Investing in the Stock Market Is Not Immoral: A Reply to Barnes and Imam

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Jacob Imam and Marc Barnes have advocated in a series of articles[1] that investing in a 401(k) or the stock market is generally immoral. I do not think that Imam and Barnes are completely off their rockers, as some might, but I think that their view is incorrect. The first article, "The Case Against Blind Investing," maintains that investing is immoral due to its bad effects. The latter two, "Should Christians Invest in the Stock Market?" and "The Stock Market Is Not Investment or Trading," hold that investing in the stock market is inherently immoral. I argue that both claims are unfounded. Consequently, there is little reason not to invest.

First consider that the investor has the responsibility to make sure that any evil resulting from his shareholding is not a part of their act in any way. In other words, evil cannot belong to the action's 1) *end* (why the action is done), 2) *means* (how the action is done), or 3) *object* (the kind or type of action).[2] In addition, 4) the good that comes from some action

[1] Jacob Imam, "The Case Against Blind Investing," *New Polity* (blog), December 15, 2021, https://newpolity.com/blog/against-blind-investing; Marc Barnes and Jacob Imam, "Should Christians Invest in the Stock Market?," *New Polity* 3.1 (Winter 2022); Marc Barnes and Jacob Imam, "The Stock Market Is Not Investment or Trading," *New Polity* 4.2 (Spring 2023).

[2] See *Catechism of the Catholic Church*, 1750–56.
As an example of this, consider the act of sword fighting. There is the reason why one is sword fighting (perhaps to defend one's home or to steal), then there is the type of thing one is doing when they act, in this case, the sword fighting itself. The sword fighting itself is the object of the act—the kind of thing one is doing—in contrast with the end for which one is swordfighting and the means by which one does it.

must be *proportionate* to its bad effects.[3] If the evil that results from investing is included in any of these four conditions, then investing is immoral. But if it is not, then investing is permissible.

The paper is divided into five sections. The first considers the claim that investing is immoral due to its disproportionately evil effects. The second works through Barnes and Imam's interpretation of the encyclical *Centesimus Annus* and concludes that nothing that Pope St. John Paul II says in this encyclical necessarily precludes shareholding. The last three sections deal with the claim that investing is necessarily immoral because it violates the first three conditions.[4]

I.

In "The Case Against Blind Investing," Imam focuses on the bad things that some publicly traded companies do, which from the investor's point of view are bad effects. Although we always ought to will what is good and not what is evil, for virtually any action, there will be negative side effects. However, Imam's suggestion appears to be that the bad effects of investing, even in Catholic investment funds, are not proportionate to the good effects, and thus, that the fourth condition (the proportionality of effects) is violated. I first argue that Imam does not adequately support his claim concerning the disproportionate bad effects of the stock market. Then, in the final three paragraphs of this section, I make a positive argument for the claim that the good effects of investing are proportionate to the bad effects.

Imam notes that "Apple, Microsoft, Google, and Amazon ... utilize slave labor" and that "Warren Buffet, Berkshire Hathaway's CEO, has donated \$4.1 billion of its stock to Planned Parenthood in a span of eighteen years."[5] I agree with Imam that at least some of the companies in which Catholic investment funds are shareholders do very bad things. A stake in the ownership of these companies should not be taken lightly. From the perspective of the investor, however, Catholic investment funds need only be a way of *minimizing* investing's bad effects. Although not all companies with bad practices are ruled out by such investment funds, this is not necessarily a reason to stop putting money in such funds. Moreover, it is not even clear that the bad practices of the businesses mentioned are sufficient reason to stop investing in them.

Even though these companies do and support terrible things, they also do a lot of good. They provide millions of jobs and render very helpful services. While large companies might not serve the common good in the most effective or community-friendly manner possible, nevertheless it seems obvious that they do build up society in their own way. Further, the resources and products provided by major corporations such as Amazon and Google are welcomed by the majority of people. This is strong evidence that these entities make a positive contribution to most people's lives. After all, millions of people *freely choose* the large, publicly traded company in preference to the smaller, private competitor; and since these companies provide helpful services at both national and global levels, *ipso facto*, they do a lot of good for a lot of people.

Do the bad effects of large companies outweigh the good they do so much that we should not invest in them? Maybe yes and maybe no, but the mere fact that these companies are complicit in evil activities does not show this in the slightest. It is one thing simply to note bad effects and quite another to make prescriptions about what should be done on the basis of them. For prohibitions on stock trading to carry any moral weight, one would have to show that the bad effects of investing are so disproportionate to the good effects that one *ought not* to invest in them. But Imam merely notes that there are bad effects; he does not consider their proportionality to good effects, which is exactly what he must do to show that investing is immoral because of its inordinate consequences.

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3 For Aquinas on proportionality and double effect see *ST* II-II, Q. 64, A. 7, corpus; all citations from Aquinas's *Summa Theologica* will be taken from: Thomas Aquinas, *Summa Theologiae*, trans. Fathers of the English Dominican Province, rev. ed. (London: Benzinger Brothers, 1920). For a helpful explanation of double effect, the condition of proportionality, and its applications see Alison McIntyre, "Doctrine of Double Effect," *Stanford Encyclopedia of Philosophy*, July 28, 2004, https://plato.stanford.edu/entries/double-effect/, 1, 2.

4 Throughout the paper, by "investing" I mean specifically investing in the stock market (this includes "blind investing" such as mutual or index funds).

5 Imam, "The Case Against Blind Investing." New Polity also has a helpful analysis of bad actors in the stock market: William Bednarz, "Underlying Companies in Popular Christian Investment Portfolios," *New Polity* (blog), https://newpolity.com/research/underlying-companies.

Consider a positive argument for the claim that the bad effects of investing are not great enough to preclude investing in the stock market. The core of this argument is that like cases should be treated consistently. If one thinks that investing is immoral due to its bad consequences, then one would also have to account for the bad effects of the Internet, computers, and the automobile, or the bad effects of modern advances in medicine, sanitation services, electricity, and virtually any other piece of technology from the 20th century. These things bring with them bad side effects that are at least relevantly similar to those accompanying investing. To the extent that they inevitably contribute to a dramatic increase in light, noise, and chemical pollution, in addition to encouraging significantly more sedentary and isolated lifestyles that are less conducive to supporting stable families and communities, the bad effects of most modern technologies are for all practical purposes interchangeable.

To insist upon the practical equivalence of these bad effects is not to place the act of directly supporting Planned Parenthood in the same moral category as merely using the Internet. It is only to note that the side effects of investing, some of which could distantly and indirectly support Planned Parenthood, are no worse than the side effects of many other commonplace technologies. For example, by paying their electric bill, one likely supports a company who provides electricity to a Planned Parenthood clinic, just as the ownership of a stock can aid a company who assists bad actors or has evil practices.

In spite of all this, it hardly seems necessary to minimize *to the point of non-use*—as Barnes and Imam would have with investing—the helpful societal contributions listed above. It would be arbitrary and inconsistent to hold that one should generally not invest due to its bad effects while not applying the same reasoning to most other technologies that are involved in people's daily lives. If one accepts the use of the technological advances listed above to a certain degree, by comparison, participation in the stock market should be allowed to a comparable degree. But since bad effects ought not preclude one from regularly using electricity, plumbing, the Internet, mass manufactured products, etc., neither should they prevent one from investing in the stock market on a continual basis.

II.

In their two more recent articles,[6] Imam and Barnes cite Pope St. John Paul II's *Centesimus Annus* and argue that this document shows that there is a fundamental incompatibility between Church teaching and the stock market. I will consider the following passage from the encyclical in detail, since it is essential to their interpretation:

> Ownership of the means of production … becomes illegitimate, however, when it is not utilized or when it serves to impede the work of others, in an effort to gain a profit which is not the result of the overall expansion of work and the wealth of society, but rather is the result of curbing them or of illicit exploitation, speculation, or the breaking of solidarity among working people. Ownership of this kind has no justification, and represents an abuse in the sight of God and man.[7]

In this paragraph John Paul lists a set of ways in which ownership can become illegitimate. The kinds of illicit ownership and profit he lists are 1) ownership under which property is not being utilized or is impeding the work of others, 2) ownership of property that curbs the overall expansion of work and wealth in society, 3) profit that is the result of illicit exploitation and the breaking of solidarity among working people, or 4) profit that is the result of illicit speculation. We will consider each of these in turn and see that none apply to shareholding with necessity.

First, John Paul maintains that ownership is illegitimate if the property owned is not utilized or impedes the work of others. An obvious example of this form of ownership is when a proprietor lets his property sit around collecting dust when it could be used for the good of others. But suppose that I own stock in a factory. The words of John Paul do not imply that all property must be utilized directly by the owner, only that it should be utilized by someone. But the ownership of stock in no way inhibits workers from using the factory's means of production, at least not usually. Additionally, in the

6 Barnes and Imam, "Should Christians Invest in the Stock Market?" and Barnes and Imam, "The Stock Market Is Not Investment or Trading."

7 *Centesimus Annus* 43.

next paragraph, we will see that investing actually encourages work. So, it does not appear as though investing falls under this criticism.

Second, the stock market hardly curbs the overall expansion of work and the wealth of society. The material standard of living is higher now than it has ever been, while at the same time society is investing more in the stock market than ever before. Also, investing is not likely to impede the overall expansion of work. The more property a company can productively use and the more people a company can employ, the more money they can make, which will most likely increase the value of the company, which is what investors want. If anything, investing tends to increase, not detract from, the wealth and work of society.

Third, illicit exploitation and the breaking of solidarity among working people is not something necessary to investing. This is because illicit exploitation and the breaking of solidarity are usually side effects of a company's profit-making activity, if such bad effects even occur at all. For example, many publicly traded companies treat their workers with respect and justice. As long as a company 1) provides their workers with decent wages capable of supporting their families, 2) gives work that is not overly taxing, and 3) generally treats their workers with honesty and concern, then the company is probably not responsible for "the breaking of solidarity among working people." Today in the United States, many publicly traded companies meet these conditions for their employees. But if even just one publicly traded company treats their employees justly, then unjust treatment is not a necessary consequence of investing but a side effect.

Lastly, there are two places in the encyclical where Imam and Barnes read John Paul as condemning the market in toto through his rebuke of "illicit speculation."[8] There are at least three reasons why this reading is flawed. The first is that they neglect the passages that obviously note the good that comes from market activity. For example, as John Paul writes, "the Church offers her social teaching as an *indispensable and ideal orientation*, a teaching which, as already mentioned, *recognizes the positive value of the market* and of enterprise, but which at the same time points out that these need to be oriented towards the common good."[9] This is just one of the multiple places in *Centesimus Annus* where John Paul affirms that the market—and presumably the stock market is included in this—can do good, and *presupposes* that Christians can participate in it.[10]

The second reason is that if John Paul indeed intended to preclude investing in the stock market, the very meaning that Barnes and Imam ascribe to him, it seems reasonable to think that he would have been *very* explicit about his intentions and used the utmost precision in specifying what he meant. After all, a decision such as this would have had a massive impact for the members of the church, many of whom view investing as licit. John Paul never hesitated to dedicate the intellectual resources of the Church to a deliberate and nuanced consideration of sensitive moral issues; but in spite of this, "illicit speculation" is just briefly listed alongside other exploitative activities and no careful elaboration is given.

The third and final reason is that given the present size of Vatican and diocesan investments the Church itself was almost certainly investing in the stock market under John Paul's papacy. This would mean that he did not restrict investing in the extreme way that Barnes and Imam ascribe to him. However, if John Paul thought the stock market by necessity involved one in "illicit speculation," he would have leveled such a restraint on the Church's fiscal policy—he would have issued a directive to the bishops, taken some proactive limiting measure, done something. John Paul was very willing to act in opposition to misguided individuals (e.g., Tissa Balasuriya and Marcel Lefebvre) and societal practices (e.g., the culture of death and communism) on specific issues. But no such targeted action was taken by John Paul against the practice of investing. For these reasons, it seems highly unwarranted to read *Centesimus Annus* as a categorical condemnation of participation in the stock market.

III.

In the final three sections of the paper, we will consider the crux of Imam and Barnes' view: that one ought not to intentionally profit without the addition of labor. They hold that there are two ways in which someone might illicitly gain a profit without contributing any work. The first way is when one "gains wealth from a venture, without contributing

8 Ibid., 43, 48.

9 Ibid., 43. The emphasis on the "positive value of the market" here is mine.

10 Ibid., 19, 34, and 42.

any of his own labor to that venture (and barring any other contribution)."[11] The other is when "the one who gains from a venture [does so] without that venture producing more or better opportunities for other people's work."[12] So, one can illicitly gain from some venture either by 1) profiting and failing to contribute to the success of the venture in any way or 2) by profiting and failing to further the common good by one's venture. However, they are clear that they do not condemn "the 'sleeping partner,' one who contributes nothing but money to a venture, yet profits."[13]

Their first example of illicit gain applies to the owner of a stock because most shareholders profit from their stocks without having done anything to make the stock more valuable. Their second condition is met by the ownership of stocks because the owner of stocks does not provide goods to others but is merely acquiring private gain. They say,

> The shareholder provides no good, no service, no labor, and no commodity to others.... The shareholder trades ... [merely] the opportunity for someone else to trade. So, rather than providing a real good, the share holder provides a good that is good only for gain and that cannot be used except by being sold higher than it was purchased.[14]

The idea is that the shareholder cannot serve the common good through his investment because the exchange of stocks for money, unlike the trading of money for a lawn-mower, confers no real good upon either party; for this reason, such a trade cannot contribute to an increase of labor and wealth in society.

In the following sections, Barnes and Imam's two concerns about the stock market will be addressed in reverse order. In section 4 we shall see that it is possible to profit from the stock market and further the common good by one's act of trade (against their second claim). In section 5 it will be seen that it is possible to profit from some venture deliberately and morally without contributing anything oneself to the success of the venture (against their first claim).

[11] Barnes and Imam, "The Stock Market Is Not Investment or Trading," 80.

[12] Ibid.

[13] Ibid.

[14] Ibid., 88–89.

IV.

First of all, most acts of exchange do not directly increase the wealth and labor of society, even though they often supply some indirect benefit to the common good. This is because most exchanges alter the *distribution* of wealth but do not actually *produce* greater wealth. For example, in both the exchange of money for a lawn-mower and money for a stock, society as a whole is not made any wealthier in terms of the quantity of goods in existence. The benefit that comes about is that there is a more even or useful distribution of the goods that already exist. Although the benefit is indirect, the exchange still makes a significant contribution to society.

However, this kind of benefit, a change in the distribution of wealth, applies to both the exchange of stocks for money *and* the exchange of lawn-mowers for money. For example, suppose there are two parties who exchange stocks for money. One party has money, with its security and short-term purchasing power, but lacks stock. The other party has stock, with its long-term earning potential and greater risk, but lacks money. The person with money may want to invest with the end of providing for his child's education while the person with stocks may have the goal of giving food to a charity. Each wants what the other has and so they make a trade.

With this in mind, we can see why the objection about the one who "gains from a venture without that venture producing more or better opportunities for other people's work" does not apply to the stock market.[15] The stock market creates better opportunities for other people's work because it shifts the possession of money to stock in a way that is conducive to the needs of those making a trade. The trade of money for stock makes the same kind of contribution to the wealth and labor of society as the trading of money for a hammer—a redistribution of benefits. Neither trade adds quantitatively to the wealth and labor of society, but both contribute to a better and more useful organization of the world's goods.

Nevertheless, Barnes and Imam are insistent that trade must involve "the provision of [real] goods to others."[16] For example, they note that

[15] Ibid., 80.

[16] Ibid., 87.

> Unlike the wine, wheat, or gold of the medievals, a share in a company has no use value, only an exchange value. The medievals could justify trade because, in its actual practice, it always labored to procure goods for use. Trading had a terminus, an end-point, and a goal which was not simply "gain" or more trading, but consumption and use—the reality of human flourishing that trading served.[17]

The idea here seems to be that in order for a trade to be licit, at least some of the items exchanged in the trade must have intrinsic or real value. Barnes and Imam write that "[n]o one ever did anything with a stock besides buy and sell it, but a lawn-mower has a use-value that transcends trade. The shareholding advocate justifies the scheme by extrinsically slapping on a good (but accidental) motive for holding stock."[18] The trade becomes illicit, on the view of Barnes and Imam, if the exchange consists only of items with a mere exchange value. For example, selling a lawn-mower for money is licit because there is at least one item traded that has an intrinsic or real value; but trading stocks for money or vice versa is illicit because neither item exchanged has an intrinsic value. The trade for a real good confers a real benefit, such as a lawn-mower or food, but "[t]he mechanism by which shareholding is effective in producing gain is *not* the provision of real goods, but the provision of an opportunity for more trade. This is, in a quite literal sense, trade for its own sake."[19]

At this point, we need to make a distinction between intrinsic goods and extrinsic goods. Something with intrinsic value is a genuine good for human beings, that is, something rationally pursuable for no reason other than the fact that it is good. For example, I do not need any further reason to desire health other than the fact that health is something good (the same goes for knowledge, friendship, aesthetic experience, etc.). However, it is not reasonable to care about most property for its own sake; often we care about things insofar as they are a means to some further end that is good in itself. This is extrinsic value. A fork, for example, is an instrumental good and not in itself a fundamental constituent of human flourishing because it is merely useful in facilitating the eating of food, which contributes to health, which is an intrinsic good.

[17] Ibid., 88.

[18] Ibid.

[19] Ibid.

Barnes and Imam are unclear as to why the exchange of a lawn-mower for money is different in kind from the exchange of stocks for money. They seem to wish to distinguish the value of a lawn-mower or hammer from the value of stock or money. In reality, all of these things—money, stock, hammers, and lawn-mowers—merely have an instrumental, extrinsic, or use value (to my mind these three words are synonyms). Each of these items facilitates access to intrinsic human goods with varying degrees of immediacy, but ultimately all these things only have extrinsic value. Thus, there is no essential moral difference between trading money for a stock or money for a hammer. In all of these cases, merely extrinsic or instrumental goods are being traded, but this type of exchange is acceptable so long as it is ultimately done for the end of some intrinsic good, provided that all the other parts of the action do not involve one in evil.

Aquinas even explicitly notes that, "gain[,] which is the end of trading, though not implying, by its nature, anything virtuous or necessary, does not, in itself, connote anything sinful or contrary to virtue: wherefore nothing prevents gain from being directed to some necessary or even virtuous end, and *thus trading becomes lawful*."[20] Here Aquinas specifies the *object* of the act of trade, the exchange of things with the end of gain, and notes that this object does not in itself imply that trade is either good or evil. The object of the act is morally neutral, but any particular act of trade is either good or bad.[21] He is clear that what determines the goodness or evil of a particular act of trade, since its object is neutral, is the goodness of both the end for which it is done and, presumably, the other features of the act besides its object.[22]

I agree with Barnes and Imam that if people trade extrinsically valuable goods merely for their own sake, then they are doing something wrong.

[20] *ST* II-II, Q. 77, A. 4, corpus. Emphasis mine.

[21] Regarding the latter point see: *ST* I-II, Q. 18, A. 9, corpus.

[22] Specifically, these other features would be the means and circumstances of the act. Aquinas holds that the species of an action, i.e., some further determination of an action's object, takes its moral character from the object of the action. So, if the object of an action is good, then the species will be as well. If the object of an action is bad, then the species will be as well. If the object of the action is neutral, then the species will be as well. The object of the act of trade is neutral with respect to goodness, and so the species of the act is also neutral. See *ST* I-II, Q. 18, Aa. 9, 5, 2.

But there are plenty of ways to trade extrinsically valuable goods with the *end* of eventually acquiring intrinsically valuable goods and ultimately bettering society as a whole. Choose any good activity or cause that requires money. One could invest in the stock market with the end of serving that cause.[23] Also, assuming that one does have a good end in mind when owning stocks, it seems that the *means* to this end is a trade in the stock market; but as Aquinas pointed out, trade is a type of act that is neither good nor bad in itself. Thus, neither would anything in the means of the action necessitate that the buying or selling of stock is evil.[24] There are many ways to trade stocks, some of which are ethical and some of which are not.

V.

I will now argue that the first mode of profit targeted by Barnes and Imam is not bad in itself. It is possible to profit from some venture deliberately and morally without contributing anything oneself to the success of the venture. Consider the following thought experiment. Suppose that Jones and Sally have adjacent back yards. Each year Sally grows a garden and waters it with a sprinkler. Each year the stream of water from her sprinkler happens to overlap into Jones' yard. One year, Jones decides that he wants to grow a small garden in his yard. He knows that Sally's sprinkler overlaps into his yard and so he deliberately plants his garden in the overlap zone.

In this case, Jones is contributing nothing to Sally's venture of growing a garden, but he is profiting from it. However, it hardly seems that Jones is doing anything wrong. It is even more implausible to suggest that Jones has a duty not to plant a garden in that part of his yard so as to deliberately avoid profiting from a venture to which he contributed nothing. This is an example of some licit profit from a venture to which one contributes nothing. But if this is the case, then the mere fact that one profits from a venture without contributing anything to the venture's success would not by itself be enough to make the act of investing immoral.

Consider another example in which someone is deciding which house to buy. There are two houses (A and B) in separate neighborhoods but selling for the same price. The houses are equal in every respect except that house A is in a neighborhood that is projected to prosper, and so is likely to increase in value, while house B is in a neighborhood that is likely to decrease in value. House A was purchased, but suppose the homeowner contributed nothing to what led to the house's increase in value. It is even possible that through no fault of his own the presence of the homeowner has an overall negative effect on home value in the area, but all the while he profits because the district as a whole does well.

It seems untrue that this homeowner did anything wrong merely on account of benefiting from which neighborhood he chose to live in. It seems perfectly ethical for someone to prefer house A on the grounds that it will increase in value. The morality of the homeowner's action would depend entirely on whether his desire for gain was attached to some positive end or if it was for the sake of profit alone, but the same can be said of the stock market. This is another instance where one could have ownership and licitly acquire gain without contributing anything to what actually led to the increase in value. So again, the mere fact that the stockholder profits without contributing to the profit-making activity is not enough to make his action immoral.

In conclusion, I wholeheartedly agree with Imam and Barnes that we have a duty to be responsible with our talents and property, and that we should not let participation in the market deteriorate our orientation toward the common good. Nevertheless, there is little evidence suggesting that investing generally ought to be avoided either on the grounds that it detracts from the common good by necessity or through its bad effects; at the same time, there is evidence suggesting that investments often further the common good. Thus, it is most reasonable to conclude that investing is permissible.[25]

23 For example, 401(k)s can be very helpful by aiding people in their declining years. Also, there are people who create scholarships or other charity funds through profits made by investing in the stock market. It is difficult to see how these kinds of investments are seeking "profit for profit's sake" and failing to serve the common good. Further, investing in the market does not preclude most people from using their labor for the common good. Most people who invest also have jobs and build up society through their labor.

24 Unless, of course, Barnes and Imam could identify some bad feature that necessarily applies to all stock trading but not trading in general.

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