated, reflect the prevailing norms of a culture, and are capable of being changed.

In our American democratic tradition of republican self-governance, the corporate form was deliberately designed to mimic our public forms of representative self-governance, thus enabling deliberation, participation, and representation. In theory, this was because of a recognition that power, unwatched, can rapidly accrue to those whose interest are self-serving, at the expense of everyone else. The idea was that a free society required checks and balances to offset the darker side of human nature, thus enabling its citizens to cultivate a good and decent life.

As for ethics and values, before this most recent financial crisis began, critics often argued that morality had no legitimate role in economic decision making, particularly portfolio management, because it might weaken financial acumen or interfere with positive rates of return. Before the most recent financial crisis, they claimed that equity investments should be judged on the basis of financial performance alone because investors have only financial equity at risk, and that this equity—indeed, the corporation itself—is a *persona ficta*, lacking a soul. (One wonders how the *Citizens United* decision, in which a majority of the Supreme Court declared that the corporation should be accorded the rights of a person, would answer that one: Just what is a corporation's *soul?*)

Before this most recent financial crisis, critics argued that the best judge of corporate responsibility and character lie within either the marketplace or the legal-regulatory system, and that "do-gooders" should leave well enough alone. As we have seen, theirs was not a valid argument. As we have come to recognize painfully, there is a great deal of "free space" between society's laws and the behavior of the market, free space in which corporations and capital act, sometimes to the detriment of those very owners whose equity is at stake, not to mention innocent bystanders with little or no standing in the game. Moreover, neither the marketplace nor the law is adequate to the task of protecting society from the damages that can be inflicted by excessive speculation, potential monopolies, or oligopolies created by mergers and acquisitions, or the widening gap between the haves and the have-nots.

Most of the time, financial criteria, rather than nonfinancial criteria, constitute the only template that most corporate owners use to measure the value of their investments and the performance of corporate managers. They do not consider the moral location of the economy and therefore do not view corporate institutions as reflecting moral and political norms. They view the corporation and its performance as separate from politics and ethics, rather than embedded in it. So, too, do they see themselves as separate from a political and ethical regime, even if their primary missions have distinct social, charitable, environmental, or public interest impacts.

This is a misleading perspective because corporations and industrial sectors are not value-free. They are situated within a socio-political context, informed by history and experience. Those of us who have worked a long time in this area of corporate social responsibility, investing, and governance know this. We were "called" to this work, for a host of reasons—just as, I presume, many here at this Ninth Forum are called to it, and others who have joined the vast numbers of people in this sprawling CSR/SRI/sustainability ecosystem.

But we need to renew our vows, so to speak, and rededicate ourselves to those truths we hold to be inalienable and self-evident, those guiding lights by which we abide. We need to recommit ourselves, and, in doing so, tell our stories, talk about what is important, make an effort to formulate new words and phrases, vocabulary and language, with which we might inspire each other, and those who follow, to more public action.

Like the world of organized philanthropy, we are at risk of becoming a vast industry with many moving parts, holding tremendous moral and financial power but unable to leverage it in ways that go beyond the next customer, client, or grantee. We have become too insular, too complacent, too preoccupied with justifying our role in reforming capital markets to those who have demonstrated their utter inability to live up to their own commitments—and should be ashamed of themselves.

As we look to the future, we will benefit from opening our minds and hearts to a broader conception of what we are trying to do, what purpose we are seeking to achieve. These are profoundly theological questions: *To what aim are our efforts directed, and how shall we get there?*

Our world needs definitions of civic virtue and the common good, or better yet, valid processes for arriving at such definitions that can be used as the basis for coherent institutional and individual behavior, especially within the realm of economic enterprise. Our public discourse needs to include what is important to us, what values we hold dear, as defined within a pluralist context marked by different racial, cultural, ethnic, religious, and economic traditions.

In many societies, the elders were responsible for helping to keep the values, commitments, and traditions alive, through storytelling and interaction with strangers and newcomers. Those of us in the "money and morality" movement who now are considered "elders" have this obligation, too. Our ability to include and learn from other practitioners, such as those represented here at this Forum, along with others with shared aspirations and goals—not to mention those younger people still to come—will go a long way toward bringing about the change we seek. Perhaps most important of all: We must engage a wider public, lest our politics collapse, riven by the economic dislocation and divisions that surround us. We must also educate and empower a wider public, and view them as co-creators in our redefinition of the meaning of economic enterprise, one that is reconnected to its moral roots.

If we do these things, and learn from our failures yet keep going, we eventually will succeed, beyond our wildest dreams.

Notes

[1] See, for example, "Cameron's 'moral capitalism' speech in full," politics.co.uk, January 19, 2012, http://www.politics.co.uk/comment-analysis/2012/01/19/cameron-s-moral-capitalism-speech-in-full. John Kampfner, "A public mood that won't stand for corporate greed any longer," *Independent*, January 20, 2012. Jeffrey Sachs, "Self Interest without Morals Leads to Capitalism's Self Destruction," *Financial Times*, January 18, 2012, http://blogs.ft.com/the-a-list/2012/01/18/self-interest-without-morals-leads-to-capitalisms-self-destruction/; "Capitalism and Democracy," OnPoint with Tom Ashbrook, National Public Radio, January 17, 2012, http://onpoint.legacy.wbur.org/2012/01/17/capitalism-and-democracy.

[2] According to the U.S. Bureau of Labor Statistics, in December 2011 the number of unemployed persons (13.1 million) and the unemployment rate (8.5 percent) began to trend down; see http://www.bls.gov/news.release/empsit.nr0.htm. On income inequality, see the series of charts in Dave Gilson and Carolyn Perot, "How Rich are the Superrich?" *Mother Jones*, March/April 2011, at http://motherjones.com/politics/2011/02/income-inequality-in-america-chart-graph.

[3] "GMI Pay Survey Reveals Real CEO Compensation at Big Firms Rose 36% in 2010."

[4] See ProPublica's 2011 Pulitzer Prize winning series, "The Wall Street Money Machine," at http://www.propublica.org/series/the-wall-street-money-machine. See also Citizens United v. Federal Elections Commission, 130 S. Ct. 876 (2010) , January 21, 2010, at http://goo.gl/5iBpb; Lisa McElroy, "*Citizens United v. FEC* in Plain English," SCOTUSblog, January 21, 2010 at http://www.scotusblog.com/2010/01/citizens-united-v-fec-in-plain-english/; Adam Liptak, "Justices, 5-4, reject corporate spending limit," *New York Times*, January 21, 2010 at http://www.nytimes.com/2010/01/22/us/politics/22scotus.html; Floyd Abrams, "Citizens United and Its Critics," *Yale Law Journal—YLJ Online*, September 29, 2010, at http://www.yalelawjournal.org/the-yale-law-journal-pocket-part/constitutional-law/citizens-united-and-its-critics/; Lucian Bebchuk and Robert J. Jackson, "Corporate Political Speech: Who Decides?," *Harvard Law Review* 124 (2010): 83–117, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1670085##; Ciarra Torres-Spelliscy, "Citizens United: Waking a Sleeping Giant," Harvard Law School Forum on Corporate Governance and Financial Regulation, October 21, 2010 at http://blogs.law.harvard.edu/corpgov/2010/10/21/citizens-united-waking-a-sleeping-giant/; and Marcy Murninghan, "Citizens United: The Aftermath," *Murninghan Post*, October 4, 2010, at http://murninghanpost.com/2010/10/04/citizens-united-the-aftermath/. Meanwhile, according to OpenSecrets.org, the House Financial Services Committee, which drafts legislation for the financial services sector, also serves as hotbed of money from individuals and political committee committees connected to the financial sector. See Michael Beckel, "House Financial Services Committee: Hotbed of Money from Financial Sector Interests," April 15, 2011, at http://www.opensecrets.org/news/2011/04/house-financial-services-committee.html.

[5] Gretchen Morgenson and Louise Story, "In Financial Crisis, No Prosecution of Top Figures," *New York Times*, April 14, 2011, http://www.nytimes.com/2011/04/14/business/14prosecute.html.

[6] The White House, *Remarks by the President at Signing of Dodd-Frank Wall Street Reform and Consumer Protection Act*, Washington, D.C., July 21, 2010 at http://www.whitehouse.gov/the-press-office/remarks-president-signing-dodd-frank-wall-street-reform-and-consumer-protection-act. See also Helene Cooper, "Obama Signs Overhaul of Financial Services System," *New York Times*, July 21, 2010, at http://www.nytimes.com/2010/07/22/business/22regulate.html.

[7] The digital portal for this is available at Securities and Exchange Commission, *Implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act* at http://www.sec.gov/spotlight/dodd-frank.shtml.

[8] There's a robust literature emerging on the benefits and burdens of Dodd-Frank, some of which can be viewed at the Harvard Law School Forum on Corporate Governance and Financial Regulation, at http://blogs.law.harvard.edu/corpgov. See also Gretchen Morgenson and Joshua Rosner, *Reckless Endangerment: How Outsized Ambition, Greed, and Corruption led to Economic Armageddon* (New York: New York Times Books, May 2011); Simon Johnson and James Kwak, *13 Bankers: Wall Street Takeovers and the Next Financial Meltdown*

(New York: Pantheon Books, 2010); and Johnson and Kwak's blog, *The Baseline Scenario* at http://baselinescenario.com/.

[9] See Colin Barr, "S&P's $5 trillion bank doomsday tab," *Fortune,* April 18, 2011, at http://finance.fortune.cnn.com/2011/04/18/sps-5-trillion-bank-doomsday-tab/; Emily Kaiser, "IMF urges U.S. budget include Fannie, Freddie," Reuters, April 6, 2011, at http://www.reuters.com/article/2011/04/06/us-imf-housing-idUSTRE73548320110406; and Alan Zibel, "US Sens McCain, Hatch Introduce Bill to Wind Down Fannie, Freddie," *The Wall Street Journal* March 31, 2011, at http://online.wsj.com/article/BT-CO-20110331-715041.html.

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[12] Jean-Louis Arcand, Enrico Berkes, and Ugo Panizza, "Too Much Finance?" in CreditWritedowns.com, April 17, 2011, at http://www.creditwritedowns.com/2011/04/too-much-finance.html.

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[17] Robert Wuthnow, *Poor Richard's Principle: Discovering the American Dream through the Moral Dimension of Work, Business, and Money* (Princeton, N.J.: Princeton University Press, 1996), 11. For information on Wuthnow's work at Princeton's Center for the Study of Religion, go to http://www.princeton.edu/~csrelig/people/dir1.html.

[18] Marc Gunther, "100 Best Corporate Citizens? What a Crock!" March 24, 2010, at http://www.marcgunther.com/2010/03/23/100-best-corporate-citizens-what-a-crock/; "CR Announces 100 Best Corporate Citizens List," *Corporate Responsibility Officer Magazine*, March 2010, http://www.thecro.com/content/cr-announces-100-best-corporate-citizens-list; Will Evans, "It's All Good: Beware of corporate consulting firms offering awards for corporate ethics, *Slate,* March 18, 2010, http://www.slate.com/id/2248033/pagenum/all/#p2; Nell Minow, "Consider the Source—'Independent' Judges of Pay and Ethics," The Corporate Library Blog, March 21, 2010, http://blog.thecorporatelibrary.com/blog/.

[19] New figures show that the number of companies and other organizations publicly disclosing their performance against a range of key sustainability indicators has risen markedly over the last year. The Global Reporting Initiative is now aware of over 1,000 organizations worldwide who issued sustainability reports based on the GRI G3 Guidelines in 2008—the highest number ever recorded. The figure represents an increase of 46 per cent on the 2007 figure of 685.

The GRI G3 Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. The guidance was developed, and continues to evolve, through a process in which representatives from businesses, civil society, finance, labor, academia and others seek consensus on a common framework for reporting on issues of common concern, such as greenhouse gas emissions, labor standards and human rights.

Among the sustainability reports of which GRI is aware, more are produced in Spain than any other country, beating the United States into second place. Europe is home to 49% of the reporters known to GRI, followed by Asia on 15%, North America on 14%, Latin America on 12%, with 6% from Oceania and 4% from Africa. "Number of companies worldwide reporting on their sustainability performance reaches record high, yet still a minority," press release of the Global Reporting Initiative, July 15, 2009, http://www.globalreporting.org/NewsEventsPress/LatestPressReleases/2009/PressRelease_14_July_2006_1000GRIReports.htm.

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[21] In August 2009, the North American arm of sustainability research provider to the financial sector, Sustainalytics, merged with Canadian-based research firm, Jantzi Research, to form Jantzi-Sustainalytics. Then in November 2009, information advisory group Thompson Reuters acquired Swiss-based Asset 4, a provider of ESG information and tools for professional investors and corporate executives. More recently on 22 January 2010, the news broke that the RiskMetrics Group—a risk advisory firm whose services include ESG research, analysis and advice—had announced that it had put itself up for sale. In March, the *Wall Street Journal* reported that financial-index and investment-services firm MSCI Inc. would buy RiskMetrics for $1.55 billion. See Aaron Lucchetti, "MSCI Seizes RiskMetrics in Union of Niche Firms," *Wall Street Journal*, March 2, 2010, at http://online.wsj.com/article/SB10001424052748704754604575095100547835756.html. The RiskMetrics Group had recently acquired several other ESG research and analysis companies including Investor Responsibility Research Center Institute (IRRC), Institutional Shareholder Services (ISS), Innovest and KLD Research & Analytics." From "The ESG research firm market is heating up—mergers, acquisitions and sales," press release of the Global Reporting Initiative, February 2, 2010, http://www.globalreporting.org/NewsEventsPress/LatestNews/2010/NewsFebruary10ESGResearchFirmsForSale.htm.

[22] Robert G. Eccles and Michael P. Krzus, *One Report: Integrated Reporting for a Sustainable Strategy* (Hoboken, N.J.: John Wiley & Sons, Inc., March 2010).

[23] Rachel Carson, *Silent Spring* (Boston: Houghton-Mifflin, 1962).

[24] Ralph Nader, *Unsafe at Any Speed: The Designed-In Dangers of the American Automobile* (New York: Pocket Books, 1966).

[25] In 1967, the public interest proxy strategy was introduced by the Kodak-FIGHT Campaign, demanding that Eastman Kodak Company recognize a civil rights group operating under the acronym FIGHT as the bargaining unit for African-Americans living in Rochester, NY. FIGHT used its status as a shareholder to confront management at its annual meeting, and persuaded church groups holding Kodak stock to protest the company's resistance to FIGHT's demands. Although the shareholder yes votes were low, Kodak soon recognized FIGHT as a bargaining agent and hired more black workers. Moreover, FIGHT's basic elements—identification of an area of social concern; meetings and negotiation with management to correct the situation; switch to proxy machinery if negotiations are unsuccessful or break down; launch of full-blown proxy campaign to cast public spotlight on cause—were to serve as the basis for future proxy campaigns.

[26] In 1970, Campaign GM was organized by the Project on Corporate Responsibility, which initiated nine shareholder resolutions; two passed SEC scrutiny and were included in GM's proxy statement. One proposal called for the establishment of a shareholder's committee on corporate responsibility; the other proposed that three publicly elected directors be added to the Board. Neither proposal passed the then-SEC requirement that resolution must pass three percent threshold to enable resubmission, but Campaign GM did provoke intensive lobbying and the involvement of institutional investors, including universities, foundations (the Rockefeller Foundation and Carnegie Corporation supported Campaign GM), and pension funds. At this time, Philadelphia civil rights activist Dr. Leon H. Sullivan was appointed to GM's Board of Directors, becoming the first African-American to occupy a board seat of a major American corporation. Rev. Sullivan soon would become a figurehead in the American-based South Africa antiapartheid movement, organizing the Sullivan Principles as a measure of corporate commitment to victims of apartheid to rectify their circumstances.

In 1971, Campaign GM (Round II) produces three shareholder resolutions on shareholder democracy (a shareholder list of director candidates would be included with the slate proposed by GM management), constituent democracy (three directors would be nominated by constituent groups comprising employees, consumers, and dealers), and disclosure (requiring GM to report information with respect to air-pollution control, auto safety, minority hiring, and franchising practices. The proposals were defeated, but the disclosure proposal received strong institutional support from the New York City Pension Funds, TIAA-CREF, and managers representing employee pensions; the social proposals were strongly supported by the Rockefeller Foundation, Carnegie Corporation, and the New York City Bar Association.

[27] Robert K. Massie, *Loosing the Bonds: The United States and South Africa in the Apartheid Years* (New York: Nan A. Talese, an imprint of Doubleday, 1997).
[28] In 1971, the Episcopal Church initiates social policy shareholder proposals to three large corporations, including one with General Motors prohibiting manufacturing operations in South Africa.
[29] For nearly 40 years the Interfaith Center on Corporate Responsibility (ICCR) has been a leader of the corporate social responsibility movement. ICCR's membership is an association of 275 faith-based institutional investors, including national denominations, religious communities, pension funds, foundations, hospital corporations, economic development funds, asset management companies, colleges, and unions. ICCR and its members press companies to be socially and environmentally responsible. Each year ICCR-member religious institutional investors sponsor over 200 shareholder resolutions on major social and environmental issues. For more information, go to http://www.iccr.org/.

To celebrate the 40th anniversary of its 1971 founding, ICCR is telling its story through a year-long series of monthly podcasts. They feature the voices of those ICCR members who made history by pioneering the practice of shareholder activism. To listen to these historic recordings, go to http://podcast.iccr.org/.
[30] John Winthrop, "A Model of Christian Charity," in Brian O'Connell, *America's Voluntary Spirit: A Book of Readings* (New York: The Foundation Center, 1983), 29–33.
[31] Terms like "civic virtue" and "the common good" have a dark underbelly and are sometimes used as a justification for cultural oppression or military valor and victory. Even worse is the temptation to dichotomize civic virtue and the common good into "we-they" terms, often through mobilized opposition to other nations or peoples, something we see throughout the world as well in our nation's cities. Perhaps a better way of thinking about "civic virtue" and the "common good" is to think of them as an assemblage of goods and virtues, oftentimes overlapping and sometimes contradictory, with each having a place within the different spheres of human existence but none representing some casuistic, absolute standard of goodness—because the absolute version of the full human good is transcendent, beyond human hands.
[32] John G. Simon, Charles W. Powers, and Jon P. Gunnemann, *The Ethical Investor: Universities and Corporate Responsibility* (New Haven and London: Yale University Press, 1972).
[33] Massie, *Loosing the Bonds*.
[34] Marcy Murninghan, *Corporate Civic Responsibility and the Ownership Agenda: Investing in the Public Good*, Occasional Paper (Boston: UMass Boston John W. McCormack Graduate School of Policy Studies, 1994); Murninghan, "Corporations and Social Responsibility: An Historical Perspective," *The Social Investment Almanac*, edited by Peter D. Kinder, Steven D. Lydenberg, and Amy L. Domini (New York: Henry Holt and Company, 1992), 86-94; Murninghan, *Discovering Union Voices: Corporate Disinvestment and Black South African Trade Unions*, A Report to The Ford Foundation (Boston: The Lighthouse Investment Group, 1988); Murninghan, *Survey of U.S. Corporations' Employment Policies and Practices in Northern Ireland*, Report to the Comptroller, Office of the Comptroller (Albany: New York State Common Retirement Fund, 1987).
[35] Ceres (pronounced "series") is a national network of investors, environmental organizations and other public interest groups working with companies and investors to address sustainability challenges such as global climate change. Its mission is "integrating sustainability into capital markets for the health of the planet and its people." For more information, see http://www.ceres.org.
[36] R. Edward Freeman and David L. Reed, "Stockholders and Stakeholders: A New Perspective on Corporate Governance," *California Management Review*, 25:3 (Spring 1983). For a comprehensive treatment of this interpretation of corporate social responsibility, see also R. Edward Freeman and Daniel R. Gilbert Jr., *Corporate Strategy and the Search for Ethics* (Englewood Cliffs, N.J.: Prentice Hall, 1988).
[37] Simon Zadek, "The Path to Corporate Responsibility," *Harvard Business Review* (December 2004). Zadek's article can be viewed on SlideShare by visiting http://www.slideshare.net/soniabess/the-path-to-corporate-responsability-by-simon-zadek.
[38] Ibid.
[39] The SEC voted unanimously on October 15, 1992 to adopt new rules concerning shareholder communication. The new rules end the requirement that no more than ten shareholders can discuss upcoming meetings or other corporate matters without making extensive filings with the SEC. Moreover, no filings will be required for "published or broadcast announcements" about how a shareholder intends to vote and reasons for its vote. Only those shareholders owning more than $5 million of a company's stock will have to notify the SEC and the exchange on which the company is listed if they send "unpublished" written materials to solicit other shareholders.
[40] This rule requires the disclosure of four compensation tables and the provision, by a company's compensation committee, of a signed report on a detailed discussion of and rationale for a CEO pay package and a more general

discussion of pay policies affecting other top executive officers.
[41] U.S. Senate, Committee on Banking, Housing, and Urban Affairs, *Restoring American Financial Stability Act of 2010*, Submitted by Sen. Christopher Dodd, March 15, 2010. 111th Cong., 2d sess. 2010, http://banking.senate.gov/public/_files/ChairmansMark31510AYO10306_xmlFinancialReformLegislationBill.pdf.; Dodd Statement: Financial Reform Markup, March 23, 2010, http://banking.senate.gov/public/index.cfm?FuseAction=Newsroom.PressReleases&ContentRecord_id=8b7db637-c53b-9c9f-50e9-2ea13a1d9c40&Region_id=&Issue_id=; Robert A. G. Monks, "Corporate Governance: Past, Present & Future," Manuscript, 2010, http://blogs.law.harvard.edu/corpgov/2010/03/04/corporate-governance-past-present-future/; The Corporate Library, *The Corporate Library Blog*, 2010, http://thecorporatelibrary.typepad.com/blog/; HLS Forum on Corporate Governance and Financial Regulation, *Harvard Law School Forum on Corporate Governance and Financial Regulation*, 2010, http://blogs.law.harvard.edu/corpgov?s=board+elections&submit=Go.
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[46] James McRitchie, a longtime advocate for corporate democracy and accountability and publisher of CorpGov.net, provides a good overview of proxy access in "The Case for Proxy Access," NACD *Directorship*, December 16, 2011, http://www.directorship.com/the-case-for-proxy-access/.
[47] Gordon A. Martin, Jr., *Count Them One by One: Black Mississippians Fighting for the Right to Vote* (Jackson, MS: University Press of Mississippi, 2010).
[48] —. *SEC Re-Opens Public Comment Period for Shareholder Director Nomination Proposal*, December 14, 2009, http://www.sec.gov/news/press/2009/2009-265.htm.
[49] —. *Facilitating Shareholder Director Nominations*, June 10, 2009. http://www.sec.gov/rules/proposed/2009/33-9046.pdf.
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[60] The Harvard Law School Forum on Corporate Governance and Financial Regulation is a rich source of information, and blogs on proxy access can be viewed at http://blogs.law.harvard.edu/corpgov/. See also Lucian A. Bebchuk and Scott Hirst, "The Harvard Law School Proxy Access Roundtable" (January 1, 2010), *Harvard Law and Economics Discussion Paper No. 661.* Available at SSRN:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1539027.

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[81] John Reumann, *Stewardship and the Economy of God*, 7.
[82] William James Booth, *Households, supra* note 51 at 8.
[83] Douglas Meeks, in *God the Economist*, *supra* note 51, also provides a well-written and compelling theological analysis of political economy. See, too, Stackhouse, *Public Theology and Political Economy*, *supra* note 51. In 1987, the United Church of Christ published a study paper edited by Audrey Chapman Smock entitled *Christian Faith and Economic Life*, prepared by the Economics and Theology Covenant Group, co-chaired by Douglas Meeks and with Max Stackhouse as a member, to promote reflection and discussion within the denomination of the relationship between faith and economics (New York: United Church Board for World Ministries, 1987). Churches were actively thinking about these questions during this period: drafts of the U.S. Catholic Bishops' economic pastoral on Catholic social teaching and the U.S. economy were being circulated, and the Presbyterian Church (USA) published its "Christian Faith and Economic Justice".
[84] See *Harvard College v. Amory*, 26 Mass. (9 Pick.) 446, 461 (1830). In this case, which involved the duty of a trustee with respect to the investment of trust funds, the Massachusetts Supreme Judicial Court determined that trustees have two basic duties: (1) to invest prudently, thus assuring maximum return on and safety of the trust assets, and (2) undivided loyalty to the beneficiaries of the trust. These articulated duties of prudence and loyalty represented a relaxation of the standards set out in earlier English law, which obligated a trustee to return to a beneficiary only property identical to that entrusted and prohibited trustees from making risky investments. Writing for the majority, Justice Putnam stated what has come to be known as the prudent man rule: "All that can be required of a trustee to invest, is, that he shall conduct himself faithfully and exercise a sound discretion. He is to observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested."

The prudent man standard represented in the *Harvard College* case, which provided for flexibility and ongoing modification, did not receive widespread acceptance outside of Massachusetts until the 1940s. Meanwhile, in 1869, the New York Court of Appeals provided its now classic formulation of the "prudent man" rule in *King v. Talbot*, 4 N.Y. 76 (1869), which was widely followed throughout the nineteenth century and well into the twentieth century. In essence, the court stated that common stock investments were too risky and therefore imprudent, and that a stricter standard that preserves capital, rather than permitting undue risk to achieve capital appreciation, should be applied. The *King* case stated that "the trustee is bound to employ such diligence and such prudence in the care and management [of the trust], as in general, prudent men of discretion and intelligence in such matters, employ in their own affairs." 40 N.Y. 76 (1869), 85.

[85] Directed by David Wood, among the programs supported by the Initiative for Responsible Investment is one called "More for Mission." More for Mission (M4M) is dedicated to broadly promoting mission investing and challenging foundations to take up mission investing practices. Mission investing is defined as the alignment of a portion of a foundation's endowment investments with their mission, while maintaining long-term targeted financial returns. More for Mission aims to help foundations acquire the tools and information needed to engage in mission investing and helps connect like-minded mission-driven investors. The goal of M4M is to increase mission investment commitments by $10 billion over the next five years. https://iri.hks.harvard.edu/.

[86] Aristotle, Politics, Book 1 provides an introduction to his analysis of the *polis* and primarily is devoted to a discussion of *oikonomia*, the art of household management or home economics. Aristotle, "The Theory of the Household," in *The Politics of Aristotle*, bk. 1 trans. and ed. Ernest Barker (New York: Oxford University Press, 1946). See also William James Booth for a superb exposition of the Aristotelian conception of the household (in addition to the classic liberal and Marxist interpretation), the most fundamental economic unit, and its significance to our times in *Households, supra* note 51.

[87] Anthony Everitt, *Cicero: The Life and Times of Rome's Greatest Politician* (New York: Random House, 2001): 24-25.

[88] Before her death in 1992, Judith Shklar invigorated our understanding of American politics and government with her trenchant insights into the contradictions between official claims of equal citizenship and the reality experienced by most who were denied it. In *American Citizenship: The Quest for Inclusion*, she moves beyond three other distinct meanings of citizenship (including active participation or "good" citizenship, ideal republican citizenship, and "citizenship as nationality," a legal recognition accompanied by various social exclusions and inclusions, "in which xenophobia, racism, religious bigotry, and fear of alien conspiracies have played their part") and introduces the concept of "citizenship as public standing," manifest by its two "great emblems": the vote and the opportunity to earn a living. The American Constitution does not mention citizenship at all until the Fourteenth Amendment, but Americans had quite clear ideas about what the social meaning of citizenship was, and when they were denied it, they protested.…What has been continuous is a series of conflicts arising from enduring anti-liberal dispositions that have regularly asserted themselves, often very successfully, against the promise of equal political rights contained in the Declaration of Independence and its successors, the three Civil War amendments. It is because slavery, racism, nativism and sexism, often institutionalized in exclusionary and discriminatory laws and practices, have been and still are arrayed against the officially accepted claims of equal citizenship that there is a real pattern to be discerned in the tortuous development of American ideas of citizenship. If there is permanence here, it is one of lasting conflicting claims." See Judith Shklar, *American Citizenship: The Quest for Inclusion*, The Tanner Lectures on Human Values (Cambridge and London: Harvard University Press, 1991): 2, 13–15.

[89] National Council of Catholic Bishops, *Economic Justice for All*.

[90] Ibid., v.

[91] Ibid., 123.

[92] Ibid., 145–146.

[93] Ibid., 160.

[94] Ibid., 52.

[95] Pope John Paul II, *Rerum Novarum.*

[96] Ibid., 66–67. Italics are as they appear in the papal text.

[97] Ibid., 68–69.

[98] Ibid., 82.

[99] Ibid., 63.

[100] Ibid., 72–73.

[101] Ibid., 83.

[102] Ibid., 84.

[103] Ibid., 85.

[104] See UCC, *Christian Faith and Economic Life*.
[105] Ibid., 17-18.
[106] Meeks, *God the Economist*, 83–84.
[107] Ibid., 87–88.
[108] For more on the teachings of the Torah, as well as the Bible and various teachings of the Catholic Church with respect to economic life, see "A People of the Covenant" published in 1986 by the National Council of Catholic Bishops, *Economic Justice for All*.
[109] See *The Koran*, translated with notes by N. J. Dawood (London: Penguin Books, 1990), 2:1; 3:178 ("Let those who hoard the wealth which God has bestowed on them out of His bounty never think it good for them: it is nothing but evil."); 9:31 ("Believers, many are the clerics and the monks who defraud men of their possessions and debar them from the path of God. To those that hoard up gold and silver and do not spend it in God's cause, proclaim a woeful punishment. The day will surely come when their treasures shall be heated in the fire of Hell, and their foreheads, sides, and backs branded with them. They will be told: 'These are the riches which you hoarded. Taste then what you were hoarding.'"); 9:82–9:99; 16:95 ("You shall not barter God's covenant for a trifling price. His reward is better than all your gain, if you but knew it. Your worldly riches are transitory, but God's reward is everlasting. We shall reward the steadfast according to their noblest deeds. Be they men or women, those that embrace the Faith and do what is right We will surely grant a happy life; We shall reward them according to their noblest deeds."); 17:24–17:31; 18:27–18:46; 19:76; 25:67; 34:33–34:39; 43:20; 57:7–57:12 ("And what cause have you not to believe in God, when the Apostle calls on you to have faith in your Lord, who has made a covenant with you, if you are true believers? Those of you that gave their wealth before the victory, and took part in the fighting, shall receive greater honour than the others who gave and fought thereafter. Yet God has promised you all a good reward; God has knowledge of all your actions. Who will give a generous loan to God? He will pay him back twofold and he shall receive a rich reward."); 57:21–7:25 ("God does not love the haughty, the vainglorious; nor those who, being niggardly themselves, enjoin others to be niggardly also."); 61:19; 64:12; 70:1–70:36; and 71:7.
[110] There were two main systems of Buddhism, known as "Mahâyâna" (meaning "great vehicle") and "Hînayâna" (meaning "small vehicle") Buddhism, or basic tradition Buddhism. The term Hînayâna was coined by followers of the Mahâyâna, hence its somewhat pejorative meaning. From Hînayâna Buddhism came the Eighteen Schools; only one, the Theravada, survives today. Mahâyânism tends to be more liberal, altruistic, and metaphysical; its supporters tend to be found in India, Nepal, Tibet, China, Korea, and Japan. Hînayânism/Theravadism is somewhat conservative and viewed as more rational; its adherents tend to come from Sri Lanka, Thailand, and Burma. For more on Mahâyâna and Hînayâna Buddhism, see the classic Daisetz Teitaro Suzuki, *Outlines of Mahayana Buddhism* (New York: Schocken Books, 1963). See also Edward Conze, *A Short History of Buddhism* (London: Allen & Unwin, 1980) and John Snelling, *The Buddhist Handbook* (Rochester, Vt.: Inner Traditions, 1991).
[111]*Majjhimanikaya*, Volume II at 32, cited in Hammalawa Saddhatissa, *Buddhist Ethics: The Path to Nirvana* (London: Wisdom Publications, 1987).
[112] See Phra Rajavaramuni, "Foundations of Buddhist Social Ethics," in Russell F. Sizemore and Donald Swearer, eds, *Ethics, Wealth and Salvation: A Study in Buddhist Social Ethics* (Columbia, S.C.: University of South Carolina Press, 1990). Information about Buddhism in Burma was provided by Dr. Tyn Myint-U in a conversation held on August 28, 1993 at Harvard University's Center for International Affairs where he was a Senior Fellow.
[113] Thich Nhat Hanh, *Interbeing: Commentaries on the Tiep Hien Precepts* (Berkeley: Parallax Press, 1987).
[114] Sulak Sivaraksa, "Buddhism and Contemporary International Trends" in Kenneth Kraft, ed., *Inner Peace, World Peace: Essays on Buddhism and Nonviolence* (Albany: SUNY Press, 1992).
[115] Harvard Islamic Finance Project, *Ninth Harvard University Forum on Islamic Finance, Building Bridges across Financial Communities,* Forum Announcement, 2010 at http://ifptest.law.harvard.edu/ifphtml/pdfs/9th_forum_brochure.pdf.
[116] Murninghan, *Corporate Civic Responsibility and the Ownership Agenda, supra* note 20.
[117] Ibid., 41–42.
[118] See especially Etienne Wenger, who is credited with developing this concept, in *Communities of Practice: Learning, Meaning, and Identity* (Cambridge, UK: Cambridge University Press, 1998); Etienne Wenger, Richard McDermott, and William M. Snyde, *Cultivating Communities of Practice: A Guide to Managing Knowledge* (Boston: Harvard Business Press, 2002); Wenger also talks about this on his website, "Communities of Practice," at http://www.ewenger.com/theory/index.htm, June 2006.
[119] Chris Dede, Timothy E. Wirth Professor in Learning Technologies, Harvard Graduate School of Education, interviewed by Marcy Murninghan, October 8, 2009; Chris Dede, "Technologies That Facilitate Generating Knowledge and Possibly Wisdom," *Educational Researcher* 38:4 (American Educational Research Association,

May 2009): 260–263.