

A new direction for investment

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A new direction for investment is needed: from short-term profit and productivity to long-term wellbeing of society and care for creation (environment). WEA and Sallux wholeheartedly agree on these principles and are long-standing allies in bringing a change of heart in economic thinking and practice. This change is essential for an "inclusive" European Economy.





Introduction

Since its inception Sallux has been on the forefront of the discussions towards a different economic model. Through a string of publications and events from 2011 onwards we have promoted an economic paradigm based on relational thinking and mutuality. The key issue is to change the focus of economic policy and economics in general from short-term profit and productivity to long-term wellbeing of society and care for creation (environment). WEA and Sallux wholeheartedly agree on these principles and are long-standing allies in bringing a change of heart in economic thinking and practice. Sallux as political foundation of the ECPM aims to be the platform where experts, policy makers, civil society representatives and religious representatives come together based on Christian values to spread ideas and policies that can change Europe

for the better. Building bridges between stakeholders and develop new ideas and policies is essential to improve Europe's economy. WEA Business Coalition is focused on change in the economy by bringing Christians together to change paradigms and practices to build a sustainable future for all. WEA Business Coalition wants to stimulate Christians to be a witness by bringing positive change in the economy. The economy of the EU is showing a clear recovery from the crisis caused by the crash of 2008. However this recovery does not represent a change in our economic model. The escalation of climate change, migration and inequality show that this recovery is very fragile. Any crisis can topple it as the underlying fundamentals have not changed. The 'Yellow Vests' movement showed that the inequality is seriously felt across Europe¹.

Moreover the middle class is more and more squeezed between stagnating wages and rising costs of livingⁱⁱ. At the same time the top 1% is increasing its wealth substantially almost every single yearⁱⁱⁱ. Those who have wealth can easily escape taxation and can continue to live off the returns from the capital markets and real estate that in turn demand a constant stream of more profit with every quarterly report. As a consequence a steady stream of money flows from the majority to the wealthy minority. In addition it is putting extreme pressure on our planet that simply does not have the resources for an economy that is based on the assumption of ever increasing productivity. In fact, we now have an economy that is not based on investment in the future but it is based on short-term extraction of both the economy at large and the planet.

We are therefore convinced that this extraction-based 'boom and bust' economy is incompatible with the need to fight climate change and exclusion. An inclusive economy cannot be

built on the current 'short-term profit' paradigm that is driving the economic practice of the moment. It is therefore paramount to change this paradigm and the connected practice. Reflection on the economy has therefore to be done from a global perspective as Europe's economy has impact on the whole planet and as the whole world has impact on Europe's economy.

As stated above we identify the current practice of investment as one of the most important drivers of the destructive aspects of current economic practice and paradigm. Without a change of attitude among investors, it will be very difficult to achieve a sustainable economy. The demands of investors drive the behavior and choices of companies and have therefore an oversized impact at our economy.

The role of Christians in Europe and in bringing change in our economy

While Christian values shaped Europe and provided the foundations of the EU, there is a silent assumption that committed Christians are far

less important for the EU today. As Sallux and WEA we represent millions of Christians that shape and influence today's Europe. Even though Europe is seen as secularized this does not mean that Christianity plays no role anymore. Various Europe-wide studies show that there are many Christians for whom their faith is important^{iv}.

As Europe's economy needs change it is important that Christians are part of that change in bringing forward new paradigms and practices. Moreover it is our conviction that Europe needs new ideas and practices based on Christian values in the economy in order to introduce holistic change that is not merely a compromise between interest groups but focused at wellbeing for all. As Christian values cannot be separated from involved and committed Christians it is obvious that it is necessary to bring together Christians that are experts in their field in order to create new paradigms based on Christian values. If Europe is serious on achieving the SDG's and an inclusive economy, it has to be serious in including people of all convictions and include

them in the debate based on their values. WEA Business Coalition and Sallux have been partners for many years in advocating for change in the economy and economic policy in Europe and globally and we agree that a change in the culture and paradigms and practices of investment is key to change the economy for the better. As WEA Business Coalition had the possibility to bring Christian investors together it was obvious that Sallux would partner in this effort to bring these experts from all over the globe together. Together they presented goals, principles and models for a new culture for investment based on Christian values.

This is essential expert input to be able to define new paradigms. Sallux and WEA-Business Coalition see these ideas as crucial input and will put them forward in next steps and activities focused at the renewal of Europe's economy.

Expert opinions on Christian engagement in investment contributing to a culture of investment based on Christian values

The involved experts gave an assessment of the current macro-economic and ethical issues that contribute to imbalances and injustice in the economy. Furthermore they defined new goals, stressed the need for a change of mentality as well as principles for an ethical approach to investment based on Christian values.

Macro-economic and ethical issues as specified by involved experts

Dr. Rosen Ivanov (fmr. ECB) defined a number of issues that are detrimental to an ethical and inclusive economy as 'macro-economic mismanagement'.

This is a major source for inequality and poverty. Macroeconomic mismanagement can be seen in the speculation with currencies, unjust banking regulations that favour 'big' over 'small' and overindebtedness. A major issue is that most Christians are simply continuing to use the investment platforms that perpetuate these patterns through their investments.

In order to see positive change it is essential that Christians contribute to change in investment practices and there is need for biblically inspired guidelines on investment.

Eido Research elaborated the issue of involvement in its 'Kingdom Impact Framework' (KIF) report. They specifically refer to 'spiritual impact'. In recent years much has been said about the greed that fueled the crash of 2008^v. This means that it is impossible to separate the macroeconomic and ethical issues in investment from the realm of spirituality. Without a 'change of heart' it is impossible to bring about fundamental change. Spirituality can also be understood from the secular perspective of mentality and mentality change. Spirituality fuels motivation and ethics and that includes economy, business and investment^{vi}.

This is why spirituality and faith have such a significant impact at the economy at large. The values that are essential to reform investment towards a healthier economy cannot be separated from the 'lived values' in society as well as individually.

Values are not an abstraction but a living reality that define attitudes and behavior. They are a matter of the heart as much as the head. This means that religious communities need to be involved in the reform of the financial markets and the culture of investment. It also means that religious considerations are important in the reform of investment culture and policy. The EU recognizes the importance of religion overall which is seen in the dialogue between the EU institutions and Churches and religious communities or associations based on Article 17(3) of the Treaty on the Functioning of the EU. Article 17(3) TFEU recognizes the 'identity and specific contribution' of religious communities. The values driving the economy are part of that contribution.

The KIF report stressed that it is necessary that spiritual development and spiritual impact will become part of the considerations that Christians make in investment. Furthermore the KIF report emphasizes the need for the

development of criteria in this regard. For that reason the 2017 report 'ZUG Guidelines to faith-consistent investing' was part of the discussion in the expert meeting^{vii}. This report does not draw up guidelines for a new culture of investing overall but rather displays a collection of various guidelines used by different religious funds.

However the methodology of the report is useful in to develop overall guidelines as aimed for by WEA Business Coalition & Sallux. The ZUG Guidelines point to the need of connecting the SDG's (Sustainability Development Goals) with faith-based guidelines. This angle has been included in our publication as the ZUG report has the same fundamental critique at the existing economic model. The ZUG report recalls a UN meeting between faith representatives and the UNDP and OECD in which the faith representatives critiqued that the approach to the SDG's was predicated on one economic model - essentially consumerist capitalism and the desirability of economic growth - and that

there were alternatives that should be acknowledged and considered. That line of reasoning is clearly shared by Sallux and WEA Business Coalition as can be read in our introduction.

Robert Collins, Global Managing Director of Trustbridge Global presented the challenges that charitable investment still funds face in terms of regulatory and reporting demands as well as taxation. As Europe and our whole world are in need for a different approach to investment, it is obvious that a new kind of investment funds will face less regulatory burdens in order to stimulate a sustainable economy and society. This specific issue is reflecting the wider issue that one single economic paradigm (based on consumerism and growth) is dominating all aspects of the economy.

New Goals for the economy and investment needed to meet the SDG's

It is insufficient to describe the deficiencies of the current system with its focus at short-

term profit and continuing economic growth if there is no alternative focus presented as well. In order to define new goals for the economy it is impossible to ignore spirituality in the widest sense of the word. The ZUG report points to consumerism as important fuel for the current economic model. Consumption not just to sustain life but to fulfill life is a spiritual challenge with serious real impact on the planet.

Furthermore the issue of greed at the individual level and the incentives used on individual traders that play into that instinct have been crucial for the 2008 crash. The technocratic measures that have since been put into place do not deal with that core issue, they only contain it. Regulators are trying to enforce values but this is ultimately impossible if the surrounding economic culture and the subsequent incentives for traders are focused at short-term profit alone^{viii}. Therefore in defining new goals it is essential to define the 'what for' of consumption and economic

activity, including the ultimate goals of companies. The first major steppingstone towards fundamental change is that profit and economic growth are no longer seen as an end in itself but simply as possible contributors to wellbeing. 'Wellbeing' as concept is in itself however insufficient if the meaning of wellbeing is not clarified and specified for the context of investment.

During the expert meeting the in-depth report 'Biblical Rationale for Investing' by Christian Super (a Christian investment organization) provided a clear direction in defining wellbeing clearer in the context of economy and investment. This report points to Human Flourishing is the ultimate goal of economy and investment. Human flourishing is not defined in individualistic terms but in relational terms. That means that human flourishing is understood in relational terms. Human flourishing can only exist in relation to the human community and nature. The report states: "True human flourishing is multi-dimensional. It has an economic and material

dimension; an emotional and psychological dimension; a physical dimension; a political and social dimension; and a spiritual dimension." And the report specifies this for investment that investment needs to focus at human growth rather than wealth accumulation while taking care for the effects of investment at the global society and creation.

The report specifically uses the term 'contentment' which means that the goal of economy and investment is to provide for what is needed and not for accumulation of goods and money. In this way a new goal for investment is defined through spiritual change ('enough is sufficient for a fulfilled life') that includes care for the fellow human being and nature. It is more realistic to achieve the SDG's if this redefined approach to economy and investment is chosen. It offers a basis for investment based on Christian values.

Principles for a new culture of investment

Based on this approach the experts defined a number of principles for a new culture of investment.

Investment needs to:

- Promote human dignity, flourishing and reconciliation
- Recognize the value of creation and our responsibility to care for and restore our natural environment.
- Acknowledge our duty of care and responsibility to prevent harm for the benefit of our families, communities and nations.
- Demonstrate Christian distinctiveness (love, joy, peace, patience, kindness, goodness, gentleness, self-control) while operating in the world.
- Reject unjust accumulation of wealth and exacerbation of inequality.
- Pursue excellence and value creation

Furthermore investors need to measure intentionally spiritual, economic, social and environmental impact of investments, both intended and unintended.

Achieving a new culture for investment based on Christian values

The expert meeting concluded that the following methods could be considered to apply the outlined principles.

Discern – Avoid – Promote - Design

Discern – Avoid – Promote - Design are attributes that have been used to establish several instruments for financial markets which help to guide investors in making ethically sustainable investments. They are:

- Conduct research and discern how our investment strategy can be continually improved.
- The laying down of negative criteria (exclusion screening).
- The inclusion of positive criteria (inclusion screening).
- Ethically sustainable themed and direct investments.
- Active engagement (business dialogue and/or exercise of voting rights).

Negative Screening

Negative Screening refers to the approach of seeking to exclude from our investible universe companies, instruments and investments that bring

exposure to significant negative effects – particularly those investments that violate the defined principles. The deliberate or indiscriminate destruction of human life, the abuse of human dignity and freedoms, the damaging of health and well-being, the destruction of creation in pursuit of short-term profit and reaping reward from unjust behaviour are all activities that are inconsistent with a sound culture of investment and inconsistent with the approach to investing as summarised above.

Positive Screening

Positive Screening is the process of investing more heavily in companies, instruments and investments that operate in accordance with the positive principles outlined above. This orients the portfolio more towards those companies that are successfully promoting human flourishing and creation care. This would include funds or businesses which:

- Integrate sustainability into their business models and strategies.
- Report on and follow-up their sustainability work based upon, for example, their

codes of conduct and other guidelines and commitments.

- Adhere to international regulations designed to protect human beings and the environment and also take action to correct faults and shortcomings. Companies should utilise their abilities to influence throughout their entire values chains.
- Make positive contributions economically, environmentally and socially to affected communities. Limit their negative effects on the environment and act with consideration for the current and coming generations by, for example, using the best available technology and reducing their use of natural resources while at the same time protecting them.

Active Ownership and Influence

Active Ownership and Influence is the process of trying to positively shape company, instrument and investor behaviour through dialogue as an investor. Investors should consider not

just what they invest in, but also how they act as owners in exercising decision-making authority on assets. Active Ownership refers to the approach of acting as an owner to influence the direction of investments towards more positive character and outcomes. This can involve exercising proxy voting rights, undertaking corporate engagement and collaborating with other investors. WEA Business Coalition and Sallux emphasize this issue as part and parcel of a relational approach to the economy and as such an approach that fits neatly in our existing work on the economy overall (such as the European Economic Summit).

Impact Investing

Impact Investing is an approach of actively and intentionally making investments that seek to achieve both a risk-adjusted financial return and positive social or environmental impacts. This may be a fully commercial return or discounted in light of higher social or environmental impact.

Policy recommendations and conclusion

Both the ECB and the relevant EU Institutions should try to engage more actively the faith communities in the reform of the financial markets. The faith communities can clearly contribute to the fundamental change that is required for a new culture of investment in order to create a more sustainable and inclusive economy. In this regard the ECB and relevant EU Institutions can follow the example of the UNDP and OECD. This will also help to build bridges with the European population overall.

Furthermore all relevant decision makers regarding the regulation for financial markets could consider to create positive incentives for investors to apply an ethical and sustainable method for investment. This publication and subsequent joint efforts by WEA Business Coalition and Sallux aim to promote these principles and methods as a way to discern ethical and sustainable investment. There is an ongoing

debate on taxation of financial transactions. In light of the need for a deeper reform of the economy overall it could be considered that such taxation will only be applied to those investments that are not in line with these or similar principles for ethical and sustainable investment.

WEA Business Coalition and Sallux will further the goals, principles and methods in future activities and research to promote an economy based on Christian values.

Endnotes

ⁱ [‘Yellow Vest Protest Movement: Inequality and the Hollowness of the French Regime’](#) Richard Greeman, GlobalResearch, 4 December 2018

ⁱⁱ [‘Rising employment overshadowed by unprecedented wage stagnation’](#) OECD, from the OECD Employment Outlook 2018

ⁱⁱⁱ [World Inequality Report 2018](#) by the World Inequality Lab

^{iv} [‘Being Christian in Western Europe’](#) by Pew Research Center, May 29, 2018 & [Church Attendance statistics](#) from ‘Atlas of European Values’ by European Values Study & [‘Religion in Europe - Statistics and Facts’](#) Published by Statista Research Department, Jun 24, 2019

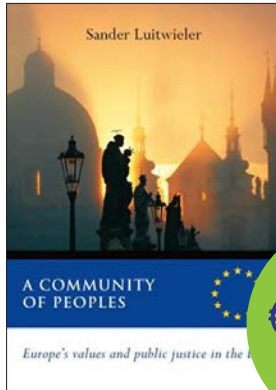
^v For example: [‘Greed, Bailouts, and the Causes of the Financial Crisis’](#) By Monica Williams, USNews, Jan. 4, 2013 & [‘Greed hurts: Causes of the global financial crisis’](#) Acton Commentary by Oskari Juurikkala, 16 January 2008

^{vi} [‘How Religious Beliefs Influence Financial Decision-Making’](#) by Jillian Alderman, PhD, Joetta Forsyth, PhD and Richard Walton, PhD, Graziadio Business Review, 2017 volume 20, issue 3

^{vii} ‘The ZUG Guidelines to faith-consisting investing’ published in 2017 by the Alliance of Religions and Conservation, compiled by Martin Palmer and Pippa Moss

^{viii} ‘The Changing Role of Capital Markets Compliance Officers’, article by Nick Fera at Corporate Compliance Insights, 20 May 2016

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Authors



Johannes de Jong has been working for Sallux since its start in 2011. He has been focusing on economy and international relations with a specific attention to those who are quickly overlooked in the global economy and geopolitics. For him salt means that we as Christians need to be sharp and clear ('salted debate') and practical in order to prevent that the most oppressed are forgotten in economy and international relations. Light means for him that it is often necessary to shed a new light at the issues and to work on new paradigms in order to find solutions that solve the underlying issues in the challenges we are confronted with.

Timo Plutschinski is leading the Business Coalition of the World Evangelical Alliance (WEA) and Partner of MIC Corporate Finance. The Protestant theologian is also a Board Member of the Congress of Christian Leaders, Chairman of the Relational Business & Finance Group, and a Fellow of the Olivet Institute for Global Strategic Studies. His matter of concern is a (re-)definition of the relationship between business and church. Timo lives with his wife and two daughters in Hamburg, Germany.



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“Sallux is an excellent and badly needed umbrella body for similar minded Christian organisations all over Europe. It is making a very important contribution to keeping Christian Democracy alive in Europe as a viable political idea.”

David Quinn, Director, Iona Institute, Ireland

“Our collaboration with Sallux has been tremendously fruitful, and we commend them highly for their wise and strategic investment in helping Christians to be more effective as salt and light in the European public square”.

Jonathan Tame, Director, Jubilee Centre, UK

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“Sallux has supported us to find our way in the European Union and to reach out to European decision makers, and to create our common declaration with the Yezidi and the Turkmen. We thank Sallux for their work.”

Rima Tüzun, Head of Foreign Affairs, European Syriac Union

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