

GOOD WAYS TO SAVE AND SPEND

Responsible use of capital.

MONEY MAKES many religious people uncomfortable. And the idea of *managing* money can seem almost sinful. It makes us feel like Uncle Scrooge in the Donald Duck comic books, cavorting in his fiercely hoarded piles of bills and coins.

Our churches don't normally offer us much guidance. Institutional survival turns "stewardship" into a synonym for "donation," and the only financial question many parishes ask is, How much are you going to give?

Congregants often divide money into two categories—the part we give away, about which we feel good; and the part we don't, about which we feel, to say the least, ambivalent.

Our financial lives are an uneasy balancing act: If we save for our retirement, for instance, we wonder if we're being unfaithful; if we don't, we wonder if we're being unrealistic.

But in fact, we're making an artificial distinction. Money—any money—is a tool. Like any tool it can be used for good or ill. But to say that if we give it away, we're using it for good purposes, and that if we keep it or spend it on ourselves we're running the risk of using it for less good purposes, is vastly to oversimplify the issue.

Think of money for a moment as a vast irrigation system, bringing nourishment wherever it goes. When you buy a coat, you are nourishing the company that made the coat, giving it the power to buy raw materials, to pay its workers, to grow. When your employer pays you, he or she is giving you the power to grow yourself and to pass on that power to those from whom you buy. When you put your money in the bank, it nourishes all the people and organizations to which the bank then lends it.

That analogy sounds suspiciously like trickle-down economics: Give as much money as possible to the rich and everybody will benefit. But, as far as it

goes, it's an accurate picture. Where the supply siders go wrong, it seems to me, is in assuming that money always goes where it will do the most good. In fact, money only goes where it will do good if that's where we send it. We can use it to build nourishing organizations or to build destructive ones. It's up to us.

Not that it's always easy to tell which is which. The corporate world is just as much of a mixed bag as the human beings who make it up; there are very few unadulterated heroes and just as few unredeemable villains. A weapons company can be a labor-relations star; a company that protects the environment where it gets its raw materials may abandon the community that depends on one of its factories; a community development organization that builds badly needed housing may take money from a company that takes kickbacks. There are hard choices to be made.

But we can't avoid making them. Not choosing is to embrace the status quo.

And we need to remember that *all* money is a tool—not just the money we give away, but the money we save and the money we spend. It all gets used somewhere, by somebody, to do something. And there's quite a lot we can do to make sure as much of it as possible gets used in ways that bring the world closer to God's dream for it.

THE AREA WHERE IT'S easiest to make a difference is with the money we keep. The so-called socially responsible investing movement has gotten so large and diverse that the main problem isn't finding a place for your money, but choosing one. You can put your savings in banks that support community businesses, low-income housing, or native American enterprises. You can give your IRA money to funds that target environmental businesses, housing, community development, or responsible labor relations.

BY ANN MONROE

Your hardest job in this area may be to find a place for your checking and savings accounts. Traditionally, large banks have avoided investing where it's most needed—in poor local communities—for fear they'll lose their money. But Chicago's South Shore Bank has shown that community lending can be profitable, and other banks are beginning to follow in its tracks: Brooklyn's Community Capital Bank financed the first minority-owned Ben & Jerry franchise.

These banks don't generally offer the highest possible interest rates. (South Shore is currently offering a Community Jobs CD that pays interest ranging from 4 percent to zero—your choice; money at the lower rates goes to companies that need low-interest loans.) But they put money into the communities around them instead of sucking it out. As in any bank, deposits are federally insured.

Another option is a community development credit union (CDCU). CDCUs are situated in low-income neighborhoods, where they do all their lending. Anyone who lives, works, or does business in a low-income neighborhood can join a CDCU there, and anyone anywhere can make deposits. (As owners, credit union members receive dividends; they can also borrow from the credit union, which non-member depositors cannot.)

A large credit union may offer all the services of a bank—IRAs, checking accounts (called "share drafts") and CDs (called "share certificates"), loans, and even charge cards. Smaller unions only offer passbook accounts. Interest rates can be as high as, or even higher than, local bank rates, though they may also be lower. Most credit unions carry federal deposit insurance.

A yet-to-be-acted-upon Clinton proposal would provide incentives to develop many more community-oriented banks. In the meantime, if you can't find one, need to write local checks, and need a savings account as well, your best bet might be to keep your savings at an out-of-town community bank or in a

socially responsible money fund, and just keep enough money in your checking account to pay the bills.

WHEN IT COMES TO investments, it's much easier—the socially responsible mutual fund industry is big and booming. For many investors, a starting place is to figure out what they *don't* want their



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money to do. Many church organizations, for instance, decided 20 or 30 years ago that they didn't want their money going to companies that did business in South Africa (a decision Nelson Mandela is now urging them to reverse). Others refuse to have their funds invested in the tobacco or liquor industries, or in companies involved in the arms trade.

So the earliest socially responsible investment funds and advisers concentrated on avoiding the "bad corporations" more than on finding the good ones. More recently, however, the emphasis has evened out a bit. There's a slew of new funds, for instance, that focus on investing in environmentally conscious companies. One, the New Alternatives Fund, even targets the alternate energy and energy conservation industries as potential moneymakers. A few funds capitalize on the current fervor for international investing.

Some of the older social investing companies now run three or four funds, allowing investors a choice between income and growth-oriented funds. Two of the oldest—Working Assets and Calvert—also run money-market funds that give you checking

A UNIQUE OPPORTUNITY TO RESPOND

The Equity Trust Fund

If you are a property owner who is concerned about those who are excluded or disadvantaged in the real estate market, the Equity Trust Fund offers you a unique opportunity to respond to their needs, support innovative community development and conservation projects, and stimulate an important public dialogue. You can:

- 1) Sign the equity pledge, promising that when you sell your property, you will donate a designated percentage of the "social appreciation" in its value to the Equity Trust Fund;

OR

- 2) Make a land gift by retaining a life estate and donating the remainder interest, or by simply donating a property today, so that the property can be maintained for charitable purposes or the equity used to achieve similar goals in other communities.

Any property owner, whether individual or institution, can make a pledge on any kind of property. There is no minimum or maximum pledge—you choose the percentage, whatever you are able or willing to give. And you may express geographical or other preferences for the use of your contribution.

Every dollar of your equity gift will go directly into the Equity Trust Fund, to provide loans (and occasionally grants) to community land trusts and similar organizations, for projects in the United States and abroad. Property gifts will be transferred to local land trusts whenever possible, or leased for charitable or environmental purposes; if necessary, they may be sold and the proceeds added to the Equity Trust Fund.

Join an attorney in Maine, a professor in New York, a youth worker in Wisconsin, a hydrologist in New Mexico, a filmmaker in California, a religious order, and many others. The Equity Trust Fund is flexible enough to enable any socially concerned property owner to participate. It is the only "land gift" program in the United States that serves not only conservation purposes but the social needs for land as well.

For more information or technical assistance with community land trusts and other land trust development, contact the Equity Trust Inc.: Equity Trust Fund, 539 Beach Pond Road, Voluntown, CT 06384; (203) 376-6174.

—The Editors

privileges. A socially oriented index fund—the Domini fund—tracks the Domini Social Index.

Every socially responsible fund runs its investments through a slightly different filter, so it can take some research to find the one that most closely matches your values. The fund's prospectus will give you an overview; specific investments are generally listed in the annual report.

Although in theory there's no reason a socially responsible fund shouldn't make just as much money as any other fund, in fact these funds have generally underperformed the market. Over the last eight years, for instance, the oldest social fund, Pax World, has returned an average of 9.5 percent a year—better than a bank, but peanuts compared to the 15 to 20 percent returns racked up by many other funds. For the time being, anyhow, there is a cost to putting your money where your mouth is.

If you've got a lot of money to invest, you might consider trying to locate a broker who specializes in socially responsible investments. Investing in individual stocks and bonds lets you tailor your portfolio to match your own most pressing concerns. Organizations like the Social Investment Forum point you toward brokers in your area.

If a high return is low on your list of priorities, you might consider investing directly in local community development by lending to a community loan fund. These funds loan money, generally at below-market interest rates, to agencies developing low-income housing and to local small businesses and cooperatives. Because they charge their borrowers less than market rate, they generally pay investors less than market rate as well.

These funds specialize in lending to companies and projects that can't get financing from commercial banks. A loan from the New Hampshire Community Loan Fund, for instance, allowed the residents of a trailer park to buy the property themselves. But their proponents argue that's no reason to think your money's any less safe with them. And in fact, no loan fund tracked by the Institute for Community Economics, a loan fund clearing-house, has ever failed to repay its lenders.

IN SOCIALLY ORIENTED investing, as in any investing, a healthy dose of skepticism is a valuable asset. ("Don't be a dummy!" said a friend of mine once, preaching on the parable of the dishonest steward.) Socially responsible investing companies' motives may be a lot more impressive than their skill. Many socially oriented banks, for instance, fail;

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remember the First Women's Bank, launched in the heady days of feminism?

Even the motive itself needs careful investigation. Though the Dreyfus Third Century Fund claims the title socially responsible, it's frequently criticized for making investments, for instance, in companies tied to the arms industry.

Nor is this field free of fraud. A few years back, the AMI Investment Corp. lured thousands of church members into investing in so-called risk-free investments in religious institutions. Only later did they discover that the company's insurance covered only \$3.5 million of its \$250 million of investments. Making things worse, the company invested in churches that were financially shaky to begin with.

What about the money we spend? Making sure that money serves our values is a more complicated matter. It's all very well to say we should buy products from positive corporate influences, and not from negative ones; but face to face with the supermarket shelves, who's to say who makes what, let alone how they treat their employees or the environment?

Well, there is some help available. Organizations such as the Council on Economic Priorities and the Interfaith Center on Corporate Responsibility rate corporations on touchstone issues and publish the results. Political and religious groups promote boycotts of products made or sold by companies whose activities they find offensive. But the boycott has become such a frequent economic weapon that if you're politically active you may find your head reeling from the strain of remembering who's being boycotted now, and for what.

A simpler, though not foolproof, approach might be to join a food co-op. Brooklyn's Park Slope Food Co-op buys local produce as much as possible; it adheres to boycotts on the liberal side of the political spectrum (its coffee beans are grown by Salvadoran peasants); it sells only rechargeable batteries and low-energy light bulbs. To keep costs low, members work about 36 hours a year, which encourages a sense of community but cuts efficiency; it's not uncommon to deal with a check-out clerk who's never touched a cash register before.

A growing alternative trade movement offers other opportunities to spend conscientiously. Entrepreneurs ranging from the Body Shop cosmetics company to Equal Exchange, distributor of the Park Slope co-op's Salvadoran coffee, are finding profits in products from small farmers and artisans in developing countries. The trading companies pay relatively high prices (Equal Exchange pays growers \$1.26 a pound for their beans, more than double the local

market price), then sell their products direct to buyers in the United States and elsewhere.

Similar companies are in business in poorer areas of the United States. A few years back, Maria Varela won one of the MacArthur Foundation's "genius" grants for founding Ganados del Valle, an economic development corporation in New Mexico. One of the company's projects is Tierra Wools, a spinning and weaving cooperative that produces and sells yarn, clothing, and rugs made by local people.

Even the yearly catalog flood, that destroyer of trees and mail deliverers' arches, offers opportunities to the socially conscious buyer. Sparked by a few



charities and environmental companies like Seventh Generation, the "good-guy" catalog business—catalogs that offer environmentally benign, politically correct, and community development-oriented products—is growing rapidly. A few catalog companies are even beginning to cut down on the number of catalogs they publish—and the resultant paper waste.

One ingenious company has even figured out a way to put your credit card and telephone expenses to good use. Working Assets, which began by offering socially responsible mutual funds, several years ago launched one of the earliest affinity credit cards. A small percentage of all purchases made on the Working Assets Visa goes into a fund that's distributed to organizations working for social change.

More recently, the company started offering long-distance telephone service. The service itself is provided by Sprint, but the bills—on recycled paper, of course—come from Working Assets and read like a

liberal political crib sheet. Subscribers are urged to round up their bill payments (proceeds go to a different organization each month), and get free or reduced-price telephone calls to key political figures. As with the credit card, a small percentage of your payment goes to social-change groups.

WHEN WE THINK ABOUT using our money to build, it can affect our charitable contributions as well. Much charitable giving does little more than bandage the wounds suffered by the casualties of our skewed economic priorities. It doesn't change those priorities or do anything to prevent the wounds in the first place.

If we use our savings, and our spending, to encourage economic development in places where it's most needed, it makes sense to use our charitable contributions in the same way. Some possibilities: low-income housing developers, community loan funds, community development companies. New York's People's Firehouse, launched after a 14-month occupation of a shut-down firehouse, pushes commercial development in Bedford-Stuyvesant through loans, technical advice, and promotional activities.

Micro-enterprise lending, a form of economic development pioneered by Bangladesh's Grameen Bank, is beginning to make an appearance in the United States. These lenders provide very small amounts of money, at low interest rates, to aid tiny businesses—cloth making, bicycle repair, vegetable sales. Loans often don't amount to more than a couple of hundred dollars, but it's money these borrowers can't get anywhere else.

Generally, borrowers form groups; one borrower at a time gets money, but the entire group is responsible for repayment. Default rates on these loans run well under 5 percent. And the banks, which are generally cooperatively owned, make money.

Accion International, one of the pioneers of this type of lending, now makes loans in the United States as well as in 11 Latin American countries. Several U.S. charities, including the Foundation for International Community Assistance, the Mennonite Economic Development Associates, and the Save the Children Federation, have begun offering similar loans.

Money is a powerful subject, and a powerful

CAPITALIZING ON TRUST

The model of Bangladesh's Grameen Bank.



ONE OF THE MOST successful micro-enterprise loan funds came into being not in the First World but in Bangladesh, one of the most impoverished countries on Earth. Muhammad Yunus started the Grameen Bank in 1983 as a bank for the poor with the belief that poor people are as capable and enterprising as anybody else.

Grameen currently lends money to 1.7 million borrowers—all are too poor to get credit elsewhere—in nearly 34,000 Bangladeshi villages. Grameen's market-rate interest loans average less than \$100 each, but they are enough to provide poor villagers with the financial means to start their own small businesses and participate more fully in the life of their local economy. As *The Wall Street Journal* recently noted, this often means just enough capital to purchase a cow or the materials for a fishing net. And contrary to what conventional banking wisdom might predict, the repayment record for these loans is roughly 98 percent.

Grameen Bank attempts to undo the results of conventional lending practices. "The poor keep on suffering miseries and indignities all their lives because they never get the chance to use their capabilities to change their lives," Yunus writes in *Grameen Dialogue*, the organization's newsletter. "This happens because those who design and run the system do not care to give them these chances. All they offer them are pity and handouts."

As well as lending to the poor, Grameen also challenges traditional banking practices by making women the primary recipients of these loans (94 percent), an especially radical statement in a male-dominated society. Grameen has found that loans to women are more likely to have a positive impact on local economies because women tend to invest their income in the education, health care, and nutrition of their families.

Studies have shown that nutrition levels and child survival rates are higher in families that have received Grameen loans than in those that haven't. Grameen families are also more likely to adopt family-planning practices than non-Grameen families. All this confirms "the visible empowerment of women," says Yunus.

Rather than requiring collateral or written agreements, Grameen secures the loans by establishing a circle of four of the woman's friends to guarantee the loan and, if necessary, help repay it. Grameen has a policy of not pressuring borrowers if for some reason they miss an installment.

Explains Yunus, "We are in the business of reducing misery of people, not increasing it. If we are not capable of doing that, we should close down our shop and find something else to do for a living."

The Wall Street Journal notes that in the United States there are currently about 40 micro-loan funds that pattern themselves after the Grameen model, though expansion of these programs has been hindered by laws that make it difficult for poor people to make the transition from welfare to work. The Grameen Bank has recently caught the attention of President Clinton, who sees it as a model for his own plan to expand lending in the inner cities and rural areas of the United States.

—AARON GALLEGOS

For more information on Grameen Bank, contact Grameen Trust, Mirpur Two, Dhaka 1216, Bangladesh; phone/fax 880-2-803-559.

thing. Jesus knew that; he talked more about money than about anything else. Power scares us, and so we try to pretend we don't have it. But we do.

The money that passes through the hands of any American, even the poorest, would seem a fortune to most of the world's people. Where it goes once it leaves our hands is up to us.

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