



Investment Ethics

Guidelines of John Calvin for a Global Ethical Economy

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Overview

- 1 Global Financial Crisis
- 2 Current Ethical Investments
- 3 „Global“ Trade at the Time of Calvin
- 4 Calvins Faith in God`s providence
- 5 Calvins Ethics of Fair Investments
- 6 Credo, credibility, credit
- 7 Future Ethical Investments
- 8 Proposals for the Global Regulation of the Financial Markets



1. Global Financial Crisis

- Global, not regional crisis: interdependency
- Huge mass of (virtual and real) capital destroyed
- Damaged confidence in bankers and politicians
- Danger of protectionism and nationalism
- Increased number of jobless people
- Decreased money available for philanthropy
- Mill. Dev. Goals MDG's in danger to be delayed
- Geopolitical shifts to Asia and Islamic states
- Need for fast regulations of financial markets because next bubbles are prepared now.



2. Current Ethical Investments

- Ethical, green, sustainable investments increasing
- Criteria: exclusion, best in class, microfinance etc.
- Ethical investments still only a few percent of all investments
- Should become mainstream. Sarasin Bank in Switzerland: first bank with only ethical portfolio.



3. Global Trade at the Time of Calvin

- Reformer John Calvin 1509-1564
(500th anniversary in 2009!)



4. Calvin's Faith in God's Providence

- E.g. sermon on Deut 24:19-22:



5.1 Calvin, First Guideline

“The first restriction is that you are not allowed to charge interest from the poor and that nobody may be forced to pay interest when being in a plight or visited with misfortune.”



5.2 Calvin, Second Guideline

“The second restriction is that anybody who lends money should neither be so anxious about profit that he neglects his duties, nor should he – by safely investing his money – disrespect his poor brothers.” (duty of charity, donations)



5.3 Calvin, Third Guideline

“The third restriction is that in case of an interest-bearing loan one should not allow anything to interfere that would not correspond to natural understanding (what is naturally just and proper). And if the matter is checked according the rules of Christ, i.e. what you want others to do for you etc., then it should be considered as generally valid.” (Golden Rule of mutuality)



5.4 Calvin, Fourth Guideline

“The fourth restriction is that whoever borrowers should profit as much or even more from the borrowed money (than the creditor).” (win-win)



5.5 Calvin, Fifth Guideline

“Fifth, we should neither judge according the usual and traditional customs (concerning the charging of interests) what we are allowed to do, nor measure injustices against what is right and proper; much rather should we draw our behavior from the word of God.”



5.6 Calvin, Sixth Guideline

“Sixth, we should not only consider the personal benefit of those with whom we have to deal with, but also should we take into account what may be in the public interest and serve the community as a whole. Because it is manifest that the interest paid by the merchant equals a public attainment. Therefore, great care has to be taken to make the agreement serve the public good more than it may damage it.”



5.7 Calvin, Seventh Guideline

“Seventh, one should not overstep the limits set by the local or regional laws, although this is not always enough, as they often allow what cannot be amended or restricted by law. Hence, one needs to give preference to what is just and proper under the circumstances and restrict whatever may go beyond.”



5.8 Summary: Calvins investment ethics

- Priority of Gods' economic rationality/ wisdom over human rationality (5)
- Social justice: option for the poor (1), philanthropy/donations (2), limitation of wealth if needed (7)
- Community orientation: private property yes, but balanced with the public good (6)
- Golden Rule: fair win-win for creditor and borrower. Inclusion, not exclusion (3, 4).



6. Credo, Credibility, Credit

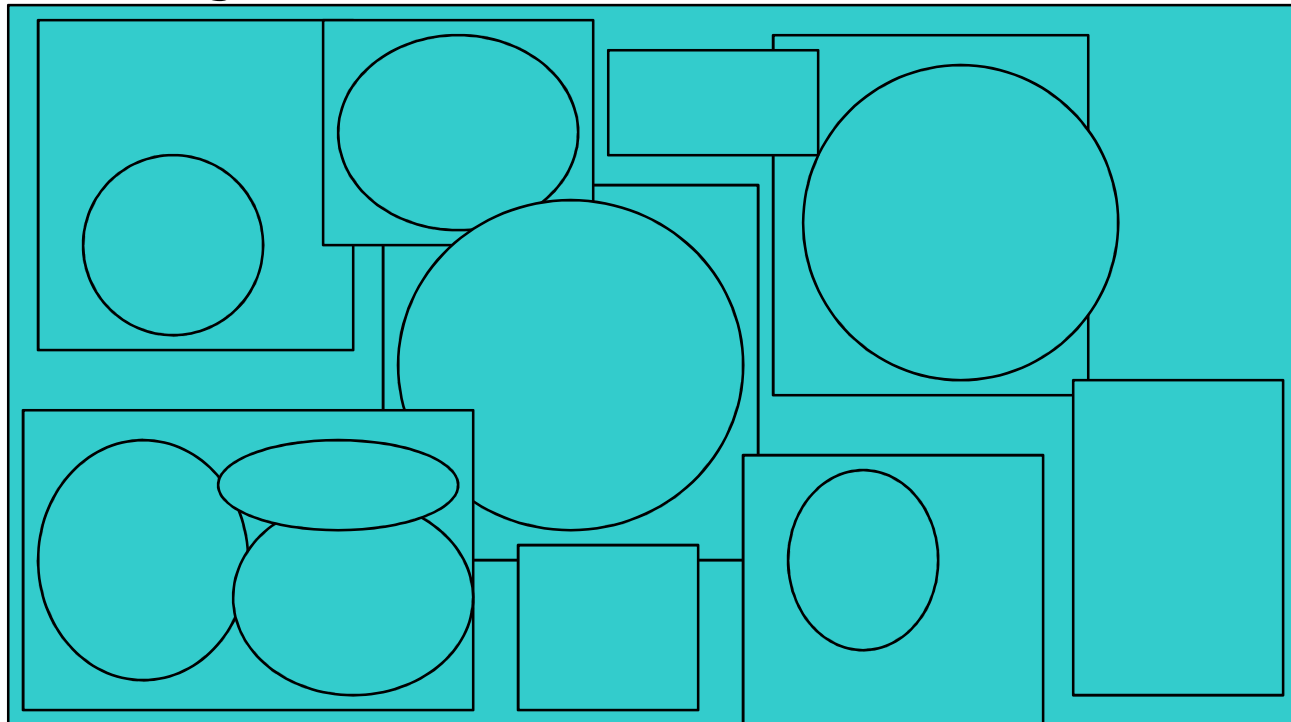
Current crisis of trust in values: Credit is based on credibility, credibility is based on credo: the values of a person/institution.

Trust in money? Trust in persons? Trust in institutions? Trust in God? “In God we trust” (One Dollar), “Dominus providebit” (God will care, 5 Swiss Franc coin).

Faith as trust in God enables to live with insecurity (more realistic expectations in human securities) and complexity (against fundamentalisms/simple answers).

7.1 Financial Markets with Globalance of States-Markets-relation

Strong regulations by global and national governmental actors give the frame for sustainable markets.





7.2 Balanced financial market regulations

Selected proposals for balanced global market regulations:

1. Financial markets (Investments, ratings)

- Increased minimum equity capital of banks for investments (8% as in 1990ies instead of 2-3%?)
- Enlarge „Financial Stability Forum“ by members from Global South
- Strengthen national and international bank surveillance authorities
- Global or supranational database of financial transactions beyond a certain amount
- Governmental Rating Agencies (nat. and internat.) replacing today`s role of private ratings by „journalist“



7.2 Balanced financial market regulations

2. Financial markets (products, currencies, exchange rates, salaries/boni)

- Governmental permission for new financial products (as in traffic: permission for new types of cars)
- Increase of transparency and reduction of complexity of financial products
- Develop new global world currency order („Bretton Woods II“). Relate currency to basic needs of a population, not to a lead currency (USD, Euro, RMB)
- Support Regional integration with same currency (e.g. Euro)
- Strengthen currencies of developing countries



7.2 Balanced financial market regulations

3. Labor markets

- Adequate participation of the labor market in the success (and failure?) of the capital market
- Decrease the gap between lowest and highest salaries (issue of social justice and social peace)



7.2 Balanced financial market regulations

4. Other market sectors:

- Raw material (minerals, agricultural prod.)
- Trade (goods and services)
- State revenues/tax systems
- Debt policies (private and state)
- Research (public versus private research)
- Education (public versus private education)
- Health (public versus private health services)
- Social Security (pension funds, insurances)
- Intellectual Property/Copyright/Open Access movement



8. Raise the Ethical Voice

- Personal, professional ethics: personal investment practice
- Lokal Churches in Parish
- Churches/ educational institutions ethical investment practice
- National Council of Churches to Government
- CCA to Asian Governments
- World Council of Churches to G20, UN etc.
- Coalitions e.g. on climate justice investments.



„God, with your spirit,
transform the world.“

(World Council of Churches,
Theme of the General Assembly
2006 in Porto Alegre/Brazil)