



FAITH & BUSINESS

TIM WEINHOLD

Tim Weinhold serves as Director of Eventide's Faith & Business Initiative, and has served in a faith and business/investing thought leadership capacity with Eventide since its founding. Since relocating from Boston to Seattle a few years ago, Tim has served on the Executive Advisory Council of the School of Business and Economics at Seattle Pacific University, and on the Executive Committee of the school's Center for Integrity in Business.

SEPTEMBER 17, 2014

Blind Spot

How about this for a set of admirable corporate commitments:

- Honoring the Lord in all we do by operating the company in a manner consistent with biblical principles.
- Offering our customers exceptional selection and value . . .
- Serving our employees and their families by establishing a work environment and company policies that build character, strengthen individuals and nurture families.
- Providing a return on the owner's investment, sharing the Lord's blessings with our employees, and investing in our community.

As someone who believes God cares deeply about business, intends business to be a powerful engine for blessing, and offers wise counsel for business in Scripture, I wish many more companies had a similar orientation. Totally admirable.

Of course, many companies espouse a more admirable set of values than they practice. In this case, however, the company's values show up concretely in some eminently admirable practices. The company, a retailer, offers starting pay of \$14.00 an hour for its full-time employees, almost double the minimum wage. In addition, they offer substantial healthcare, dental, and life insurance benefits, a matching-grant 401(k) program, and an onsite health clinic at their headquarters. They also close their stores earlier (8:00 p.m.) than most retailers, and stay closed on Sundays — practices intended to ensure that employees get to spend appropriate time with their families. Again, totally admirable.

And yet this company, Hobby Lobby, has been broadly and vehemently excoriated for blatant hypocrisy — accused of behavior egregiously at odds with the publicly-proclaimed Christian convictions of their Green-family owners. A *Forbes* columnist, for example, accused the company of "the most stunning example of hypocrisy in my lifetime." He went on to say, "You simply can't say that you will give your all in defense of your closely held beliefs when it suits you while seeking to make money in violation of those beliefs." And here's a similar opinion, one among many, from the blogosphere: "If a company is going to carry a flag of biblical principles, then that company needs to mirror those very same principles in all their business dealings. This is a basic principle of life that the Greens should know all too well."

As you may remember, the specific cause of the hypocrisy uproar was an investigative report by Molly Redden of Mother Jones. At the time, Hobby Lobby was about to get a hearing before the Supreme Court on whether the religious beliefs of their owners should exempt the company from the contraception portion of the Affordable Care Act (Obamacare). Redden's report revealed that three quarters of Hobby Lobby's \$73 million in employee retirement assets were in mutual funds whose portfolios included companies manufacturing the

For Hobby Lobby —
and for the majority of
Christian investors —
here is the really
important question: Is
investing uncritically in
mutual funds whose
holdings include
biblically objectionable
companies a big deal?

specific drugs and devices to which the Green family was so vigorously objecting.

To a great many, mostly liberal, critics, this was the height of hypocrisy — claiming one's religious convictions precluded offering certain products to employees while the company's 401(k) program profits from the companies making those very products. Not surprisingly, conservative defenders of the company leapt into the breach, contending that those decrying Hobby Lobby's supposed hypocrisy were both unfair and uninformed.

No one likes to be accused of hypocrisy, but it is especially troubling for Christians. To be a Christian means, among other things, attempting to live according to the principles and example of Jesus. Given that, evidence that one's conduct hypocritically breaches those principles is, of course, distressing (especially if one has pointedly and publicly proclaimed allegiance to those principles). But it is more than distressing — since hypocrisy tarnishes in the eyes of many the integrity of Christians generally, and even the reputation of Christianity itself.

Which means the charge that Hobby Lobby's investment practices hypocritically violate Christian principles should be considered carefully, not dismissed lightly. But in suggesting we appraise the validity of the accusation, my objective is neither to blame nor absolve Hobby Lobby. Rather, we should assess whether the company's investing deserves the hypocrisy critique for a much more important reason.

There is ample evidence that the Greens take their Christian faith seriously, sincerely attempting to operate their business according to biblical principles. Almost certainly, though, the Greens did not consider whether the mutual funds in Hobby Lobby's 401(k) program were owners of companies whose products or practices conflicted with their own biblical convictions. Rather, they sought investment returns in the same way as any secular company — their 401(k) program simply selected a portfolio of mutual funds without giving thought to whether the underlying investments might be morally objectionable. The Greens, therefore, while *operating* their business according to biblical principles, were *investing* its assets according to secular norms. *In this regard, Hobby Lobby's approach to investing mirrors the investing behavior of most Christians.*

So for Hobby Lobby — and for the majority of Christian investors — here is the really important question: *Is investing uncritically in mutual funds whose holdings include biblically objectionable companies a big deal?** Are the critics right in treating this as disgracefully hypocritical behavior — an egregious ethical blind spot that calls into question the Green's (and many other investors') Christian integrity? Or should we agree with the company's defenders that such behavior is benign, or at least trivial?

To start, we must admit that the *prima facie* case looks bad. On the one hand Hobby Lobby tells the Supreme Court that its religious convictions against certain products — emergency contraceptive pills Plan B and Ella, and copper and hormonal intrauterine devices — are so deep and inviolable that it deserves exemption from the law of the land. At the same time, the company's retirement fund invests in mutual funds whose portfolios include the very companies making these supposedly-repugnant products. It's as if the company says its Christian convictions are deep and inviolable — *except when it comes to making money via investing*. It's pretty understandable why the company's critics claim

Investing is much like citizenship — an activity which bears a responsibility to be appropriately informed.

blatant hypocrisy. And there are a lot of such critics — for the terms “Hobby Lobby” and “hypocrisy” Google now returns 276,000 results.

Against that *prima facie* case, therefore, let’s consider the arguments made by Hobby Lobby’s defenders, the most prominent of whom is author and radio host Dave Ramsey. Sometimes called the Dr. Phil of the Christian personal finance world, Ramsey’s syndicated radio program is heard on more than 500 radio stations throughout the United States and Canada. Let’s take a thoughtful look, therefore, at Ramsey’s defense of Hobby Lobby.

Defense One: ‘Blame my mutual fund, but not me.’

Ramsey’s first line of defense is that Hobby Lobby’s retirement funds are not really invested ‘in’ the objectionable companies (sort of reminiscent of former President Clinton’s famous Monica Lewinski defense: “. . . it depends on what the meaning of the word ‘is’ is”). Specifically, Ramsey argues that since Hobby Lobby’s 401(k) program owned shares in mutual funds, rather than in objectionable companies directly, the company bears no moral responsibility for the underlying holdings of their mutual funds.

Let’s see, does this pass the sniff test? Consider: certain investment funds have been created specifically to invest in traditional ‘sin’ stocks — companies involved with tobacco, alcohol, gambling and pornography. The investing logic is pretty compelling (including from a Christian worldview): humans are fallen creatures. As such, many are (often addictively) drawn to products that satisfy their baser instincts. Knowing this, suppose a Christian said to him or herself, ‘I see the investing potential represented by ‘sin’ stock companies, but it would violate my religious convictions to become a direct owner in these companies. Fortunately, there is an alternative. I can own shares in a fund that owns these companies. This makes me a step removed from direct ownership — and frees me from the moral implications if I had invested directly.’

Nah, by about fourth grade most of us see through such simple-minded attempts to evade moral responsibility.

Of course, our hypothetical investor *consciously desires* to invest in the underlying ‘sin’ stocks of their mutual fund. What if an investor *doesn’t know* what stocks are in their mutual fund(s)? In that case, is ignorance a moral defense? Short answer: no, not really.

A foundational legal principle, worldwide, is that “ignorance of the law is no excuse.”** The underlying rationale is that citizenship includes an obligation to be aware of the governing laws. Pleading ignorance is, therefore, typically viewed as a case of willful blindness — a patent attempt to evade responsibility. So, for example, many times people caught transporting packages containing illegal drugs have asserted that they never asked about the contents of the package and consequently are innocent of criminal wrongdoing. Such defenses have not succeeded. Courts have consistently ruled that defendants have a responsibility to know what is in the packages they carry — and, as a result, that failing to learn the contents represents criminal recklessness.

Investing is, in this sense, much like citizenship — an activity which bears a responsibility to be appropriately informed. Given how frequently we read about corporate malfeasance, not knowing what one’s mutual fund(s) are invested in is akin to not knowing what’s in the package you are carrying across the border — in other words, not knowing is an exercise in moral recklessness. This is especially

Could a Christian investor — with a straight face — contend that, ‘While it would be morally wrong for me to invest money *‘in’* a strip club, simply buying someone else’s ownership stake in the club is perfectly fine”?

true since investors have the option to invest in a considerable number of socially- and religiously-oriented mutual funds expressly designed to filter out morally objectionable companies.

Defense Two: ‘I just bought something from that guy on the street.’

OK, forget about using the mutual-fund-intermediary as a moral defense. But Ramsey also argues that even when investors own company stocks directly, rather than via a mutual fund, they are still not actually investing *‘in’* the underlying companies. Instead, they are simply purchasing shares from other investors. Their money flows not to the companies, but to the investors whose shares they have purchased. According to Ramsey, this means they never really invest *‘in’* the companies whose shares they now own . . . and, therefore, bear no moral responsibility for the products and practices of those companies.

Hmmm . . . not sure this line of ‘reasoning’ actually warrants a rebuttal. Nevertheless, stating the obvious, shareholders are a company’s owners. No one else, just shareholders. Furthermore, our prevailing conception of corporate purpose holds that a corporation exists to do one thing above all else: maximize the wealth of its shareholder owners. Shareholders, therefore, are both the owners and the primary beneficiaries of the corporations whose shares they own. As such, it is shareholders, along with management, who bear moral responsibility for the products and practices of the companies they own and/or manage.

But to further illustrate the foolishness of this defense, suppose five partners agree to start a strip club. Four contribute the startup funding, and the fifth agrees to run the club. A few years later, one of the financial-investor partners decides to sell his ownership stake. Could a Christian investor — with a straight face — contend that, ‘While it would be morally wrong for me to invest money *‘in’* a strip club, simply buying someone else’s ownership stake in the club is perfectly fine . . . because that means my money won’t actually be invested *“in”* the business, it will simply go to another investor?’ Nope, not with a straight face.

Defense Three: “It’s not a big deal.”

Apart from these less-than-convincing assertions that Hobby Lobby’s retirement funds, for moral responsibility purposes, were not really invested *‘in’* the companies whose products the Greens consider objectionable, Ramsey also makes an entirely different argument. He contends that even if the objectionable holdings of Hobby Lobby’s mutual funds were wrong in some absolute sense, these holdings were small enough as a percentage of the funds’, and the company’s, investment portfolios that the whole thing should be viewed as morally negligible. In other words, when it comes to evaluating moral behavior, amounts matter.

To support this contention Ramsey makes a curious argument. He likens the Hobby Lobby scenario to that of a customer who shops at a grocery store (he probably means convenience store) that also sells Playboy magazines. Might a Christian customer find Playboy morally objectionable? Sure. Does that make the customer a moral hypocrite for shopping at the store? Ramsey clearly believes the answer is no. His view seems to be that even if Playboy is objectionable, its magazines constitute such a small part of the store’s total product mix that the overall business of the store is not morally objectionable. Therefore, neither is shopping at the store.

When it comes to the integrity of our Christian walk and witness, our investments matter.

I agree that purchasing groceries from a store that also sells Playboy is not morally objectionable behavior. Not even close. (That said, if there is a Playboy-free grocery store alternative, a conscientious Christian might want to patronize that store instead.) But the premise that the moral responsibility of customers is equivalent to that of business owners is just foolish. Carrying Playboy is the owner's decision, not the customer's. It is the owner, not the customer, who hopes to profit from that decision. It is the owner, not the customer, who bears legal and moral responsibility for the business. One wonders whether, following his logic, Ramsey would blithely sell Playboy at a store he owned. If so, to quote Ricky Ricardo, Ramsey will definitely have "some 'splainin' to do" to his largely conservative Christian fan base.***

But apart from the foolish Playboy/grocery store argument, Ramsey's contention that amounts matter when it comes to moral assessments seems tempting. The argument at one extreme might go something like this: suppose someone has never stolen a thing in their life but then one day takes a dollar left unattended on a colleague's desk. Is this wrong? In moral absolute terms, sure. It's stealing — regardless of the amount, or the fact that it was a one-time offense. But is it morally meaningful? Many of us would, I suspect, join Ramsey in answering no. In the larger context, the behavior seems so small that we are inclined to dismiss it as trivial.

But God never minimizes sin. He never says, 'Hey, that really wasn't such a big deal. Don't worry about it.' Rather, Scripture teaches that to break God's law in a single instance is to become a lawbreaker. Period. "For whoever keeps the whole law and yet stumbles at just one point is guilty of breaking all of it," James 2:10 (NIV). From the vantage point of the only perfectly-wise lawgiver and judge, there are only two moral categories: those who keep divine law perfectly, and those who do not.**** Wrong is wrong. That doesn't change just because the amounts are small.

And when we reflect a bit, we find that actually fits with our own moral sensibilities as well. Let's consider, for example, the 'amounts matter' argument at the other extreme. Suppose a convicted serial killer makes this case for sentencing leniency: 'Your honor, yes I killed those twenty-seven people. But that was over fifteen years — in other words, not even two per year. In fact, during all those years, on less than half of one percent of the days did I kill anyone. On the vast majority of days, I was a good, law-abiding citizen. Can't we agree that this has been blown badly out of proportion? Viewed in the larger context, it really wasn't such a big deal.' Far-fetched? Of course. Outrageous? Absolutely. But it illustrates how quickly an 'amounts matter' excuse for morally objectionable behavior leads us astray.

The condemnation directed at Hobby Lobby teaches a very important lesson: when it comes to the integrity of our Christian walk and witness, our investments matter. The Greens operate their business admirably, in ways that do credit to their Christian convictions. They fail, however, to apply their beliefs to their investing. Unfortunately, when our investment holdings, whether directly or through mutual funds, don't match our beliefs, we are hypocrites. We may have a moral blind spot, we may have been willfully ignorant, or we may have been merely thoughtless . . . regardless, we are hypocrites. And for Christians — those who want their lives to bring honor, not shame, to the Lord they follow — hypocrisy is always a big deal.

** I put the question this way because it seems self-evident that the hypocrisy label would be well deserved if Hobby Lobby's owners had intentionally and directly invested in companies making products that violate their Christian convictions. But they didn't do that. Rather, the company's 401(k) assets were invested in mutual funds whose holdings included companies with objectionable products. Given that, the relevant question becomes whether a mutual fund intermediary absolves Hobby Lobby — and other investors — of moral responsibility for their underlying holdings.*

Note as well, some Hobby Lobby defenders argue that the company had no real choice when it came to the mutual funds in its 401(k) program. This ignores the fact that companies are free to choose their retirement plan administrators, and to influence the fund selections from the administrator — and that today there are various mutual funds expressly designed to screen out morally objectionable companies. There is no evidence that Hobby Lobby made any effort to request, or select, such funds. Nor has Hobby Lobby made an effort to alter its investment policies since the public outcry.

*** As I write this, the NFL's Ray Rice/Roger Goodell domestic violence controversy is playing out across our airwaves, editorial columns, and social media. Many commentators have pointed out that in 2012 Goodell banned the head coach of the New Orleans Saints, Sean Payton, from football for a year because some Saints players had instituted a cash rewards program for injuring opponents. Goodell imposed the ban without any evidence that Payton knew about the bounty program. In announcing the stiff suspension, Goodell pointedly said, "Ignorance is no excuse." In other words, Payton had a responsibility to know what was happening on his team, and therefore a lack of knowledge did not absolve him from culpability.*

These commentators then point out that Goodell had a similar responsibility to learn what actually transpired between Ray Rice and his fiancée in that casino elevator. Goodell knew that ignorance was a hollow excuse for Payton. Now most observers think such an excuse rings hollow for Goodell as well. All of which serves to highlight that 'ignorance is an excuse' also rings pretty hollow when it comes to avoiding moral responsibility for one's investments.

**** Some readers may construe this column as an implicit attack on Dave Ramsey. That is hardly the case. The thrust of Ramsey's ministry, as I understand it, is forthright counsel to avoid, or to make every effort to escape, the entanglements of personal debt. This is, I believe, both wise and biblical counsel. I applaud his ministry toward that end. Nevertheless, Ramsey's attempts to assess the ethics of Hobby Lobby's retirement investing leave much to be desired. His expertise is, quite evidently, in personal finance rather than in investment-related moral reasoning.*

***** Of course, the Good News of the gospel is that to all who acknowledge their need, God offers full and free pardon for all our wrongdoing — a pardon made possible because divine justice was satisfied by divine sacrifice when Jesus gave his life in our stead.*

The material provided herein has been provided by Eventide Asset Management, LLC and is for informational purposes only. Eventide Asset Management, LLC serves as investment adviser to one or more mutual funds distributed by Northern Lights Distributors, LLC, member FINRA. Northern Lights Distributors, LLC and Eventide Asset Management are not affiliated entities.

4345-NLD-9/16/2014