

THE PRINCIPLES OF COMMUNITY INVESTMENT: ESSENTIAL FOR THE “GOOD COMPANY”

Lura Mack and Margaret Weber

Adrian Dominican Sisters

lmack@adriandominicans.org

mweber@adriandominicans.org

Abstract

The Adrian Dominican Sisters’ commitment to socially responsible investing incorporates two aspects: institutional investing in the major stock markets according to criteria, including shareholder advocacy on corporate social responsibility (CSR); and community investing in non-profit organizations doing community development work. Both aspects of the Adrian Dominicans’ SRI history are rooted in and guided by the Catholic Social Justice tradition. Our analysis is that the community development enterprise is closer to the “good company” than the publicly traded company. The more closely a publicly held company reflects the attributes of community reinvestment, the more it is a “good company.”

Introduction

The Adrian Dominican Sisters, a congregation of approximately 1000 vowed religious women in the United States, have over thirty years of commitment to and practice of socially responsible investing (SRI). Their commitment incorporates two aspects of SRI: institutional investing in the major stock markets according to criteria, including shareholder advocacy on corporate social responsibility (CSR); and investing in non-profit community-based organizations engaged in community (re)investment. Both aspects of the Adrian Dominicans’ SRI history are rooted in and guided by the Catholic Social Justice tradition. Both endeavors are guided with fiduciary and financial expertise, with expectation of financial return.

Positive social, economic and environmental change result from loans to enterprises not served through traditional means, such as: quality affordable housing, sustainable job creation and retention, fair wages, quality childcare, fair trade, cooperative and small business enterprises. The community (re)investment industry motivates and inspires the model of a "good company." The more closely a publicly held company reflects the attributes of community (re)investment, the more it is a “good company.” The paper is about business models, not about charity. It is a comparison of values that drive return on investment. It is comparison of how financial assets are used to build wealth. It is an assertion that community investing is better at living commutative justice, distributive justice and contributive justice.

Commutative Justice, Distributive justice, and Social/contributive justice. (*Economic Justice for All*, # 68-72)

- Commutative Justice calls for fundamental fairness in all agreements and exchanges between individuals or private social groups.
- Distributive Justice requires that the allocation of income, wealth and power in society be evaluated in light of its effect on persons whose basic material needs are unmet.
- Contributive or Social Justice guarantees all persons are given the opportunity to participate in our society in furtherance of human freedom and dignity.

History of ADS' Socially Responsible Investing

The Adrian Dominican Sisters are an international order of Catholic women religious based in Adrian, MI, USA, established in the 1880s with an interest in teaching and the medical field. During the early 1970s, the Congregation realized the need to address the financial responsibility for long-term care for its members and began corporate investing. The idea of corporate investing brings with it all the questions associated with money and mission. In 1974 the Sisters institutionalized their commitment to socially responsible investing by dedicating resources to an office focused solely on SRI. A Portfolio Advisory Board (PAB) was appointed to guide this process. The PAB is staffed by a team of four persons, two who work primarily on corporate responsibility and two working on community reinvesting or alternative investing.

Corporate Social Responsibility initiatives seek to encourage “good company” or ethical behavior. The reality is that no company is all good or all bad—corporate policies and practices reflect the human condition. One company may produce a product that is outstanding vis-à-vis the desired function but be polluting the soil surrounding the factory. Another may provide much needed economic development in a community, yet not be providing a living wage to their employees. These contradictions demonstrate the complex ethical dilemmas in implementing SRI.

By engaging in SRI activities the Adrian Dominicans strive to bring investments in line with organizational and individual values. Such use of their assets (investments) seeks to broaden and deepen the mission of positive social, economic and environmental change. This is to say: Look at the values proclaimed by the community—are they being supported through the financial investments and are we working to promote a fair and just financial system? Are the principles of the Catholic Social Justice tradition reflected in the operations of the congregation's investments?

Realizing progress in corporate social responsibility was slow and somewhat intangible, in 1978 the Congregation began taking a more proactive approach to SRI through community (re)investment activities. Through Socially Responsible Lending initiatives and partnerships, opportunities are created in poor communities with disadvantaged populations. This means a close knowledge of specifically where the money is being used and who benefits from it.

In the mid-1980's, US Bishops encouraged both the work of corporate responsibility and alternative community investing in their pastoral letter Economic Justice for All. (#354) Finances are inextricably intertwined with the moral order. Ethical investing brings principles of social, environmental and financial justice to financial decision-making. Think of SRI as a way of acting on our conscience and keeping our feet to the fire. The challenge is to live our prophetic values and support what we value. Is there alignment between vision and investment dollars?

The ultimate justice question, we believe, is: does the economic endeavor in question promote the common good? How does the economic enterprise fare under scrutiny for commutative justice, distributive justice and contributive justice? How does an enterprise live up to the social contract to improve society at large by the actions of the business?

Corporate Responsibility

In the early years of the corporate activities the Adrian Sisters took a public stance by divesting in South Africa and spoke out against sweatshops and poor working conditions. The Adrian Dominican Sisters work in collaboration with the Interfaith Center on Corporate Responsibility (ICCR). This collaboration allows them the ability to act on a much broader base of issues than one group would have the opportunity to engage in alone, given the pooled resources of the many in membership. Founded in 1971, today this diverse group of religious investors is a membership coalition of over 275 Protestant, Roman Catholic and Jewish Institutional Investors with the combined membership representing approximately \$110 billion in investments. In the 2005-06 shareholder season, ICCR Members, Associates and Affiliates sponsored over 230 shareholder resolutions on social and environmental issues with over 140 companies. Shareholders engage corporate management by way of letter writing, dialogues, shareholder proposals, proxy voting, and in some situations such as the move to dismantle Apartheid in South Africa, divestment.

The Adrian Dominican Sisters' Investment Criteria states, "We charge ourselves with the responsibility to evaluate our Congregation investments in relation to the Gospel social principles. We strive to effect change toward justice in the policies and operations of corporations in which we hold investments." Specifics include screening out top weapons producers, tobacco products and for-profit health care. The Investment Criteria also calls for avoidance of polluting industries, those exploiting workers and violators of human rights.

The prescriptive elements of the ADS investment criteria do not, however, define in and of itself what constitutes a "good" company. For some elements of the criteria there are proscriptive lists for managers to follow. In other areas of concern, however, there are not such lists. Companies are not always easily characterized "good" or "bad" via a list. Thus, the congregation has committed resources to shareholder advocacy, resources used to push corporate behavior to be in line with the principles of Catholic Social Teaching. This is where the office of the Portfolio Advisory Board comes (PAB) into play.

In the broadest of strokes, what we're looking for is transparency about what the corporations are doing and accountability for those actions. In the deepest sense, the work of corporate responsibility is about transformation: transformation of policies and practices that have a negative impact on workers, communities, society and the environment.

Fundamentally, corporate responsibility as practiced by the Adrian Dominicans and others of the religious shareholder members of ICCR assumes that there is no inherent contradiction between Catholic Social Teaching (or justice principles as articulated in various faith traditions) and corporate responsibility. Catholic Social Teaching principles are good for a successful business. Not excessive profits, but good business. A company in action is an equation resulting in distribution of the economic returns from the corporate action. However, we would add the proviso that the distribution is not just to shareholder owners but also to all entities impacted by the actions of the corporation. Nothing is exempt from the corporate responsibility examination.

Through the work of responsible investing we are faced with the challenge of addressing the systems that condone racism, deny freedom of equality to women, impoverish peoples, and ravage Earth.

Community Investment

The economy must work to service all members of a community, including the most vulnerable on earth. The mainstream financial focus on short-term returns undermines the ability to include the most vulnerable. Our challenge is to offer an alternative to this commodity driven economy and to continue to engage partnerships that realize the vision of sustainable communities based on principles of building collaboration and human dignity---transforming acts steeped in commutative, distributive and contributive justice.

In 1978, the second SRI component of the PAB, Alternative or Community Investments was instituted. These community-lending activities allow us to create economic partnerships with community-based organizations, to provide disadvantaged populations with opportunities to become self-determining and improve their communities, enabling us to help build an economy of solidarity. This prophetic role is not charity or gifts but repayable loans, which translates to ownership for individuals and families. The lending process and partnerships are social, environmental and financial.

Community investment loans are a contrast to corporate investing, in that an enterprise which meets the criteria for an “alternative investment” (AI) loan is, we believe, inherently more closely aligned with CST. Indeed, the following criteria for an Adrian Dominican Sister’s community investment loan almost read like a listing of CST principles.

Adrian Dominican Alternative Loan criteria and CST and Justice

Community (re)investment loan social criteria	Principle Catholic Social Teaching	Justice
Provide opportunity for community control or local self-determination	Solidarity	Contributive Justice
Create alternative approaches (such as cooperatives) for the production of goods and services	The Dignity of Work and the Rights of Workers	Commutative Justice; Contributive Justice
Target women for employment, management and ownership	Call to Family, Community, and Participation	Contributive Justice; Distributive Justice
Empower low-income persons to create, manage and own enterprises	Life and Dignity of the Human Person	Contributive Justice; Distributive Justice
Re-invest in decaying urban areas or revitalize urban areas	Option for the Poor and Vulnerable	Distributive Justice
Demonstrate a stewardship	Rights and	Commutative Justice

approach to land, water, air and other resources	Responsibilities; Care for God's Creation	
Contribute toward integration (racial, urban-rural, inner city-suburbs)	Life and Dignity of the Human Person	Commutative Justice; Distributive Justice
Engages in healthy/green building practices	Care for God's Creation	Commutative Justice; Distributive Justice

Since 1978, PAB has made 310 community investments totaling nearly \$13 million, which help low-income people to become self-determining and to improve their communities. Today, the Adrian Dominican Sisters loan fund has over \$3.5 million actively financing community (re)investment projects and programs in poor rural areas, small communities and inner cities. The Congregation has instituted their General Chapter recommendation, that “the amount available for Alternative Investments be gradually increased to five percent of total general investments during the next six years. “ This commitment of resources responds to the Dominican Leadership Conference Resolution, “To counteract the negative effects of globalization on people who are poor, we encourage each Dominican congregation or province to earmark five percent of their total investment portfolio for alternative/community investment by the year 2000, giving special attention to enterprises beyond the US borders.”

The Adrian Dominicans' Alternative Investment (AI) Fund is about collaborating with others to build an economically just society. The goal is to help create opportunities for sustainable jobs with livable wages and affordable housing for those marginalized by the larger economy. The AI Fund expands ownership of productive assets. In other words, make every worker an owner of income-producing property, thus moving in the direction of economic justice for all, while at the same time making that owner a stakeholder in stabilizing and sustaining the general growth of the economy. The Adrian Dominicans apply social, environmental and financial criteria to fund initiatives such as quality affordable housing, quality job creation and retention, cooperative enterprises, fair trade, sustainable agriculture, quality childcare, rehabilitation, micro-lending and others.

The AI Fund's current portfolio incorporates both direct and indirect loans through intermediary organizations that specialize in specific areas. Through these lending activities, investments are made on a national and international level (through intermediary organizations) in such places as Haiti, South Africa, Central America and areas based on need.

The Adrian Dominican Sisters partner with many other lenders and form an array of collaborative relationships with members of the Opportunity Finance Network (OFN). The OFN is a national trade association that provides financing, training, consulting, and advocacy for more than 160 community development financial institutions (CDFIs). The network has provided CDFIs financing from the network of over \$1.35 billion and the means to invest in endeavors that mainline financial institutions overlook. Since their inception, CDFIs have delivered over \$10 billion in financing for those underserved within the United States.

Alternative lending is not infallible. Occasionally there are borrowing organizations with grave systemic and human errors. But counter to conventional wisdom, alternative lending is a

successful system where investors can realize stable financial returns and receive solid social or living returns, which is at the core of community investment.

Overall, the Adrian Dominican Sisters history of SRI demonstrates that:

- Awareness of SRI deepens and broadens with every new initiative, bringing in new SRI shareholders and stakeholders.
- It is impossible to make a difference without partners.
- Shareholders become more knowledgeable about companies as a result of corporate responsibility work.
- Institutions are challenged to examine how well they are measuring up to the benchmarks they are requiring corporations to meet, which can promote better policies and practices in the investing institution.
- Over time corporate behavior changes, benefiting society.
- Over 30 years later the accomplishments within the community investment industry are remarkable, as they have become more sophisticated.
- There must be alignment of capital with social, economic and environmental justice. It takes both vision and courage from partners, funders, politicians, regulators and activists. In this “*mustard seed economy*” more is needed: new investors (religious, public, private, etc.), better and more inclusive and innovative products, and healthcare for low-income persons.

A case study in Corporate Social Responsibility: Wal-Mart

Wal-Mart is the largest retailer in the world. The corporation employs 1.6M people. In 2006, Wal-Mart enjoyed \$11.231 B in profits out of \$315.654 B in revenues.¹ Wal-Mart’s market size, from 20 to 40%, places it in position of great power. Wal-Mart’s interface with, and impact on, local, national and global communities is the focus of intense discussion, only a few of which will be touched on in the space of this brief paper.

A visit to WalMartStores.com will show a very positive face of the company. The Mission, “To improve the lives of everyday people, everyday,” is admirable and one that certainly is not contrary to principles of social justice or CST. Wal-Mart strives to instill positives in employees continuously. In one of the main corporate offices are signs posted everywhere, “Wal-Mart is a Good Company: Good Jobs, Good Life for Less, Good Partner, Good Neighbor.” Wal-Mart is renown for efficiency of supply management, in fact creating a prototype for eliminating waste and cutting cost.

The company’s assertions differ greatly, however, from the claims of its critics regarding wages, environmental effects, equal opportunity and impact on local and macro economies.

Wal-mart’s mission and passion is to bring consumers good at the lowest prices. Always. While that claim in and of itself is potentially a good for those with limited incomes, it must be evaluated in the context of the impact on workers and suppliers, and indeed broader society and environment. Great efficiency in supply management in and of itself is also a good, but these questions apply: what is the comprehensive impact on workers in the entire supply chain, both primary suppliers and secondary suppliers?

If the primary goal is always a lower price, there inevitably will be something that is squeezed out. The current model of Wal-Mart does the squeezing in the supply chain and in the workforce: workers who are prohibited from belonging to a union, who are paid wages which make it difficult to purchase the health care offered by the company. Such workers are not afforded opportunity to fully participate in the economy that the corporation purportedly serves—or perhaps participate only in the economy as designed by Wal-Mart.

Any critique of corporate practices/policies must begin with the context within which the corporation functions. Examination of the world's largest retailer and world's largest employer today will be very different from an examination of the same company as it began. Even though the corporate culture in many ways remains the same, i.e., “always-low price, always,” the impact of how the company operates under that mantra is different than when the mantra began.

It is one thing to offer “essential goods” at prices that makes a reasonably comfortable living affordable, such as food, clothing, appliances, etc. By enabling consumers, particularly low-income consumers, a greater ability to “consume” is Wal-Mart truly enabling the consumer to participate as a contributing member of society, or merely as a channel of consumption/materials/waste? Is a greater ability to consume a stepping-stone to greater citizenship or a stepping-stone to denial of the impact of one's habits?

Wal-Mart's mission is also its rationalizing argument. If Wal-Mart pays higher wages, and works toward higher wages in its supply chain, then it will be unable to offer the low prices to low-income consumers. Which raises the question: does Wal-Mart serve the public good by offering all goods at the lowest prices, and simultaneously fostering unending consumerism?

What about the question of too much? The world is stressed with too much. Too much waste, too much carbon dioxide, too much strain on agricultural lands, too much pressure on fisheries, too much impact of coal mining, too much pollution. What is the responsibility of a corporate model that encourages too much in a world of too little? Too little self-determination, too little ability to use resources wisely, too little knowledge or motivation to conserve? How can a company such as Wal-Mart not take responsibility for the end result of rampant consumerism, unless the corporation closes the loop and also takes responsibility for recycling of old products into new and useful materials?

Barry Lynn's article, “Breaking the Chain, The Anti-trust Case Against Wal-Mart,” *Harper's Magazine*,² could be the outline of some of the Wal-Mart's most egregious business practices that are critiqued by the corporate social responsibility movement. In this article, Lynn describes Wal-Mart's power vis-à-vis suppliers, a power that resembles more a dictatorship than a true negotiation, a power that undermines competition.

The Interfaith Center on Corporate Responsibility (ICCR) members have advocated on numerous issues with Wal-Mart since 1991, beginning with the issue of the sale of war toys. Shareholders have approached the company on contract supplier/vendor standards; domestic weapons sales; equal opportunity and diversity reporting; American Indian Sacred images; environmental principles (CERES); executive compensation; genetically modified organisms; violence in video games; sustainability; executive compensation disparity, adequacy of health

benefits, toxics and product safety. With each of these issues, the corporate social responsibility movement and other sectors of society such as civil and labor rights movements have pushed the company to institute change. The history of change at Wal-Mart, until recently, is one of reluctance and resistance.

Let's look at two examples.

Equal Employment: Wal-Mart states its Equality of Opportunity Policy as: "Wal-Mart will not tolerate discrimination in employment on the basis of race, color, age, sex, sexual orientation, religion, disability, ethnicity, national origin, marital status, veteran status, or any other legally-protected status."

EEO-1 reporting is required in the US by the federal government. An EEO-1 report details the percentages of women and minority employees in job categories. Reporting allows for analysis of how women/minorities rank in the higher paying positions such as managers and professionals, compared to lower paying positions such as laborers or service workers. Intriguingly, it took over a dozen years of shareholder advocacy to get Wal-Mart to be transparent about their level of diversity on all levels of employees. In April 2006, Wal-Mart agreed to post on its company website its EEO-1 documentation.

Compensation disparity and wages: In 2005, Wal-Mart's CEO received compensation that was approximately 1,000 times the average pay of Wal-Mart's US employees. The disparity of compensation at Wal-Mart does not meet the criteria of distributive justice. Forty-six percent—46%— of Wal-Mart employees' children are uninsured or utilize Medicaid health care, a program restricted to children of limited household incomes.³

In the US, the minimum wage has not been increased since 1997, and has the lowest purchasing power since 1955, a 51-year low.⁴ In October 2005, CEO Lee Scott urged the US Congress to consider raising the minimum wage. Yet as Congress has debated legislation to actually increase the minimum wage, it is not evident that Wal-Mart strongly advocated an increase. A spokesperson for the company said that Mr. Scott's comment was not 'support for an increase but just a call to consider the increase.' A company cannot have it both ways, cannot be simultaneously for improving the lowest employment wage and mute in the legislative attempts to do so. Credibility does not extend to such duplicity.

Corporate Responsibility Issues with Wal-Mart and CST

Issue at Wal-Mart	Principle Catholic Social Teaching	Justice
Dictation of price paid for product; lack of negotiation power for supplier	Participation	Contributive Justice; commutative justice
Company opposition to unionization; A store in Saguenay, Quebec was the first Wal-Mart outlet in North America to organize a successful union drive.	The Dignity of Work and the Rights of Workers	Commutative Justice

The retailer closed the store April 2005, citing financial reasons, before a collective agreement with the union could be reached.		
Equal employment; In June 2004, US District Court Judge Martin Jenkins certified a gender discrimination suit involving 1.6 million current and former females employees of Wal-Mart, and called this suit "historic in nature, dwarfing other employment suits that came before it." ⁵	Call to Family, Community, and Participation	Contributive Justice; Distributive Justice
Contract supplier system; monitoring for human and labor rights; wage and benefits; disparity of wage and benefits	Life and Dignity of the Human Person	Contributive justice; distributive justice
Impact on local small businesses; W-M goals for stores in urban areas	Option for the Poor and Vulnerable	Distributive Justice
Run-off from stores; energy and fuel efficiency; package reduction; "green stores"	Care for God's Creation	Commutative Justice
EEO-1 report	Life and Dignity of the Human Person	Commutative Justice; Distributive Justice

Southern Mutual Help Association (SMHA): A Case Study

In 1969 Southern Mutual Help Association was founded to be an agent of change. Born out of distressed and oppressive conditions found in the cane fields of Louisiana, SMHA sought to promote justice where plantation conditions pervaded. Over the years, the work has expanded to include not only farm worker families, but families in transitioning economies and, most recently, those affected by the Hurricanes Katrina and Rita natural disasters throughout South Louisiana. Poverty is expensive and debilitating to the human condition. SMHA seeks to end poverty, not by servicing it, but through "mutual help," the premise of helping families help themselves. Thereby, the concept of charity transforms to one of investment and positive pro-action within the community.

"SMHA emerged as a solution to the challenges and public tensions that underlined the War on Poverty. We confronted the failures of policies that did not change people's lives, because they were based on service and not on systemic change. SMHA's foundation was – and still is – our strong convictions and a passion for justice." (www.southernmutualhelp.org)

SMHA has received numerous awards for their work in affordable housing in areas of extreme poverty, including Fannie Mae Foundation's "Sustained Excellence Award" and, most recently, Independent Sector's 2003 "Leadership Is" Award and the National Community Reinvestment Coalition's 2004 Hon James A Leach "National Achievement Award for a rural nonprofit organization that has made the most outstanding contributions to economic justice and community development."

Along with thousands of other community economic development institutions, SMHA organizes “economics and politics to directly affect human dignity and the capacity of individuals to grow in the community.” SMHA provides a credible voice through the exemplary structure and design of their Association, incorporating equal relationship within the organization as well as extended to the local, state and national community. Responsible business conduct has incorporated “*what is right with the right approach.*” In practice, the SMHA model uses “building strategies” combined with creative “economic strategies” (affordable housing loans), ergo building effective, healthy, life-giving, sustainable and just communities. Access to capital through low-interest loans enables groups such as the Adrian Dominican Sisters to invest in organizations that are providing mission-based opportunities through their work at the forefront of communities.

SMHA grew out of strong female leadership that persistently challenged barriers to women as leaders. Understanding that women are the bedrock to the life and the health of communities, engaging women is essential to maintaining and moving a community. Seven of the nine staff positions at SMHA are held by women. And of SMHA’s first-time homeowners, 66% are female-headed households. It follows that strong female leadership reflects the population represented by SMHA.

Traditionally, the economy of Southern Louisiana has relied on the agriculture and fishing industries, although both have experienced substantial declines. SMHA co-founded a 13-state Southern Sustainable Agriculture Working Group to assist in redirecting USDA policy and land grant resources for use by family farmers and sustainable agriculture. In addition, SMHA formed a coalition to conduct research on how best to assist displaced commercial fishers in developing economic alternatives to provide income to their families.

SMHA and Rural LISC partnered in piloting a national homeownership initiative, the Rural Home Loan Partnership (RHLP). Since its inception, over \$8 million has been invested in rural Louisiana parishes and the revitalization of rural areas. Through this partnership and working with local banks, they provided blended mortgage products that made it possible for low-income families to purchase their own home, enabling more than 110 families to become first-time homebuyers. Families who become homeowners participate on many levels. Through the Train the Trainer program, low-wealth homeowners train bankers to conduct homeownership counseling courses that seek to improve upon the social well-being and development of the group. Homeowners are represented on SMHA’s affiliate boards and/or advisory committees, and participate in focus groups conducted to “take the pulse” of the community work and new products. Environmental Assessments are conducted on any property a family considers purchasing, assisting families in learning about their connection to the environment. Families also receive training on conserving energy, pest control without chemicals and other issues to create healthy families, households and communities.

In 2000, SMHA created an affiliate Community Development Financial Institution (CDFI), Southern Mutual Financial Services (SMFS), to provide affordable capital and development services, with an emphasis on women and people of color. SMFS led the formation of a multi-state regional network of CDFIs to assist in standardizing and pooling of loans.

SMHA created a fund to address the aftermath of Hurricanes Katrina and Rita in 2005. When well-managed money is urgently needed to assist in the recovery of rural Louisiana, SMHA with 36 years of responsible money management and mission created a special SMHA - Rural Recovery Fund that supports these efforts.

The structure of SMHA is designed to ensure that members of the community served have input and voice in their work. Frequently, SMHA organizes grassroots focus groups to advise board deliberations.

In Louisiana having a sustainable quality of life depends upon comprehensive and integrated human and natural resource management. Building the capacity for these Community Development Corporations (CDC's) and Community Based Organizations (CBOs) is key to building and preserving a strong institutional base. This base, along with business and government partnerships, holds the most promise of any lasting structural improvements in society.

SMHA is well structured and considered by peer organizations to be an effective leader and lender to low-wealth individuals and families. The Adrian Dominican Sisters have successfully been in partnership with SMHA since 1988. Their understanding of social, economic and environmental justice has allowed them to successfully implement family wealth-building strategies and affordable loan dollars. The average interest earned over the 23 years has been just under 4%.

ADS Loan criteria, SMHA Practice, CST Principle and Justice

Community Investment loan social criteria	SMHA Practice	Principle Catholic Social Teaching	Justice
1. Provide opportunity for community control or local self-determination	Formed coalition to conduct research on how best to assist displaced commercial fishers to develop economic alternatives Created SMHA - Rural Recovery Fund to assist after Hurricane Katrina Challenge policies that keep families from success	Solidarity	Contributive Justice
2. Enables access to living wage, transportation and healthcare	Created first medical and dental clinic for farm workers and education program	Participation and right to fair wages Respect for Human Life	Commutative Justice
3. Create alternative approaches (such	Co-founded 13-state Southern Sustainable Agriculture Working Group to help re-direct USDA policy	The Dignity of Work and the Rights of	Commutative Justice; Distributive

as cooperatives) for the production of goods and services	and land grant resources	Workers	Justice; Contributive Justice
4.Target women for employment, management and ownership	Development of community-based leadership Female Leadership, representative of population and homeowners	Call to Family, Community, and Participation	Contributive Justice; Distributive Justice
5.Empower low-income persons to create, manage and own enterprises	SMHA's Rural Home Loan Partnerships train the trainer program and representation on affiliate boards, committees and focus groups Created Southern Mutual Financial services institution to provide affordable capital	Life and Dignity of the Human Person	Contributive Justice
6. Re-invest in decaying urban areas or revitalize rural areas	SMHA Louisiana Rural HLP makes home ownership possible Created Rural Recovery Fund to address the aftermath of Hurricanes Katrina & Rita	Option for the Poor and Vulnerable	Distributive Justice; Contributive Justice
7.Demonstrate a stewardship approach to land, water, air and other resources	Conducts environmental assessment of any property a family considers purchasing. Families receive training on energy conservation, natural pest control, recycling	Rights and Responsibilities; Care for God's Creation	Commutative Justice
8.Contribute toward integration (racial, urban-rural, inner city-suburbs)	Racially diverse staff and board	Life and Dignity of the Human Person	Commutative Justice; Distributive Justice
9. Engages in healthy/green building practices	Incorporate green building practices where possible in renovations	Care for God's Creation	Commutative Justice

Transforming Wal-Mart with the Community Investment Model

Development models and Wal-Mart: exploration of how applying community development principles would affect current Wal-Mart practices.

Our history prompts us to state that the community development enterprise is closer to the “good company” model than a publicly traded company. Thus a question presents itself: How can we

move the community development model, or at least elements of it, to the corporate business culture? How do we apply community development principles to current corporate practices? Our world cannot afford, on every level to turn their heads, and allow companies to ignore the interconnectedness.

Wal-Mart focuses on the individual. Individuals having access to products. Individuals affording products. Individuals taking responsibility. Individuals conserving resources. Individuals taking care of health. What if Wal-Mart focused instead on community impact? What if Wal-Mart first defined itself as a corporate citizen, with emphasis on the company's interdependence with the community? In recent months, Wal-Mart has initiated some significant changes. The corporate goals for increased fuel efficiency for corporate trucks, for increased recycling, for waste reduction and for sustainable products are all positive moves. The company has even agreed with the unionization of all Chinese workers with the All China Federation of Trade Unions. (It should be noted that Chinese law requires companies with large foreign investments to allow unionization.)⁶ What if Wal-Mart worked with suppliers and contractors to assure that adequate wages and benefits were paid down through the entire supply chain? What if Wal-Mart endorsed and began paying a Living Wage to all employees?

Organic foods: Wal-Mart recently announced that it would significantly increase its offerings of organic foods in its stores. Given the company's well-documented approach to suppliers, i.e. that the supplier will inevitably be pressured to lower its prices in order to stay on Wal-Mart shelves, what will be the impact on the organic suppliers? Will organic suppliers, under price pressure, be driven to lower the price paid to the organic growers, thus undermining the distributive economic benefit of the organic product in the first place? Will the societal benefit of offering more organic foods at a lower price benefit the entire organic food system and Wal-Mart customers in the long run, or will the Wal-Mart model of price pressure drive some organic producers out of business or into a larger agribusiness model of organic production? Will the insistence of lower price result in a drive to undermine organic standards as a way to decrease cost to Wal-Mart?

Health care: Health care costs are a burden to employers and employees in the United States. The administrative and personal challenges in tracking an individual's health record is one aspect of the US complicated health care delivery set-up. Wal-Mart's information technology expertise may have great offering for creating, or moving toward, a national database of health information. Such a model would be much more efficient and resource conserving than the current model. Wal-Mart's expertise could be of great service toward that goal. Affordability of the health care is however, a central issue. Will Wal-Mart resist mandates for employers to provide health benefits, or will it pay employees a wage sufficient that the health benefit is affordable? Wal-Mart rejoiced in the court ruling that overturned a Maryland law requiring employers of 10,000 or more to spend 8% of payroll on health benefits. As Wal-Mart formulates a position on health care policy, will the corporation simultaneously advocate for sufficient public funding and the tax basis for the funding, and contribute corporate earnings toward the provision of quality care? What if Wal-Mart endorsed and began paying a Living Wage to all employees?

Potential “Community Investment” for Wal-Mart

Community Investment Model	Potential at Wal-Mart	Principle Catholic Social Teaching	Justice
Provide opportunity for community control or local self-determination	Baseline reinvestment in each community where W-M has stores rather than all profits accruing to corporate headquarters	Solidarity	Contributive Justice
Create alternative approaches (such as cooperatives) for the production of goods and services	Increase vending from cooperatives	The Dignity of Work and the Rights of Workers	Commutative Justice
Target women and minorities for employment, management and ownership	Improve transparency on diversity policies; increased women in management; remove barriers to women/people of color	Call to Family, Community, and Participation	Contributive Justice; Distributive Justice
Empower low-income persons to create, manage and own enterprises	Support for, and payment of Living Wage standard in all W-M stores and suppliers	Life and Dignity of the Human Person	Contributive justice; distributive justice
Re-invest in decaying urban areas or revitalize urban areas	Evaluate which markets are locally strong and do not undermine; use local enterprises for ancillary services such as banking; end the practice of “cannibalizing” its own stores	Option for the Poor and Vulnerable	Distributive Justice
Demonstrate a stewardship approach to land, water, air and other resources	Prevent run-off from stores; reduce packaging and waste; increase energy efficiency	Rights and Responsibilities; Care for God’s Creation	Commutative Justice
Support for public policies which increase the community’s development	Never seek tax abatement; contribute to local public services such as health programs, on a pro-rata basis	Rights and responsibilities	Distributive justice; commutative justice

A challenge to socially responsible investors

Socially responsible investing is investment with principles. It is not easy or without cost. It takes human resources to do SRI, regardless of the methodology. For corporate responsibility, a financial manager adhering to criteria for a stock portfolio will need resources beyond the standard financial analysis. Additional resources are needed to assure compliance with the criteria and to engage in shareholder advocacy, as the likelihood that corporate practices will align with principles of CST without such effort is practically nil.

For alternative investment, due diligence for alternative community investing requires the resources for reviewing loan applications and the ongoing financial monitoring of each investment. A congregation can sometimes minimize those resources by loaning through intermediary groups, such as credit unions or community loan funds. Alternative investing has lower financial returns balanced, however, by the very low rate of loss and the high social return.

If experience demonstrates that most corporations resist changes which would put the corporation more in alignment with the principles of Catholic social teaching, and if the community (re)investment model demonstrates that it is inherently more aligned with CST, is there any obligation for religious investors to evaluate their portfolios and to increase the amount of funds in community (re)investment, and decrease funds invested in mainline corporations?

We propose that this is a key decision as of how to be invested socially responsibly and also be in concert with Catholic Social Teaching.

Endnotes

¹ *Wikipedia*.

² “Breaking the Chain: The antitrust case against Wal-Mart” by Barry C. Lynn, *Harper’s Magazine* July 2006, pp 29-26.

³ “Reviewing and Revising Wal-Mart’s Benefits Strategy,” Memo to Wal-Mart Board of Directors, Susan Chambers, Executive Vice President Risk Management and Benefits Administration, October, 2005.

⁴ “Buying Power of Minimum Wage at 51-Year Low” by Jared Bernstein and Isaac Shapiro, Center on Budget and Policy Priorities, June 20, 2006.

⁵ June 22, 2004, <http://www.msnbc.msn.com/id/5269131/>.

⁶ “Wal-Mart Agrees to Unionization in China,” by David Barboza, *New York Times*, August 9, 2006.