SOCIALLY RESPONSIBLE INVESTING:
MORALITY, RELIGION AND THE MARKET FROM A SOCIOLOGICAL PERSPECTIVE

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This study explores the intersection of religion and the economy by focusing on the case of socially responsible investing (SRI) mutual funds that are also religiously affiliated. Mutual fund managers and investors understandably want competitive return performance from their investments. Yet religious fund actors are also oriented toward avoiding ownership in "sin stocks" and/or trying to change the behavior of corporations that are held in investment portfolios. Meeting both monetary and moral objectives can be a challenge. In this study, I address two broad research questions. Firstly, *how do social actors balance their moral commitments against their monetary interest?* Through 29 semi-formal phone interviews with fund producers (or the employees) of Catholic, Muslim and Protestant religious mutual funds, I analyze their embedding and differentiating cultural work as they make sense of their involvement in the economic and religious spheres (Chapter 1). In a separate analysis, I conduct and analyze 41 phone interviews with investors of one religious fund family, Mennonite Mutual Aid (MMA) Praxis mutual funds. In particular, I compare the moral meaning respondents articulate for their charitable giving and their SR investing (Chapter 4). Secondly, I query *whether the moral orientation of investors impacts their financial market behavior?* Using data from the Center for Research in Security

Prices (CRSP) from 1991 to 2007, I partition mutual funds into religious SRI, religious non-SRI and secular SRI and look for differences in levels of fund asset stability. This stability refers to fund flow volatility and the extent to which investors hold on to their fund shares with little regard to past return performance. Religious SRI assets are found to be the most stable fund category and I adjudicate whether the structural characteristics of religious groups or the moral orientation of religious investors best explains this empirical finding (Chapter 2). In a separate analysis, I analyze original phone survey data of MMA Praxis investors. This article's theoretical orientation focuses on moral and monetary "interest," defined as an individual level driving force. I find empirical evidence that moral interest induces fund commitment to SRI mutual funds, demonstrating that morality impacts behavior even in the financial market, a realm where monetary interest supposedly reigns. At the same time, I also find some evidence that monetary interest decreases fund commitment (Chapter 3).

BIOGRAPHICAL SKETCH

Jared L. Peifer was born in Lancaster, Pennsylvania, in 1981. He earned his Bachelors of Arts at Temple University in 2003, majoring in sociology and economics.

for Laura and Lily

the joys of my life

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

INTRODUCTION

You can't serve both God and Money. This biblical quote promises an intriguing spectacle wherever religious and economic spheres come in close contact with one another. Max Weber recognized the salience of religious and economic spheres and argued their surprising collision in Northern Europe provided the spark that helped create a new version of rational capitalistic enterprise. In studying religious mutual funds, I cast my analytical gaze to the sparks, so to speak, dancing forth from the friction of religion and a rather modern face of capitalism, the financial market.

Socially responsible investing (SRI) mutual funds afford individuals the opportunity to ethically invest in the financial market. For instance, many SRIs avoid the so called "sin stocks," that is, companies involved with gaming, alcohol and tobacco. About a third of SRI funds are religiously affiliated. The individuals that work for religious mutual funds (whom I will call fund producers) and the individuals who invest in them, intentionally marry their financial profit motives with their religious sensibilities of purity and how the world ought to be. In the following pages, I direct my attention to this particular intersection of religion and the economy

I think of the religious sphere as encompassing the beliefs, practices and experiences that are oriented toward a supreme being and mediated by institutional religious groups. The face of religion that I will emphasize is morality. In using the term morality, I am referring to individual perceptions of how the world ought to be. There are other ways, besides morality, that religion might impact SRI behavior. For example, networks of co-religionists could help explain the heightened levels of fund asset stability I will find among religious SRI funds. However, I gain more traction in this analysis by emphasizing morality. And since morality need not be religiously motivated, generalization beyond my religious fund context becomes possible.

The economic sphere refers to people interacting together to produce, redistribute and consume scarce resources and services. I pursue an individual-level of analysis, zoning in on the individuals that produce religious fund investment vehicles and those that consume them. I theorize material (or monetary) interest as an important factor in understanding this financial market activity. By monetary interest, I simply mean individuals are driven to accumulate more dollars. This is increasingly the case as individuals have become responsible for their own retirement investments, instead of relying on employer pension benefits as in decades past. Mutual funds are a prime financial vehicle that many Americans have turned to in order to save for retirement.

Parting ways with the bulk of SRI research that addresses whether SRI return performance is comparable to conventional investments, I pursue a different line of inquiry. My sociological predilection drives me to understand how individuals meaningfully engage in the social action that we study. In particular, I aim to hear how the people involved with religious mutual funds pursue their monetary goals alongside their moral goals. In doing so, I draw upon and hopefully expand the sociological subfields of economic sociology and sociology of religion.

I am fortunate that Mennonite Mutual Aid (now called Everence) Praxis Mutual Funds granted me access to the contact information of their fund investors. This made it possible for me to conduct an unprecedented phone survey of SR investors. I also personally conduct forty-one phone interviews with a subset of that survey sample population. These investor level data are analyzed in the final two chapters.

All of the following chapters are crafted to stand alone, but with each touching upon the common case of religious mutual funds. This means there will be times that I repeat myself, frequently in defining SRIs and setting a similar stage for each chapter's distinct analytical task. In sum, I draw upon five different sources of data and employ both qualitative and quantitative methods of analysis in answering these two broad research questions. Firstly, *how do social actors balance their moral commitments against their monetary interest?* Secondly, *does the moral orientation of investors impact their financial market behavior?*

Employees of religiously affiliated mutual funds seek to earn competitive returns for investors while abiding by moral principles stemming from their particular religious tradition. In the first chapter, I analyze 29 in-depth interviews with these fund producers, examining their cultural work as they negotiate the relationship between religious and economic spheres. The secularization paradigm from sociology of religion highlights the differentiation of societal spheres, while the embeddedness paradigm from economic sociology underscores their entanglement. I find that fund producers both embed and differentiate religion and finance, and suggest the organizational structure of the fund family best explains the patterns of cultural work that I find.

In chapter 2, I garner empirical evidence to investigate whether the moral orientation of SR investors impacts their financial market behavior. Using mutual fund data from the Center for Research in Security Prices (CRSP), I partition mutual funds into religious SRI, religious non-SRI, secular SRI and conventional funds and look for differences in levels of fund asset stability. This stability refers to the extent to which investors hold on to their fund shares with little regard to past return performance and over all fund flow volatility. Religious SRI assets are found to be the most stable fund category and I adjudicate whether the structural characteristics of religious groups or the moral orientation of religious investors best explains this empirical finding.

Analyzing original survey data, I expand my purview of morality in the financial market to include the behavior and attitudes of individual SR investors. Chapter 3's theoretical orientation focuses on moral and monetary "interest," defined as an individual level driving force. This theoretical emphasis on individual interest expands both economic sociology's structural approach and behavioral economics' emphasis on cognitive biases. I find empirical evidence that moral interest induces fund commitment to SRI mutual funds, demonstrating that morality impacts behavior even in the financial market, a realm where monetary interest supposedly reigns. At the same time, I also find some evidence that monetary interest decreases fund commitment.

Having carefully established that morality is, at least partially, driving SR investment behavior in chapters 2 and 3, I coin a category of social action I refer to as moral economic behavior (MEB). This refers to economic behavior that includes an explicit shot of morality. In Chapter 4, I unearth a puzzle by focusing on two examples of MEB, SR investing and charitable giving. Despite the fact that SRIs have been available for decades, few American investors are putting their money where their heart is. In contrast, Americans are notoriously generous when it comes to giving their money away. Why are Americans so willing to give their money away, yet hesitant to invest ethically? To help solve this puzzle, I visit the theoretical concept of "mental accounting" taken from behavioral economics and "social meaning of money" from economic sociology. I employ a mixed method analysis of Praxis investors and find both morality and social relations help solve the puzzle of low SRI involvement.

In each chapter, I address a unique spark that is fashioned by the friction of religion and the economy. At times, those sparks might be viewed favorably, in the form of heightened levels of commitment to one's religious SRI fund. In other instances, I draw out the tension or difficulty that individuals experience at this unique intersection, as they attempt to serve God and money.

CHAPTER 1

BETWEEN GOD AND THE MARKET: THE CULTURAL WORK OF RELIGIOUS MUTUAL FUND PRODUCERS

Religious mutual funds represent a unique intersection of religion and the financial market. Employees of these religious funds seek to earn competitive returns for investors while abiding by moral principles stemming from their particular religious tradition. Through 29 in-depth interviews with Catholic, Muslim and Protestant *fund producers*, I examine their cultural work as they negotiate the relationship between religious and economic spheres. The secularization paradigm from sociology of religion highlights the differentiation of societal spheres, while the embeddedness paradigm from economic sociology underscores their entanglement. I find that fund producers both embed and differentiate religion and finance and suggest the organizational structure of the fund family best explains the patterns of cultural work that I find.

INTRODUCTION

Individuals combine the spheres of religion and the economy in varied ways. Examples of harmonious intersections include religious charities' dutiful collection of donations to be distributed to disaster victims. Providing clergy a monetary income in exchange for spiritual services is also an accepted blend of religion and money (Wuthnow 1997). However, one can also point to more dissonant combinations. For instance, the Catholic Church's hawking of indulgences for exorbitant prices was objectionable to many and helped start the Protestant Reformation. Prosperity gospel's teaching that God is "in the business" of making true followers rich strikes many as inappropriate. It is important to note, however, that these judgments are subjective. The perception of harmonious or dissonant combinations varies across time and individuals and is the result of a cultural (or meaning-making) process.

Some denominations have historically resisted paying salaries to their spiritual leaders (Hess 1928). Likewise, many have no problem believing God doles out financial rewards and adhere to the prosperity gospel (Harrison 2005). This article analyzes qualitative interview data to examine the cultural work of individuals as they confront both religious and economic spheres.

To analyze how individual actors relate religious and economic spheres, I consider the case of religious mutual funds in the United States (Mueller 1994, Boasson, Boasson, and Cheng 2006, Peifer 2011). Most religious funds are socially responsible investing (SRI) mutual funds and refuse to invest in certain stocks that are considered immoral (this process is known as screening). For instance, Muslim funds refuse to invest in the financial sector due to Muslim prohibitions on usury (or interest). Other Protestant and Catholic funds avoid pornography, companies involved in the abortion industry, and companies that provide same sex employment benefits. Other Catholic and denominational funds screen out environmental polluters, companies with excessive executive compensation packages or companies with poor labor relations. These examples of refusing to invest in certain stocks or entire industries preclude certain diversification strategies and are frequently argued to harm the fund's return performance (Goldreyer and Diltz 1999). People who work at these funds (fund producers) face the task of joining together their religious beliefs with the economic goal of earning a competitive return for investors.

Religious mutual funds dwell at the intersection of two sociological subfields, sociology of religion and economic sociology (Smelser and Swedberg 2005). In effort to bring these rarely combined subfields into dialogue with one another, I borrow theoretical language from important paradigms of each subfield. A macro-level articulation of *secularization* theory, from sociology of religion, asserts that societal spheres (such as religion, science, education, the state and the economy) have become increasingly differentiated over time (Dobbelaere 1981, Tschannen 1991, Cassanova 1994, Smith 2003). "One of the consequences of differentiation is that the other institutions become autonomous from religion, which thus loses its power of social control and guidance over the rest of society" (Tschannen 1991). Research in this vein has explored the combination of the religious and scientific spheres (Lemert 1979, Ecklund and Park 2009, Ecklund 2010). This article also complements existing sociology of religion research that considers the economic sphere in relation to the religious sphere (Finke and Stark 1988, Wuthnow 1994, Iannaccone 1995, Wuthnow 2005, Keister 2008, Peifer 2010).

For the purpose of this research, the religious sphere is defined as beliefs and practices that are oriented toward a supreme being and mediated by institutional religious groups. The economic sphere refers to the pursuit of one's monetary interest in a capitalistic context. This terminology of societal spheres is borrowed from Weber ([1915]1946) who considers the intersection of the religious ethic of brotherliness and various societal spheres (including economic, political, esthetic, erotic and intellectual).

Karl Polanyi's ([1944]2001) conceptualization of *embeddedness* expresses the idea that "the economy is not autonomous, as it must be in economic theory, but subordinated to politics, religion and social relations" (Block 2001, xxiv).[1] Economic sociologists have extended Polanyi's notion of embeddedness by looking at the state and the economy and highlighting Polanyi's insight that these spheres are best viewed as comfortably intermeshed (Block and Evans 2005) or that the degree to which they overlap varies across time and national contexts (Evans 1995, Hall and Soskice 2001). However, this intellectual project has largely ignored religion.

The paradigms of secularization and embeddedness lead in different directions. A Polanyian embeddedness paradigm would highlight how religion and the economy are comfortably embedded or entangled, while a classical secularization approach would emphasize the differentiation of these spheres.[2] While both paradigms most directly address temporal societal level processes, I borrow their conceptual language of *differentiation* and *embeddedness* to help motivate this article's individual-level analysis. Cultural sociology's symbolic boundary theory (Lamont and Molnar 2002) and cultural repertoire theory (Swidler 1986) are utilized to analyze the cultural work of religious mutual fund producers. The research question this article addresses is: *how do the fund producers who find themselves between God and the market perceive the relationship between religious and economic spheres?* The forthcoming analysis of interview data is divided into examples of embedding cultural work and differentiating cultural work. After providing examples of each, I look for patterned tendencies to practice embedding or differentiating cultural work by considering organizational structure and religious tradition.

A Cultural Approach to the Financial Market

An empirical question that has occupied the bulk of scholarly research on SRI is whether it harms return performance relative to conventional investing. Some find ethical investment criteria hamper returns (Mueller 1994), others find they induce high returns (Margolis and Walsh 2003, Shank, Manullang, and Hill 2005, Boasson,

Boasson, and Cheng 2006) and still others find no difference (Hamilton, Jo, and Statman 1993, Naber 2001, Guerard and Stone 2002, Bauer, Koedijk and Otten 2005, Kurtz and DiBartolomeo 2005). In sum, the scholarly evidence on the SRI impact on return performance is mixed. This important research question highlights the monetary impulse at play in the financial market. Namely, fund producers and investors alike want to accumulate more money and be socially responsible. This strong drive for money (and the uncertainty of whether this goal is best met through SRI) produces a salient counterpart to the religious motivations at play.

Cultural sociologists provide helpful ways to understand just this type of cultural work individuals engage in. Symbolic boundaries or "distinctions made by social actors to categorize objects, people, practices…" have become an important concept in cultural sociology (Lamont and Molnar 2002:168). Zerubavel (1991:57) describes a rigid Durkhemian distinction between the sacred and the profane which are "mutually exclusive and are separated from each other by the widest mental gulf imaginable." I borrow the concept of symbolic boundaries to help conceptualize interactions between religious and financial spheres. The permeability or rigidity of symbolic boundaries will be explored as a way to discuss the intersection of these spheres (Lamont 2001). In addition to symbolic boundary work, individuals draw upon their available repertoire of cultural justifications (Swidler 1986, Vaisey 2009) to find meaning in their daily lives. Both of these processes (symbolic boundary work and accessing one's cultural repertoire) are more generally referred to as cultural work.

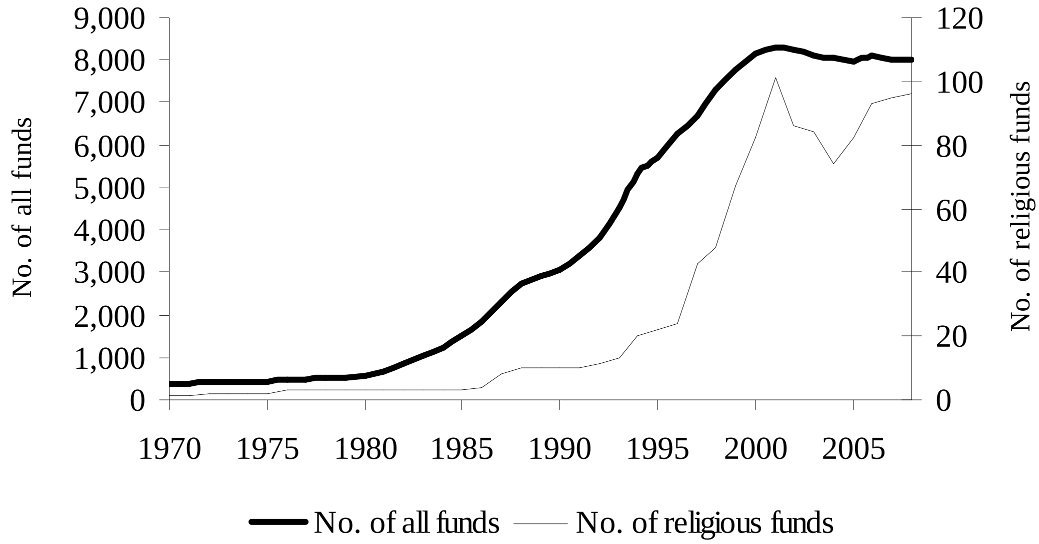
In *Purchase of Intimacy*, Zelizer (2005) considers societal spheres of intimacy and the economy by analyzing legal cases that involve economic exchanges between intimate parties. In discussing how these spheres combine in the legal system, she defines the *hostile worlds* point of view as the notion that economic and intimate spheres ought not intermix. Throughout the book, Zelizer dismisses the *hostile worlds* position and instead highlights the ability of actors to successfully embed these spheres through relational work. Closer to the subject matter of this article, Lindsay (2007) interviews over one hundred evangelical corporate elites and finds, "the borders between the religious and the economic realms have become increasingly porous" (pg. 163). These works point toward a harmonious embedding of religion and finance.

In *Religious Rejections of the World and Their Directions*, Weber ([1915]1946) suggests religion's "ethic of brotherliness" finds a particularly tense relationship with the economic sphere, mainly because of the rationalized economy's impersonal nature. In a similar vein, Wuthnow (1994) finds that Americans feel discomfort as they combine their religious faith with their economic lives. "If a single word had to be used to describe the relationship between religion and money… it would be compartmentalization… Although many people claim to think about the connections between their faith and their money, something seems to encourage them to draw a fairly sharp distinction between these two realms" (pg. 150-51). Friedland and Alford (1991) describe five central institutional orders (or societal spheres) of contemporary Western societies: capitalist market, bureaucratic state, democracy, nuclear family and Christian religion. Each sphere has its own unique "institutional logic." Friedland and Alford (1991) state, "Some of the most important struggles between groups, organizations, and classes are over the appropriate relationships between institutions, and by which institutional logic different activities should be regulated and to which categories of persons they apply…. Are families, churches, or states to control education? Should reproduction be regulated by state, family or church" (pg. 256)? In sum, these scholars lead us to believe the religious and economic spheres will be differentiated. This article explores whether (and if so, how) religious fund producers experience "institutional contradiction" of market capitalism and religion.

Mutual Funds

The number of mutual funds has grown precipitously (Davis 2009) in the past three decades from around 500 funds in 1980 to 8,022 in 2008. The total number of religious funds rose more recently (in the early 90's), revealing a growth trajectory that is similar to all mutual funds, but on a much smaller scale (see Figure 1.1). A mutual fund is an investment vehicle where professional investment managers diversify a pool of money in stocks and/or bonds. A small portion of investment dollars are used to pay for their investment expertise and overhead costs, while the returns or losses of the investment accrue to the contributing investors. Forty-five percent of American households have owned some kind of mutual fund and more than three quarters of those households invest in mutual funds to save for retirement (Investment Company Institute 2009). Mutual funds provide a common way for many Americans to diversify their retirement investments in the financial market.

Figure 1.1: Number of U.S. Mutual Funds from 1970 to 2008



Source: Investment Company Institute 2009 and Bloomberg Terminal

A *religious mutual fund* is part of a fund family[3] that claims an institutional religious identity. I have identified 97 religious mutual funds nested within 18 fund families in the United States, which is the most comprehensive list that I am aware of (see Table 1.1 for list of religious fund families). The fund families' religious affiliations include Catholic, Muslim and Protestant (both denominationally affiliated and non-denominational). One percent (97/8,022) of all mutual funds is religiously affiliated,[4] which may strike many as a low percentage given the relatively high levels of American religiosity (Demerath 1998).

Table 1.1: List of Religious Mutual Fund Families in the United States (as of December 31, 2008)

Fund Family	Religious Affiliation	Number of Funds	Total Net Assets
Thrivent	Lutheran	29	11,314.7
GuideStone	Southern Baptist	20	10,355.8
New Covenant	Presbyterian U.S.A.	4	1,260.3
Amana	Muslim	2	1,146.0
MMA Praxis	Mennonite	6	557.2
Steward	Protestant (Non-Denominational)	5	422.0
Ave Maria	Catholic	6	380.6
Timothy Plan	Protestant (Non-Denominational)	11	328.8
LKCM Aquinas	Catholic	4	65.5
Capstone	Protestant (Non-Denominational)	1	53.3
IMAN	Muslim	1	24.6
Allegiance	Christian Science	1	13.2
Shepherd	Protestant (Non-Denominational)	1	7.0
CAMCO	Protestant (Non-Denominational)	1	6.5
Azzad	Muslim	2	6.0
Centurion	Protestant (Non-Denominational)	1	3.0
Epiphany	Catholic	1	1.9
Eventide	Protestant (Non-Denominational)	1	1.0
		97	**25,947.5**

Note: Total net assets are in millions of dollars as of December 31, 2008. Fund families are presented in order of total net assets.
Source: Bloomberg Terminal

There are three general contributing factors that have led to the formation of these religious mutual funds: Islamic economics, institutional experience in the financial market and the more recent advent of socially responsible investing. Many Muslim countries have adopted Islamic economics in mid-20th century (Kuran 1997). One challenge of blending Islamic economics with a modern economy is Islam's prohibition of riba (or usury). To overcome this challenge, Islamic banks become co-purchasers with the buyer instead of loaning money and collecting interest. In this way, the bank shares in both the profits and the losses with the buyer. US Muslim immigrants have become increasingly interested in shariah compliant financial products, such as Islamic mortgages (Maurer 2006) and Islamic mutual funds. Mutual fund investors do not accrue money through the collection of interest, rather mostly through capital gains. In this way, mutual funds are quite amenable to Islam's prohibition of riba, provided fund managers refuse to invest in corporations that earn income from the collection of interest. Muslim mutual funds represent one particular instantiation of the international resurgence of Islamic economics.

American denominational institutions have been connected to the financial market in various ways since at least the early 20th century. For instance, religious denominations issued bonds to raise money for church related capital campaigns (Eckhart 1929) and issued gift annuities, where the principal that remained at the time of the holder's death would automatically accrue to a particular religious cause (Evans 1927, Merriam 1929)**.** Denominations also invested their own assets directly in the financial market (*Financial* 1931, *An Interview* 1931, Lindsay and Wuthnow 2010). These are just a few examples of the institutional experience religious denominations gained in the financial market, putting them in a natural position to adopt mutual funds as they became an increasingly popular investment vehicle in the latter half of the 20th century. Most denominationally affiliated mutual funds (Baptist, Lutheran, Mennonite and Presbyterian) grew out of existing denominational institutions that had previous financial market experience.

The SRI movement represents a third way religious mutual funds were formed. Kurtz (2008) asserts, "Religious belief was the first rationale for socially responsible investment, and remains an important force today, especially in the United States" (pg. 253). In the 1960's, mainline denominations linked ethical concerns about the

Vietnam War and environmental pollution to investment decision making (Robinson 2002). In 1971, Methodist clergy established Pax World Fund, the first mutual fund family to screen for social issues (Shapiro 1992).[5] That same year an Episcopalian Bishop attended a meeting of General Motors Corporation, asking the company to end its involvement in Apartheid South Africa. Although the vote did not pass, the momentum for SRI grew and eventually many activists were insisting corporations sever relations with South Africa and that institutions (such as religious denominations) liquidate their South African affiliated assets (Robinson 2002). Catholic, Jewish and Unitarian organizations were also at the forefront of the SRI movement (Social Investment Forum Foundation 2009). Since the mutual fund industry was growing during this time, SRI was naturally incorporated into these investment vehicles. Most of the denominational funds adopted SRI criteria as they rolled out their mutual funds, indicating a denomination's institutional experience with finance and SRI are not mutually exclusive pathways to these religious funds. Furthermore, while many of the original SRI actors were pursuing socially liberal issues, funds that are motivated by socially conservative issues have also been created.

Perhaps the most recognizable consequence of the funds' religious affiliation is what kind of corporations they refuse to own. For instance, Catholic funds refuse to own stock involved in the production of abortion or contraceptives. A Christian Science fund screens out the pharmaceutical industry due to a belief in spiritual healing. Mennonite funds shun weapon manufacturers and Muslim funds refuse to invest in any corporation that collects interest or produces pork or alcohol. Some funds are also involved in shareholder advocacy, which includes communication with portfolio corporations, attending shareholding meetings or using proxy votes in order to pressure corporations to change their behavior.

More fundamentally, actors that work at these religious funds simultaneously pursue religious and economic goals. This can create an uneasy combination. For instance, refusing to invest in certain stocks or entire industries precludes certain diversification strategies and is frequently argued to harm the fund's return performance (Goldreyer and Diltz 1999). Alternatively, applying a moral lens to corporate America is bound to reveal problematic stock holdings in nearly any portfolio, leaving a fund family vulnerable to questions about the chosen level of moral scrutiny.

DATA AND METHODOLOGY

In this article, I analyze the discourse of religious fund producers, or the people who work at religious mutual funds. The term *producer* is meant to indicate both the production of mutual funds as a financial commodity and as a cultural object (Griswold 1987). These producers are charged with upholding both the financial and the religious goals of the funds. I conducted semi-formal interviews (mostly phone interviews) with at least one representative from 14 of the 18 fund families between April 2008 and May 2009, achieving a 78 percent response rate.[6] I also visited the offices of three fund families (one Muslim fund, one Catholic and one denominational fund family) to conduct in-person interviews and observe the workplace environments.

Interview respondents agreed to participate on the condition that I do my best to protect their identity. I therefore give vague descriptions of interview respondents, usually by providing their job description and the religious tradition (Catholic, Muslim or Protestant) they represent. The interviews analyzed in this article were with fund managers, fund family presidents, marketing managers and various other actors in the fund families. Since these fund producers spend their professional lives working at this explicit intersection of religion and the economy, this case study is well suited for the analytical task at hand. Speaking with more than one representative from some fund families, I interviewed 29 fund producers, with a mean interview length of 47 minutes. All interviews were transcribed for content analysis.

The interviews were semi-structured and all proceeded in the following format. After briefly describing my interest in learning more about religious funds, I asked how the fund family was founded, about the fund's relationship with a larger religious group, how screening criteria were selected and operationalized, and how religion impacted the respondent's daily work routine. I also prompted respondents to talk about how they perceived the intersection of religion and finance. I typically said something like, "Many people I talk to don't think 'religious' and 'mutual fund' belong in the same sentence. How would you respond to that?" Among some Christian respondents, I cited a Biblical passage which states that one can't serve both God and Mammon (or money) (Mathew 6:24) and I then wondered out loud whether religious funds were attempting to do just that (see Appendix 1 for interview script). I approach my data as "hermeneutic interviews" (Spickard 2007) and seek to represent my interviewees' "conscious view of the world, of themselves, and of their place in it" (pg. 139). Therefore, during my interviews, I often repeated what I heard them saying, and asked if I had understood them properly. In contrast, a non-hermeneutic interview approach (not taken here) is aimed at uncovering a reality that is inaccessible to the interviewee (pg. 129).

In addition to interviews, I also analyzed each mutual fund's legally mandated prospectus and annual report from 2007 to 2008. The prospectus outlines the investment strategy and potential risks of the mutual fund. Annual reports (or semi-annual reports) are made available to all investors, and include a letter from the fund manager to investors as well as a report on the fund's recent performance and other relevant financial information. These documents serve the dual purpose of meeting legal transparency requirements and marketing the fund family to investors. I also analyzed each fund family's website material. Most of the analysis below relies on the interview material, but these publicly visible documents are also important since they represent carefully scripted presentations of the fund family.

FINDINGS

Embedding Spheres: Sunday = Monday

At some point in most interviews, I introduced the notion that religion and the economy should not intermix. Seventy-nine percent (11/14) of fund families were represented by an interviewee that disagreed with this prompt.[8] For instance, one Catholic fund manager explained that Christ did not "separate religion and life and," [did not] "say, 'Here's your religion over there, and go to the temple on those days, and on the other days do whatever you want…" Another non-denominational Protestant fund representative explained,

> …as a Christian, you are to live your life as Jesus lived his life. That just doesn't mean on Sunday mornings, that's 7 days a week, 24 hours a day. If that's the case, then whether you're cutting the grass or interacting with your family, or considering your investment portfolio, being a Christian is part of the decision, part of the process. So you can't exclude any aspect of your life when you consider yourself a Christian.

When asked what kind of people invest in his fund, this respondent replied, “I just know the vast majority are devout Christian people. The vast majority are folks that want to live their entire lives for the Lord. And they don’t distinguish between Sunday and Monday.”

Georg Simmel is seldom cited for his work on religion, yet his depiction of religiosity is particularly helpful on this point. For Simmel, religious fervor overflows into all realms of life. “The truly religious person does not view religion as the celebration of certain specific moments in his life, like the garlands of roses that enhance the day’s festivities but wither in the evening. The religious mood is present, at least potentially, at every moment of that person’s life, because to him it is the very foundation of life, the source of all his energies” (Simmel [1904]1997:38). Similar to Simmel’s depiction, these respondents muddy the distinction between Sunday and Monday, dissolving the symbolic boundaries and thereby comfortably embedding religion and finance.

I also mentioned the following biblical passage to some Christian respondents: “No man can serve two masters: for either he will hate the one, and love the other; or else he will hold to the one, and despise the other. Ye cannot serve God and mammon” (Mathew 6:24, King James Version). I then queried whether religious funds were trying to do just that, serve God and Mammon. A frequent retort was the citation of competing Bible verses. An evangelical fund representative said, “I don’t think there’s any tension at all… Remember also the parable of the talents.” In this parable (Matthew 25:14-30, Luke 19:12-27) delivered by Jesus, servants were given money by their master. Upon the master’s return, the servants were asked to account for what they did with the money. The one that failed to invest and earn a return was chastised.

The fund representative continued, “You don’t take your money out and hide it, you put it to work for the Kingdom. Well, if you’re going to put it to work for the Kingdom, you put it to work in the best manner that you can. Our goal is to multiply the talents, but our goal is to also invest in those vehicles and those companies that Jesus would say, ‘Hey, that’s a pretty good deal.’”

The concept of stewardship was commonly mentioned by fund representatives and cited in the funds’ promotional material. One Christian fund family adopted the name, calling its fund family Steward Funds. Moody and Payton (2004) suggest that the concept of stewardship can be summed up as the belief that “everything… belongs to God, and while we are permitted to use it, we must take care to use it well.” Religious funds capitalized on this, explaining that all assets belong to God. In a promotional flyer posted on their website, The Timothy Plan (a non-denominational Protestant mutual fund family) posts conjectural comments from investors followed by a pithy response from God. With aptly placed quotations, the flyer reads…

> Man Says: But it’s “my money!”
>
> God Says: The Lord has entrusted it to your care and you are accountable for it (Man Says 2008).

A Muslim fund representative relayed the concept of stewardship (without using that specific term) from an account taken from the Hadith where a young boy was asked to watch over the animals of a stranger. As the stranger returned to the animals and the boy, he thought to himself, I should pay this boy 10 dinars. Meanwhile, the boy considered stealing the stranger’s satchel and selling it in the market for 10 dinars. The fund producer explains,

> So our belief is that, one way or another the kid was going to get 10 dinars. It was written for him. The question is whether he was going to get it by permissible means, in the case of watching over the animals, or whether it be by impermissible means, in the case of stealing the satchel and selling it in the market. So that's why the source of our wealth must come through permissible means… Ultimately, since we believe the money that we have is given to us by God, what we do with that wealth is the key determining factor… Are you investing in activities that are impermissible? In our belief, if you're buying something that's impermissible and making money on it, that's basically like poison in the system.

Another way respondents spoke about religion and financial investments was to highlight an age-old economic and religious activity: charitable giving. John Wesley's ([1872] 1999) sermon entitled the *Use of Money* blends the counsel to gain all you can (without harming your neighbor) so that you can give all you can. One denominational fund producer adopted this Wesleyan logic as he explained, "We try to help people reach their financial goals because so many of the people who work with [us] have admirable financial goals. [Members of this denomination]…are extremely charitable. So by helping our members reach their financial goals, take care of their children, take care of their parents in retirement, whatever that may be, we feel like, in a sense we contribute to the greater good." Another evangelical fund hopes to give away a portion of the fund family's profits to religious organizations. "One of the things we hope will prove both interesting and distinctive about [our fund] is we have committed to donate to Christian ministry and charities from our profits, once we're profitable, basically, 25 percent of revenue on an ongoing basis." Turning profits into charitable contributions was another way actors brought religion and finance together in a comfortable fashion.

At least one representative from 11 of the 14 fund families sampled provided examples of embedding (or comfortably combining) religion and finance. In some cases, this was accomplished through drawing porous symbolic boundaries, exemplified by seeing no distinction between Sunday and Monday. In addition to this boundary work, respondents also drew upon their cultural repertoire of stories and wisdom from sacred texts in order to provide support for the appropriateness of combining religion and finance. Stewardship was one important concept. Fund producers also associated their funds with charitable giving, a legitimate economic activity that has long been associated with the religious sphere.

Differentiating Spheres: "Meditation and Munis"

Other fund producers readily articulated a meaningful differentiation of religion and finance. Alluding to the impossibility of serving both God and Mammon, I asked a denominational fund manager if he saw any tension in operating a religious fund.

> I think there could be. We don't try to hold ourselves out as someone representing the religion or embodying the whole sense of the religion. And I think that helps us steer clear of that dangerous area that you're mentioning... I'm very uncomfortable with somehow representing the… church in this mutual fund. A church has nothing to do with money, really. A church is about helping people find their true spiritual strength. Helping them through their difficult times. It's not about making money for people. That has nothing to do with church or religion.

In a similar fashion, a Muslim fund manager was also wary of combining religion and finance too closely.

> The difference with us and other Islamic firms is that some of them will say, 'we are sharia compliant,' which means we are compliant with Islamic law, which is holding yourself to an amazing standard. It means that you know for sure that your product is compliant with

> Islamic law. And what we say is our product is informed by Islamic law. In other words, our intention is to invest in accordance to Islamic law. But we can't tell you that this is 100 percent in accordance with the law.

Both of the above fund managers are careful not to make unwarranted religious claims in the financial realm by maintaining rigid symbolic boundaries, a process I call compartmentalization. Perhaps related to this type of boundary work, both of the fund families these preceding respondents represent make no explicit mention of their religious affiliation in their promotional and legal material. Out of the eighteen religious fund families, only three did not explicitly advertise their religious affiliation. A non-denominational Protestant fund family is the third.[8] Since these three fund families span religious traditions (denominational, non-denominational Protestant and Muslim) it is difficult to argue that one particular religious tradition is more likely compartmentalize.

I also asked some fund managers whether they prayed over their stock picks. Just as a farmer might pray for rain it seems conceivable that religious fund managers would pray for positive returns or extraordinary stock picking abilities. But the response I received was generally one of nervous laughter revealing that praying over a stock pick was not an acceptable way to mix religion and finance. One denominational fund manager responded that he prayed for "calm." After an awkward pause, he noted the irony in a story of a bond manager who happened to be a devotee of yoga, and…

> was talking about how that gives him peace, the meditative aspect… One quote really caught my attention. "Well, I came up with the idea of buying munis [municipal bonds] during a sun salutation." You can imagine him looking out over the Pacific Ocean while doing yoga,

> coming up with some very capitalistic, very self-serving strategy. It's kind of funny.

In this example, praying for calm was ok, but being "enlightened" with profitable investment schemes was less legitimate. This example of compartmentalization cordons off spiritual practices (such as praying or meditation) from financial investment decision making.

A representative from another denominational fund had difficulty reconciling faith and finance. He reasoned,

> We live in a sinful world… we have to recognize that we're a part of. And so, you just have to accept that as a basic premise of not only your investment portfolio, but the way that you live your life… You would never go into that Exxon Mobil Station, because they sell cigarettes, lottery tickets and so forth. So we have to recognize that there is no perfect solution in this world for the convergence of these factors. Then you have to figure out, ok, how are you going to manage the competitive tension that exits between the social issues and all of the stakeholders that are involved in it. That's what we get paid to do.

This fund manager reasons that he gets paid to confront the tension on behalf of the investors. By pointing to the "sinful world" he excuses his fund family's inability to bring the realms of religion and finance together in a more satisfactory fashion.

Five denominationally-affiliated fund families are but one branch of larger denominational organizations that are also involved in making various services available to members. Some are financial services, such as health insurance, life insurance, annuities and mutual funds. Other services are less closely wed to the financial market, such as charitable giving or other congregational support systems. Some of the fund representatives I interviewed felt a certain sense of isolation within the larger denominational organization and attributed this to their proximity to the financial market. When asked how the larger denominational organization reacted to the financial crisis of 2008, a denominational fund representative explained,

> One of the themes that's been knocked around..., is ‘things are really bad, and God is still good.’ That's not a mutual fund tag line I'm giving you there. But that's tough, when you’re a financial institution with fiduciary responsibilities and legal contractual obligations, maybe that's not quite enough. Maybe that is enough for a church to say, but we straddle that chasm between being business and being church…

Another producer explained the dual objectives housed in his denominational organization.

> Some of us are working more for a Fortune 500 financial services company, like me. My world, I have to compete against the Fidelities and T. Rowe Prices and RiverSources and all these other firms. Other parts of the organization are really all about working on the fraternal side, you know, how do congregations get stronger…working with Habitat for Humanity and overseas building trusts… Those folks feel like our mission is to… do good, and they are probably less engaged with the economic side. You can see how that might happen.

In another example, fund producers not only acknowledged, but also welcomed the discomfort that accompanies their combination of religion and finance. A marketing manager explained that their investors are very interested in having a “faith conversation” with their fund-sponsored financial advisor. In fact, the financial advisors who offer the religious fund are trained to have that “faith conversation” and ask,

> ‘What's your purpose in life? What's God calling you to?’ And most people have a hard time doing that and it's sometimes an uncomfortable conversation…. You will not see this if you go to a Raymond James guy or an Edward Jones guy. They will not talk about this. In fact, they will avoid this at all costs. We see, every time we do this, our customers love it. We're trying to capitalize on this.

The tension between religion and finance is exemplified by the “uncomfortable” faith conversation that financial advisors are encouraged to instigate. Through its own marketing research, this fund family is convinced their clients value these conversations. Some religious investors would rather experience the tension then ignore it.

At least one representative from 36 percent (5/14) of sampled fund families differentiated the societal spheres and articulated some degree of tension. In one example, an Islamic fund producer was wary of adopting the “shariah compliant” label. Others bristled at the prospect of praying for profitable stocks picks. This type of symbolic boundary can be considered *compartmentalization*. The physical proximity of financial market actors housed in larger denominational organizations also caused strain. In yet another example, religious fund investors literally value the awkward conversation about faith and finance. These examples show how fund producers meaningfully perceive dissonance stemming from these differentiated spheres.

DISCUSSION

Having presented examples of both embedding and differentiating cultural work, I now discuss whether patterns have emerged that help determine what kind of religious fund producer is more likely to engage in one or the other. I do so by considering, first, the organizational structure and then secondly, the religious tradition of the fund family.

The following fund families fall into the *denominational* organizational structure; Allegiance (Christian Science), GuideStone (Southern Baptist), MMA Praxis (Mennonite Church USA), New Covenant (Presbyterian Church U.S.A) and Thrivent (Lutheran). Representatives from four of these denominational fund families articulate differentiating cultural work. One interpretation of this pattern is the organizational proximity these fund producers have to other denominational employees that are not involved in the financial market. By frequently rubbing shoulders with co-religionists who are primarily oriented to other denominational goals (such as religious education or denominational growth), denominational fund producers are more likely to perceive contradictions that arise from joining religion and finance.

In contrast, Catholic and Muslim fund families tend to rely on spiritual leaders to dictate the religious implications of their work. I refer to this as a *hierarchical* organizational structure. For instance, a Catholic representative explains why his fund family does not screen out alcohol and tobacco stocks as follows, "We have a Catholic advisory board made up of lay Catholics and they have an advisor to them, a cardinal…, the archbishop of [the local] diocese. And they've decided to focus on the few core issues that they've identified." Another Catholic fund family relies on the U.S. Conference of Catholic Bishops investment guidelines for its screening criteria. In a similar way, each Muslim fund family relies on a carefully selected scholar or group of scholars to interpret the Koran in attempt to ensure shariah compliance (Maurer 2006). One Muslim representative said,

> Sometimes Muslims come to us and say, "You need to constantly look at your guidelines and adjust them; make them more strict if you can." Our thought is that that's not our responsibility. That's the scholar's responsibility. If they feel that we're not doing the right thing, they should tell us. And they haven't told us that.

Fewer examples of differentiating cultural work stem from Catholic and Muslim fund producers, perhaps because their spiritual leaders provide clear directives which reduce uncertainty about the fund failing to measure up to religious standards. This may free fund producers to more comfortably embed religion with the financial market.

A third organizational structure is *nondenominational* Protestant fund families, which are, by definition, devoid of denominational influence. Most of these funds were started up and now autonomously operated by an entrepreneurial individual. One implication of this organizational structure is that, as nondenominational fund producers reference the Bible, they tend to rely on their own interpretation (as opposed to denominational interpretations). For example, one fund president states "…we are using the scriptures as our basis. We're not using any tenants of any particular denomination to attempt to base our screens. Everything we do, as far as our screening approach, comes directly from the scriptures." This is not to suggest that nondenominational fund producers are unique among fund producers in their citation of scripture. Instead, I find fund producers from all religious traditions cite their respective sacred texts. When fund producers cite their sacred text, they typically engage in embedding as opposed to differentiating cultural work. In this vein, I also find nondenominational fund producers rarely engage in differentiating cultural work, but freely interpret scripture in support of embedding religious and economic spheres.

One strength of this study is that different religious traditions are represented, breaking the tendency of American sociologists of religion to only study Protestant Christians (Smilde and May 2010). However, looking for patterns of cultural work across Catholic, Muslim and Protestant traditions gains less traction than consideration of organizational structure. Both Catholic and Muslim funds demonstrate similar hierarchical organizational structures by deferring to spiritual authorities, and I suggest the clear directives coming down from above lend itself to embedding work. A nondenominational organizational structure also tends to encourage embedding, through careful selection of legitimating scriptural citations. However, in this analysis, I find denominational fund producers are more likely to give examples of differentiating cultural work and I suggest this can be linked to their organizational proximity to non-financial denominational actors they work alongside. This heterogeneous work environment helps explain a tendency to see dichotomies arising from the intersection of religion and finance and thus foster differentiating cultural work.

CONCLUSION

The research question stated at the onset was, *how do the fund producers who find themselves between God and the market perceive the relationship between religious and economic spheres?* I introduced two sociological paradigms that provide contrasting portraits of how religious and economic spheres might be combined by mutual fund producers. A Polanyian conception of embeddedness would emphasize the entanglement of them. The secularization thesis highlights the increasing differentiation, suggesting an awkward combination of these same spheres. This article provides examples of both embedding and differentiating cultural work,[9] and I find the heterogeneous organizational structure of denominational fund families is especially amenable to differentiating cultural work. This individual-level cultural work is an important aspect of social behavior in a modern society where institutional logics are changing and unclearly arranged (Friedland and Alford 1991). This cultural work is also generalizable to other case studies that dwell at the potentially dissonant intersection of various societal spheres.

Zelizer (2005) and Lindsay (2007) provide two contemporary examples of embedding spheres. Likewise, Weber's *The Protestant Ethic and the Spirit of Capitalism* ([1930]2009) might be seen as a case of religion and the economy harmoniously coming together. Indeed, Weber argues that Calvinism helped to produce modern rational capitalism. However, a closer look at Weber's thesis reveals that his religious actors did not intend to produce impressive economic outcomes. In fact, Weber shows that early Puritans believed there to be a "secularizing influence of wealth," so as religious people grow wealthy they become less religious (Weber [1930]2009: 92). Concluding from Weber's thesis that certain religious values easily translate into the creation of wealth misses the point. Weber's interpretative sociology is attentive to the meaning actors bring to their social behavior and part of that meaning was a belief that religion and wealth are inversely related. From this baseline, Weber goes on to describe how religious actors (who were oriented toward religious goals) provided a spark which helped create modern rational capitalism, an endpoint that is both a surprise (because religion and wealth were believed to be antithetical) and an unintended consequence.

Perhaps surprisingly, the fund producers I interviewed did not parrot Weber's Protestant ethic of abstemious consumption and patient investing. However, some religious fund producers articulated an idea expressed by another classical sociologist.

Simmel ([1904]1997) portrays religion as freely overflowing into all realms of social action. When fund producers believe their religious faith is calling them to resist the symbolic boundaries between religion and finance, their financial behavior becomes embedded with their religious behavior and they have difficulty separating the two. Indeed, this religious conviction to dissolve symbolic boundaries between Sunday and Monday (or religion and finance) is one specific way that fund producers think about the overlap of religion and the economy. Lindsay (2007) describes modern American evangelicalism as possessing an "imperative to bring faith into every sphere of one's life" (pg. 3). This analysis demonstrates that embedding also transpires among Catholics, Muslims and denominational Protestants, in addition to nondenominational fund producers.

At first glance, emphasizing the differentiation of religion and the economy through analysis of religious funds may seem counterintuitive in that the existence of these funds could be seen as evidence of embeddedness. Nonetheless, this analysis demonstrates the differentiating cultural work that fund producers engage in. Namely, some fund producers maintain stark boundaries between "God and mammon." Respondents balked at the notion of praying for profitable stock picks and one Islamic fund producer was wary of dragging the sacred concept of "shariah compliance" into the economic sphere. These examples of boundary work can be thought of as compartmentalization. A denominational fund finds their clients actually value and welcome the uncomfortable faith conversation with their financial advisor. This exemplifies that dissonance or tension is not always something to be avoided. Like the bitter herbs of the Seder plate, social actors are able to savor tension.

Considering the high levels of American religiosity (Demerath 1998), the paucity of religious funds (1 percent of all mutual funds) may be surprising. The vast majority of US mutual fund investors are not investing in religious mutual funds. This analysis was not able to address the experience of individual investors. However, this article has demonstrated the cultural work of fund producers and it seems reasonable to assert that investors that are considering religious funds are engaging in a similar process. Investors' experience in embedding or differentiating religious and financial spheres will likely prove instrumental in determining the future course of this rather nascent religious investment industry. It would seem that religious investors performing embedding cultural work, as exemplified in this analysis, would own higher levels of religious fund assets. However, one lesson learned from this analysis is that meaningful differentiating cultural work can also accompany activity that explicitly combines the two spheres.

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ENDNOTES

[1]In her critique of Granovetter's (1985) use of the "embeddedness" term, Krippner (2001: 777) argues that Granovetter adopts a "vision of the social world as sharply demarcated into neatly bounded and essentially separate realms" and "remains trapped in the limitations… that sharply separate the economy from the social." She argues this contradicts Polanyi's central insights, and has thus confused the conceptual clarity of economic sociology's utilization embeddedness.

[2]Demerath (2007) suggests the battle lines of the scholarly secularization debate are least contested at the societal level of analysis, from which the concept of differentiation stems. Critiques of other levels of the secularization thesis have emphasized that religion in America has thrived (Chaves 1989, Finke and Stark 1992, Warner 1993).

[3] A fund family can offer more than one mutual fund. Funds within religious fund families differ from each other on financial investment criteria.

[4]At year end of 2008, the total US mutual fund population tallied $9.6 trillion in assets (Investment Company Institute 2009). Religious funds totaled $25.9 billion or .3 percent (0.003) of all US mutual fund assets.

[5] Despite Pax World's founding by religious individuals, it has never identified itself as religious and is therefore not considered a religious mutual fund for the purpose of this article.

[6] I compiled, what I believe to be, a comprehensive list of 18 US religious fund families through Internet web searches, key word searches on mutual fund data bases and by asking religious fund producers if they were aware of other religious fund families. Four religious fund families (three Protestant and one Muslim) are not represented in my convenience sample for the following reasons. I was unable to speak with anyone after repeated attempts with two fund families, I was refused an interview from one fund family for the purported reason that the office was short staffed and busy and I was not aware of another fund family at the time of my interviewing.

[7] This majority should help assure the reader that my interview questions did not bias responses in the direction of agreeing with my interview prompts.

[8] Despite not publicly avowing a religious affiliation in promotional material, I consider these three fund families to be religiously affiliated for two reasons. First, their screening criteria clearly signal their religious affiliation to insiders (Lindsay 2008). Secondly, their religious affiliation was confirmed through phone interviews with a representative from the fund of interest and other religious fund producers that I spoke with.

[9] While this article is not theoretically interested in the relative frequencies of embedding and differentiating cultural work, it may come as no surprise that more embedding work is observed. One explanation for this is that actors that self select themselves to work for these funds (which represent an explicit intersection of religion and finance) are already less likely to perceive differentiating dissonance between the two spheres.

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Appendix 1.1: Generic Interview Script for Religious Fund Producer

Tell me a little bit about what you do?   What's your general job description?

Tell me a little about the history of Religious Fund. How did it get started?

Are there any requirements about the religious identity of the fund manager?   Must he or she be religious?

(Asked of Christian fund representatives) Is Religious Fund affiliated with any denomination? If so, talk about that relationship.

When I tell people I'm researching religious mutual funds, most say they didn't know such a thing exists; as if "religious" and "mutual fund" don't belong in the same sentence. So tell me generally, what is your experience with combining religion and mutual funds.

(Asked of Christian fund representatives) I'm thinking of the parable in Matthew 6, where Jesus says, "You can't serve two masters…You can't love both God and Mammon." In a sense, isn't that what Religious Fund is trying to do, serve God and Mammon?

Please tell me about the screening process at Religious Fund. What are your screening criteria? How did Religious Fund decide upon those criteria?

Is Religious Fund involved in advocacy work through the mutual funds? If so, tell me a little bit about that activity.

Does Religious Fund feel more pressure to increase its socially responsible mission or to increase returns for investors? Tell me about balancing these two goals?

(Asked of fund managers) Do you pray that your stock picks would be profitable?

If I were to spend a day at Religious Fund offices, would its religious identity be salient? If so, how?

How does Religious Fund differ from other religious mutual funds?

Do you largely target religious investors? What is your marketing approach? How are churches/mosques or other religious organizations involved?

I'm very interested in the experience of investors. What is the average investor like? Do they invest in other conventional funds?

Are there any other things that came into your head as we were talking that you would like to tell me? Are there questions you wished I would had asked?

Note: Interview scripts were modified to take into account the religious identity of the fund, the employment position of the interviewee and various other pieces of relevant information I was able to obtain before conducting my interview. This script is a generic baseline from which modifications were made.

CHAPTER 2

MORALITY IN THE FINANCIAL MARKET:

A LOOK AT RELIGIOUSLY AFFILIATED MUTUAL FUNDS IN THE USA

Socially responsible investing (SRI) mutual funds are becoming a popular investment option for investors. Stemming from religious origins, these funds deliberately inject moral concerns into financial decision making. Focusing on religiously affiliated mutual funds, I garner empirical evidence to investigate whether the moral orientation of investors impacts their financial market behaviour. I partition mutual funds into religious SRI, religious non-SRI, secular SRI and conventional funds and look for differences in levels of fund asset stability using data from the Center for Research in Security Prices (CRSP) from 1991 to 2007. This stability refers to the extent to which investors hold on to their fund shares with little regard to past return performance and over all fund flow volatility. Religious SRI assets are found to be the most stable fund category and I adjudicate whether the structural characteristics of religious groups or the moral orientation of religious investors best explains this empirical finding.

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The USA stands out as an exceptionally religious country (Demerath, 1998) and a country increasingly wed to the financial market (Davis, 2009). One manifestation of this combination is the availability of religiously affiliated mutual funds. Most of these fund families are a part of a growing field of socially responsible investing (SRI) which represents a corner of the financial market where morality might hold significant sway. SRI mutual funds avoid ownership in certain industries or companies (screening) and/or try to change the behaviour of companies they do own (advocacy). SRI fund managers take moral or ethical values into consideration as they decide which corporate stock they will purchase and how they will interact with corporations they decide to own. This article explores whether morality also impacts economic behaviour of SRI investors who must decide which mutual fund to invest in and how long to continue holding those shares.

Modern day economic sociologists have explored the role morality plays in the economy (Zelizer, 1978; Etzioni, 1988, 2003; Stehr et al., 2006; Fourcade and Healy, 2007; Beckert et al., 2008; Quinn, 2008) but have paid little attention to the unique role religion might play. This article's interest in religion taps Weber's ([1930]2009) intuition in *The Protestant Ethic and the Spirit of Capitalism* to analyse how religious forces impact economic phenomena. Religion scholars have looked at various ways religion intersects with the economy (Finke and Stark, 1988; Iannaccone, 1992; Hoge et al., 1996; Chaves and Miller, 1999; Wuthnow, 2005; Keister, 2007, 2008; Peifer, 2010). While these accounts are instructive, little attention has been directed toward religion's impact on the financial market.

Etzioni (2003) asserts, 'the more individuals act under the influence of moral commitments, the more they are expected to persevere' (p. 115). One way this article operationalizes perseverance in the financial market is to measure investor behaviour in response to a fund's previous return performance. I refer to this as fund asset stability. Previous research has compared the asset stability of SRI funds and non-SRI (or conventional) funds, producing mixed results. Some find SRI assets to be more stable than conventional funds (Bollen, 2007; Benson and Humphrey, 2008), whereas others find SRI assets to be less stable (Renneboog et al., 2006; Osthoff, 2008). I advance this line of research by zoning in on religiously affiliated mutual funds in the USA. I also consider four mechanisms that would lead one to expect religious SRI fund assets to be more stable than secular SRI fund assets. Stemming from these mechanisms are two plausible hypotheses. The first hypothesis suggests that the structural characteristics of a religious group lead to more stable investing. The second emphasizes that religious actors are motivated by moral reasons to continue investing. In testing these two plausible hypotheses, I address this article's main goal which is to empirically demonstrate a moral impact on social behaviour in the financial market and by doing so, bring empirical evidence to a largely theoretical branch of economic sociology. While both of these hypotheses (structural and moral) might be generalizable beyond a religious context, focusing on their religious instantiations yields a sharper analytical focus.

Mutual Fund Categories

About 44% of American households own some kind of mutual fund (Holden and Bogdan, 2007). Mutual funds are regulated investment vehicles where professional investment managers diversify a pool of money in stocks and/or bonds. A portion of investment dollars is used to pay for their investment expertise and overhead costs, whereas the returns or losses of the investment accrue to contributing investors. In the past three decades, SRI mutual funds have become increasingly available to investors. SRI is an important part of the larger corporate social responsibility (CSR) field, which has been researched at the firm level (Margolis and Walsh, 2003) and the national level (Gjølberg, 2009; Kinderman, 2009). This article's emphasis on SRI considers the ability of corporate shareholders to exert pressure on corporations (King and Soule, 2009; Soule, 2009).

SRI mutual funds are recognized by their involvement in at least one of two dominant activities; screening and shareholder advocacy (Domini and Kinder, 1986). Screening is exemplified by SRI funds refusal to invest in a well rehearsed list of industries deemed unethical by many, including tobacco, alcohol, gaming and the military. These are commonly referred to as sin screens, pointing to the religious influences on the SRI industry. However, many SRI funds have gone beyond the standard sin screens to include a wider array of screening criteria. To name just a few, SRI funds now avoid firms that are involved in animal torture, have poor records of workplace diversity, pollute the environment or have poor product safety records. A second SRI mutual fund activity is shareholder advocacy. This refers to communication with owned corporations through attending shareholding meetings and using proxy votes[1] to pressure firms to change their behaviour.[2] Interestingly, to be a shareholder advocate, SRI funds must first own a corporation whose behaviour they believe can be improved.

Kurtz (2008) asserts, 'Religious belief was the first rationale for socially responsible investment, and remains an important force today, especially in the United States' (p. 253). In 1758, the Society of Friends (Quakers) refused to do business with anyone that bought or sold slaves (Domini, 2001). By the 1960's mainline, American denominations began linking ethical concerns about the Vietnam War and environmental pollution to investment decision making (Robinson, 2002). In 1971, Methodist clergy established the Pax World Fund, the first mutual fund family[3] to screen for social issues (Shapiro, 1992).[4] That same year an Episcopalian Bishop attended an annual meeting of General Motors Corporation, asking the company to end its involvement in Apartheid South Africa. Although the vote did not pass, the momentum behind SRI grew and eventually many activists were insisting corporations sever relations with South Africa (Robinson, 2002). Given the important role religion has played in the formation of the SRI industry in the USA, it is appropriate to isolate religiously affiliated mutual funds for special attention.

I define a religious mutual fund as a fund that self-avows an institutional religious identity. Religious groups in the USA that are represented by mutual funds include Catholic, non-denominational Christian, Muslim and other Christian denominations (see Table 2.1 for list of active US religious mutual fund families as of 2008).[5] Thrivent Financial for Lutherans mutual funds is the only religiously affiliated fund family that is not involved in screening or advocacy work and therefore not labelled socially responsible. Stemming from my discussion of SRI and my definition of religious funds, I derive a two by two table of mutual fund categories (see Table 2.2). The resulting four categories of funds (religious SRI funds, religious non-SRI funds, secular SRI funds and conventional funds) will be utilized to determine whether religious SRI investments tend to be more stable than secular SRI investments. The religious non-SRI fund category will be used to help assess whether morality has an impact on financial market behaviour. Since previous research has compared conventional funds with SRI funds, the following theoretical discussion and hypotheses do not specifically address the conventional fund category. Instead, this article focuses on the intersection of a fund's religious affiliation and SRI status.

Table 2.1: List of Active Religiously Affiliated Mutual Fund Families in the United States (all class shares)

Mutual Fund Family	Religious Affiliation	Number of Funds
Ave Maria Funds	Catholic	6
Epiphany Funds	Catholic	3
LKCM Aquinas Funds	Catholic	4
CAMCO Investors Fund	Christian (non-denominational)	1
Centurion Christian Values Fund	Christian (non-denominational)	1
Eventide Gilead	Christian (non-denominational)	1
Shepherd Funds	Christian (non-denominational)	1
Steward Funds	Christian (non-denominational)	12
Timothy Plan	Christian (non-denominational)	18
Allegiance Fund	Christian Science	1
Amana Funds	Islamic	2
Azzad Funds	Islamic	2
Iman Fund	Islamic	1
Thrivent Funds	Lutheran	75
Praxis Funds	Mennonite	18
New Covenant Funds	Presbyterian U.S.A.	4
GuideStone Funds	Southern Baptist	49
		199

Note: Number of funds (all class shares) that existed as of 2008.

Table 2.2: Mutual Fund Categories

	Religious	Non-Religious
SRI	Religious SRI 39 funds (.5 percent of funds)	Secular SRI 75 funds (1 percent of funds)
Non- SRI	Religious Non-SRI (Thrivent) 33 funds (.4 percent of funds)	Conventional 7,488 funds (98 percent of funds)

Notes: The number of mutual funds represents all class shares of funds between 1991-2007 in CRSP data set that are used in subsequent analysis reported in Table 2.4.
Source: CRSP Mutual Fund Data (1991-2007)

Religious SRI funds are often recognized for their unique screening criteria.

For instance, Islamic funds refuse to invest in any company that collects interest (effectively ruling out the entire financial sector) due to Muslim prohibitions on usury. The Christian Science fund screens out the pharmaceutical industry in line with its religiously motivated belief in spiritual healing. Many Christian funds screen out on abortion and pornography. More progressive religious funds avoid weapons manufacturers and environmental polluters. SRI screens (for both religious and secular funds) are an important example of a moral component that could potentially hinder a fund's ability to maximize returns. Namely, placing strictures on what securities a fund manager is able to purchase is often believed to hamper the fund's return performance (Goldreyer and Diltz, 1999).

Indeed, an empirical question that has occupied the bulk of scholarly research is whether socially responsible investment practices impact return performance. Some find SRI hampers returns (Mueller, 1994), others find they induce high returns (Shank et al., 2005; Boasson et al., 2006) and still others find no difference (Hamilton et al., 1993; Naber, 2001; Guerard and Stone, 2002; Bauer et al., 2005; Kurtz and diBartolomeo, 2005). This debate over whether SRI investments yield lower return performance elucidates a certain tension; SRI investing might be economically costly. This analysis steers clear of this important research question but does feature how fund assets respond to lagged return performance.

Morality in the Financial Market

The field of behavioural finance challenges common assumptions of rationality in the financial market by providing descriptive accounts of investor behavior (Barberis and Thaler, 2003). For instance, Barber and Odean (2000) find investor overconfidence leads to excessive trading, which reduces returns on investments. Cooper et al. (2005) find investors irrationally react to cosmetic name changes of mutual funds. These empirical findings are generally explained through psychological accounts that emphasize sporadic emotional risk assessments or overconfidence. In contrast, the approach taken here paints a different picture, where entrenched moral imperatives impact investor behaviour.

Economic sociologists have considered the role of morality in the market in various ways. Zelizer (1978) shows how religion played an important role in the legitimation of life insurance in the nineteenth century America. Etzioni (1988) posits a project for socio-economics which centres around the assertion that moral motivation must be acknowledged alongside the more familiar pleasure-seeking motivation of neoclassical economics. Beckert (2006) points out the ambiguous economic consequence of moral behaviour, while cataloguing different kinds of moral behaviour in the market. Switching the causal arrow, Fourcade and Healy (2007) provide a review of three different ways in which the market may impact society's moral order. This article extends this largely theoretical body of research by looking for empirical evidence that morality is impacting the economic behaviour of average investors.[6]

Before embarking on the specific hypotheses this article will address, I define the term moral and point out two ideal types of morality that are at play in the SRI realm. Etzioni suggests a moral act must meet four criteria; 'moral acts reflect an imperative, a generalization, a symmetry when applied to others, and are motivated intrinsically' (Etzioni, 1988, pp. 41–42). Accentuating Etzioni's first criterion will be sufficient for this article's treatment of morality. Admittedly general, I define moral action as taking on an imperative quality where one believes they ought to behave in a certain way.

In outlining different types of social action, Weber distinguishes between the means and ends of the action. Value rational action is ‘determined by a conscious belief of the value for its own sake . . . independently of its prospects of success’ (Weber’s [1922]1978, pp. 24–25). The idea that moral means are practiced despite ‘its prospects of success’ is especially appropriate to the financial market because return performance is an important measure of investment success (or an important end). One implication of Weber’s value rationality is that the means by which monetary gain is pursued is what matters most in the SRI realm. Screening out certain types of stocks is a good example of paying heed to the means of investing and this might cause average investors to pay less attention to return performance. This deontological flavour of ethics resembles Etzioni’s (1988) treatment of subject.

However, monetary gain is not the only end pursued by socially responsible investors. The goal of shareholder advocacy is to create societal change. Many point to the abolishment of Apartheid as a fitting example of a successful SRI drive for societal change. In the SRI realm, ethical ends are considered alongside monetary ends, introducing a multiplicity of ends. When creating societal change is a moral imperative, a moral actor may consider various means to accomplish that end. This is manifest in the willingness of SRI investors to deliberately own ‘unethical’ companies in order to take part in shareholder advocacy, an action a value rational actor would not consider. This weighing of both means and ends matches Weber’s definition of instrumental social action where ‘the end, the means, and the secondary results are all rationally taken into account’ (Weber’s [1922]1978, p. 26) and resembles a consequentialist version of ethics. Matched with the screening and advocacy functions of SRI, moral imperatives can be value rationally or instrumentally pursued. Of course, these ideal types need not be mutually exclusive in practice as evidenced by many SRI funds that are heavily involved in both screening and advocacy.

This generalizable discussion about morality is not limited to a religious context. However, since modern day economic sociologists have scarcely considered the role religion might play in economic behaviour and since religious actors have played an important role in SRI's formation, this article particularly investigates whether morality is at play among religious fund investors. Additionally, the structural characteristics of religious groups will be shown to prove advantageous in empirically demonstrating the impact of morality in the financial market.

Religious Structure or Religious Morality?

The following discussion of plausible religious mechanisms that lead to high levels of asset stability will anachronistically provide theoretical justification to motivate the following hypothesis.

HYPOTHESIS 1 - *Religious SRI assets are more stable than secular SRI assets.*

In route to motivating this hypothesis, this discussion will generate two additional hypotheses regarding why religious SRI assets are more stable than secular SRI assets. These two additional hypotheses address a primary goal of this article, which is to investigate whether the moral orientation of investors impacts their investment behaviour.

Structural Characteristics of Religious Groups

The solidarity in religious communities is an important component of religious life (Kanter, 1972; Becker, 1999; Durkheim, [1912]2001). Previous research suggests that solidarity and cohesion within social groups can induce sacrificial monetary behaviour (Lawler, 2001; Collins, 2004; Beckert, 2006). Peifer (2010) demonstrates that religious followers that perceive higher levels of cohesion with their congregation give more money to their congregation. This suggests that religious members might extend high levels of trust to a mutual fund that shares their religious identity leading them to be committed investors and less likely to redeem fund shares.

Many religious Americans attend religious services on a regular basis and the physical gathering and the social networks they foster are amenable to spreading the word about a variety of religious and secular opportunities. Religious publications that are dispersed among religious followers and word of mouth chains might serve as effective conduits through which mutual fund information can easily flow. These religious networks could be especially effective in advertising these religious funds and in turn induce investment stability.

These mechanisms depend on the structural characteristics that are common to most religious groups and do not depend on the funds' socially responsible characteristics. Since the religious groups featured in this article have a common congregational and sometimes denominational structure, focusing specifically on religious funds is an effective way to test the forthcoming structural hypothesis (whereas secular SRI funds have less obvious organizational structures in which investors are already involved). Therefore, if religious structural characteristics are a main driver of religious fund asset stability, then religious non-SRI funds should be similar to religious SRI funds in terms of fund asset stability. More formally,

HYPOTHESIS 2a - *Religious non-SRI funds are similar to religious SRI funds in terms of asset stability, lending support to the theory that the structural characteristics of religious groups explains why religious SRI assets are more stable than secular SRI assets.*

Moral Orientation

All SRI funds screen out certain companies that they deem to be immoral and Beckert (2006) refers to this morally driven economic behaviour as ‘blocked exchange’. Durkheim ([1912]2001) suggests religious activity revolves around the perception of the sacred (or things set apart) and profane realms of life. This highlights the prohibition of all things considered to be impure. To the extent that religious groups are especially concerned with avoiding impurity, the screening function of religious SRI funds would secure particular allegiance among religious fund investors. Purchasing religious SRI funds is a way to maintain a purer investment portfolio. This screening function aligns with Weber’s value-rational social action where the means of investment (or the ethical status of the corporations owned) are especially important.

Some religious SRI funds are also involved in shareholder advocacy where owned corporations are pressured to change their behaviour. Noting the importance of a religious moral orientation, Nepstad and Williams (2007, p. 423) write, ‘Religious beliefs, moral worldviews, and religious identities are not the only resources for those engaging in . . . collective action, but they can be among the most potent.’ This advocacy mechanism features religious followers attempting to change society through pressuring owned corporations to behave more responsibly. For religious SRI mutual funds, this action for social change is typically done through direct use of proxy votes, but funds also join activist coalitions such as the Interfaith Center on Corporate Responsibility (ICCR), a faith-based organization that specializes in shareholder advocacy. Religious investors that are interested in pressuring companies to change their behaviour to align with their religious values could be especially loyal to their fund, resulting in more stable fund assets. Here the moral imperative to change society is religiously driven and of utmost importance. The advocacy function of SRI matches Weber's instrumental rational orientation as activists see owning unethical companies (enabling subsequent shareholder advocacy) as an acceptable means to attain a moral end.

Since these moral mechanisms (value rational and instrumental) are closely linked to the socially responsible activity of screening and advocacy, they would not be operating in religious non-SRI funds.

HYPOTHESIS 2b: *Religious SRI fund assets are more stable than religious non-SRI fund assets, lending support to the theory that the moral orientation of religious investors explains why religious SRI assets are more stable than secular SRI assets.*

These preceding structural and moral mechanisms combine to justify the hitherto uninformed hypothesis. To test Hypothesis 1, which states that religious SRI fund assets are more stable than secular SRI funds, I compare two financial measures of fund asset stability across those categories of mutual funds. Through observing religious non-SRI asset stability, I adjudicate whether religious structural characteristics or a religious moral orientation is likely to be driving the difference. It is acknowledged that the data at hand are not sufficient to entirely rule out either the structural or moral hypothesis. Instead, I allow the empirical data to provide positive evidence in favour of one or the other.

DATA AND METHODS

The mutual fund data used in this analysis are taken from the Center for Research in Security Prices (CRSP) Mutual Fund Data collected at the University of Chicago's Graduate School of Business.[7] The CRSP data are survivor bias free, meaning funds that were started and subsequently 'died' remain in this longitudinal data set. This data set is widely seen as the most complete collection of USA mutual fund records and has been used in numerous financial publications. It is not a random sample of mutual funds, but more aptly represents the full population of mutual funds. For instance, the CRSP data set contains about 80% of the active religious funds that I have been able to identify. Since I am fundamentally interested in explaining the investor behaviour that occurred in actual mutual funds, I am not inclined to view this data as a random sample of a super population (or a hypothetical universe of possible outcomes.) Instead, I will treat this as the apparent population of mutual funds (Berk et al., 1995). However, I report robust standard errors since this is customary practice in the presentation of sociological results. But I will refrain from referring to statistical significance in my interpretations and instead discuss the magnitude of relevant ordinary least squares (OLS) regression coefficients (Ziliak and McCloskey, 2008).

To my knowledge, this article presents the first comprehensive list of religious mutual funds in the USA. The list was collected from Internet research, correspondence with mutual fund industry insiders and key religious word searches on the Bloomberg terminal and the CRSP data base. I also read through website material, the fund prospectuses and annual reports in search of religious affiliation. Thrivent Financial for Lutherans is the only religious fund family that is non-SRI. The list of secular SRI funds was generated by the historical compilation from Social Investment Forum (SIF) from 2001, 2003, 2005 and 2007. This list was also supplemented by Internet search and key word searches (such as ‘social’, ‘ethical’ and ‘environmental’) on Bloomberg and CRSP data. Funds that SIF indicated were socially responsible in the past, but whose current prospectus contains no indication of social responsibility, were excluded from this list in order to avoid having funds whose SRI status changed at unidentified times. Funds that do not fall into either of the preceding categories are labelled conventional funds.

To help operationalize the stability of mutual fund assets, I use fund flow. This measures the ballooning and shrinking of the total net assets (TNA) of a fund that result from buying and redeeming fund shares (Sirri and Tufano, 1998; Del Guercio and Tkac, 2002; Bollen, 2007). More specifically, a mutual fund’s price per share changes each day, based mostly on the performance of the fund’s underlying portfolio. TNA is the product of the price per share and the number of shares that are held by investors. Fund flow measures the change in TNA that is due to the change in the number of outstanding shares, not due to the underlying performance of the fund’s portfolio. More formally,

$$(1)\quad FF_{i,t} = \frac{TNA_{i,t}\ /(1+R_{i,t}) - TNA_{i,t-1}}{TNA_{t-1}}$$

$FF_{i,t}$ is the fund flow for mutual fund *i* from time *t-1* to *t* measured as a percentage of the TNA at time *t-1*. $R_{i,t}$ is the return for the time period *t-1* to *t*.[8] A positive fund flow of 0.05 means that, over the specified time period, the TNA of a mutual fund has increased by 5% due to aggregate shareholder purchases. To be clear, a more direct measure of mutual fund purchases and redemptions is not publicly available, leading to this fund flow measure, which is calculated from data that is publicly available.

Financial analysts have found that the fund's previous (or lagged) annual return is a strong predictor of fund flow (Chevalier and Ellison, 1997). Funds with higher annual returns at time *t-1* tend to see an increase in share purchases. Funds that have poor performance tend to be punished with share redemptions. This relationship between lagged (or past) return performance and fund flow is the first way this article measures fund asset stability. The second way is to measure each fund's standard deviation of monthly fund flows from 1991 to 2007. Bollen (2007) suggests fund flow volatility represents the relative stability of fund investors. A fund with high fund flow volatility would indicate that on average investors are redeeming many shares one month and buying many shares the next. A fund with low volatility would see fewer and lower vacillations of this type.

In an analysis of portfolios of financial market securities, an important factor to control for is the portfolio's exposure to market risk. Formula 2 summarizes the relationship between a fund's excess return and exposure to market risk. This model assumes that four macro market indicators move the entire stock market (Fama and French, 1993; Carhart, 1997). The standard macro market event is operationalized by the S&P 500, which represents the aggregate performance of 500 large cap companies in the USA. In addition to this single measure of the entire market's excess return, Carhart (1997) includes measures of returns on three additional factors that nicely match common investment strategies. This includes large cap versus small cap stocks, growth versus value and 1 year return momentum versus contrarian stocks.

(2) $$R_{i,m} - Rf_m = \alpha_i + \beta_{1,i}(rm_m - rf_m) + \beta_{2,i}SMB_m + \beta_{3,i}HML_m + \beta_{4,i}MOM_m + \varepsilon_i$$

R_i represents the return of fund *i* and Rf is the risk free rate of return (or the treasury rate) at month *m*. α_i is the expected return of mutual fund *i* if the market is neutral, or all other market measures equal zero. This alpha is a common measure of fund performance since it controls for relevant risk factors. β_1 represents the extent to which the fund's excess return ($R_{i,m} - Rf_m$) follows the overall market's excess return (MKTRF). The small minus big (SMB) factor stands for the monthly difference in returns between a portfolio of small cap stocks (small capitalization, or funds with small TNA values) and large cap stocks. During months that have large SMB values, funds that target small cap stocks should have higher returns than funds that target large cap funds. It can therefore be assumed that funds with similar SMB betas are similar to one another in terms of their exposure to large (or small) cap stocks. In a similar fashion, the high minus low (HML) factor represents the difference between a portfolio of high book-to-market stocks versus a portfolio of low book-to-market stocks, which controls for the value versus growth investment strategy. The momentum (MOM) factor shows the difference in return between a portfolio of the past 1 month winners and a portfolio of the past 12 month losers. The preceding OLS model (Formula 2) is estimated for each mutual fund over its historic monthly return data and loaded into the data to control for each specific fund's sensitivity to the overall market climate or risk exposure. These betas also provide a way to control for the investment style of the fund.

I constrict the data to only include funds that have 75% of its portfolio in common stocks (Bollen, 2007) since these equity funds tend to be the most volatile and therefore provide a better case study to observe the flow–performance relation. Only funds whose mean monthly TNA from 1991 to 2007 exceed $10 million are included in order to eliminate small funds that are likely to see explosive growth and distort fund flow measures (Bollen, 2007; Chevalier and Ellison, 1997). Funds that were merged together are also dropped from the analysis, since these mergers artificially impact fund flow. The majority of religious mutual funds were founded after 1991, providing a natural beginning point. Since 2007 was the last complete year of data in the CRSP data set at the time of this research, it is the cut-off date. The data from the unusual market climate of 2008 and 2009 was unavailable at the time of this research.

Models and Results

Since mutual funds have become an increasingly popular investment vehicle in past decades, it is not surprising that the central tendency of fund flow is positive. When considering annual fund observations that meet the previously mentioned criteria on size, exposure to equity, mergers and that contain full data for the following flow–performance analysis, the median annual fund flow is 0.01 and the mean is 0.99. Visual inspection of data indicates cases of extreme observations of TNA, likely the result of misplaced decimal or other abnormal events. Therefore, I follow Bollen's (2007) solution by omitting outlying fund flow measures that are less than -0.9 (-90%)

and greater than 10 (1000%). This procedure drops 714 annual observations, leaving 50 611 annual observations from which to observe flow–performance relation. This same procedure drops less than three-one thousandths of all monthly fund flow measures which are used to calculate fund flow volatility below.[9] Dropping these observations reduces the annual fund flow mean to 0.29, while maintaining the median fund flow to 0.01. To put the median fund flow of 1% into perspective, consider a fund with a TNA of $200 million at year *y-1* and an annual return performance of zero at year *y*. The median fund flow of 1% indicates that the TNA at year y is $202 million [(200/(1 + 0)) + (200*0.01)], representing an annual inflow of $2 million in assets.

Flow–Performance Relation

First, this article considers how fund flow responds to lagged return performance while controlling for appropriate covariates. Accordingly, the following model will be estimated for each fund category.

$$\text{(3)} \quad \begin{aligned} FF_{i,y} &= \beta_0 + \beta_1 POS_{i,y-1} + \beta_2 AGE_{i,y} + \beta_3 SIZE_i + \beta_4 ALPHA_i + \beta_5 MKTRF_i \\ &+ \beta_6 SMB_i + \beta_7 HML_i + \beta_8 MOM_i + \beta_9 YR1992_i + \ldots + \beta_{25} YR2007_i + \varepsilon \end{aligned}$$

$FF_{i,y}$ is the percentage fund flow for mutual fund *i* at year *y*. In order to test for the impact of the previous year's return, binary variable $POS_{i,y-1} = 1$ when the previous year's absolute return[10] was positive and zero if otherwise. Following Bollen's (2007) methodology, I also control for the SIZE of the fund (mean monthly TNA from 1991 to 2007) and the AGE of the fund in years at year *y*. Year dummy variables (excluding 1991) are also included to control for the overall market climate of each year. Control variables $ALPHA_i$, $MKTRF_i$, SMB_i, HML_i and MOM_i are loaded from Formula 2 and measure the sensitivity of each fund to the market. To address this article's hypotheses, I am primarily interested in comparing the magnitudes of the lagged performance coefficients (β_1).[11]

Of the four featured fund categories, religious SRI funds are noticeably least responsive to lagged positive performance. Following years with positive return performance, the fund flow of religious SRI funds is 5.6% higher than a year following negative performance, controlling for all other covariates in the model (see Table 2.3). The magnitude of this religious SRI coefficient is about 24 percentage points lower than the magnitude for religious non-SRI funds (with a coefficient of 29.7), about 16 percentage points lower than secular SRI funds (22.0) and about 30 percentage points lower than conventional funds (35.9). To help put the size (Ziliak and McCloskey, 2008) of these percentage point differentials into perspective, previous literature (Bollen, 2007; Benson and Humphrey, 2008) has found substantial and meaningful differences between conventional and SRI funds (ignoring religious affiliation). The comparable point differential for this conventional-SRI comparison (not shown in Table 2.3) is 18. This indicates that the main differentials of interest (24 for religious SRI and religious non-SRI; 16 for religious SRI and secular SRI) are on par with differentials described in previous research and therefore substantially large and meaningful.[12]

Table 2.3: OLS Regression of Annual Fund Flow

	Religious SRI	Religious Non-SRI	Secular SRI	Conventional
Positive lagged return performance	5.6 (10.7)	29.7 (22.2)	22.0** (7.6)	35.9*** (1.6)
Age	-0.6 (0.6)	-13.3** (4.6)	-2.5*** (0.6)	-2.0*** (0.0)
Size (mean monthly TNA)	-0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0*** (0.0)
Alpha (lifetime)	4,844 (2498)	-7,799 (11242)	5,560*** (1636)	4,686*** (181)
Market-risk free return beta (MKTRF)	32.0 (16.2)	52.9 (44.2)	48.8** (15.8)	6.4** (2.0)
Small minus big beta (SMB)	-13.5 (14.8)	-67.4 (41.4)	22.2 (12.8)	-2.9 (1.7)
High-low book to market beta (HML)	29.6 (18.3)	64.3 (45.0)	-21.2 (16.7)	13.5*** (1.5)
Momentum beta (MOM)	50.5 (65.6)	-66.8 (147.2)	228.0*** (55.6)	30.7*** (4.1)
1991	(referent)		(referent)	(referent)
1992	-3.6 (16.0)		-5.5 (17.6)	-24.8*** (5.6)
1993	2.2 (12.6)		-5.5 (18.0)	2.3 (6.4)
1994	-14.4 (14.9)		-20.6 (15.4)	-39.1*** (5.0)
1995	0.2 (14.6)	(referent)	20.7 (18.7)	-11.7 (5.2)
1996	37.1 (20.0)	-0.2 (22.3)	3.6 (19.8)	-21.6*** (5.2)
1997	14.1 (23.6)	-17.9 (23.3)	9.1 (22.8)	-31.0*** (5.0)
1998	-9.1 (13.4)	4.4 (29.8)	-0.9 (15.8)	-37.4*** (4.8)
1999	-7.2 (14.8)	33.8 (29.8)	1.2 (16.2)	-29.9*** (4.8)
2000	-4.0 (14.4)	34.8 (38.4)	-5.3 (16.6)	-40.0*** (4.8)
2001	9.1 (11.9)	32.6 (37.4)	-0.0 (14.3)	-28.2*** (4.5)
2002	-6.7 (8.7)	35.9 (34.4)	-3.5 (15.1)	-24.6*** (4.5)
2003	-2.8 (7.6)	33.2 (41.5)	28.1 (16.3)	-1.7 (4.6)
2004	12.8 (22.2)	122.9 (86.9)	7.3 (19.1)	-39.8*** (4.7)
2005	-7.8 (14.8)	104.9 (60.7)	-7.3 (16.5)	-41.1*** (4.7)
2006	-17.8 (14.9)	95.3 (60.0)	-14.5 (16.4)	-51.6*** (4.6)
2007	-12.8 (14.5)	56.5 (54.7)	-5.6 (17.6)	-58.0*** (4.6)
Intercept	-1.9 (14.5)	-28.4 (48.2)	-9.6 (19.6)	46.5*** (4.6)
N	224	168	570	49,649
Adjusted R Square	0.01	0.03	0.16	0.07

Notes: White's standard errors in parentheses; ** significant at 1 percent; *** significant at 0.1 percent; (two-tailed test). A fund is included if the fraction of assets invested in equity reaches 75% while the fund is in the data base and the mean monthly TNA exceeds $10 million. Funds that were merged into were dropped from analysis.
Source: CRSP Mutual Fund Data (1991-2007)

The control variable coefficients for the conventional fund category show that an additional year of age decreases fund flow by about 2%, while the impact of size (in millions of dollars) is negligible. The alpha measures (or the predicted slopeintercept from Model 2) have large positive impact on fund flow. The large point estimate reflects the relatively narrow range of alpha values in the data, ranging from -0.02 to 0.04. A difference of 0.01 in lifetime alpha is associated with 47% higher fund flow. Funds with higher market risk free return betas tend to see higher fund flow. The negative SMB coefficient indicates that, on average, funds that target small cap stocks tend to have lower fund flow than funds that target large cap stocks. The positive coefficient for HML indicates that value funds (tending to invest in high book-to-market ratio) tend to have a higher fund flow than growth funds. The positive MOM coefficient indicates that funds which tend to hold ‘past one month winners’ have a higher fund flow that funds that tend to hold ‘past 12 month winners’. Compared with 1991, 2006 and 2007 saw much smaller fund flows.

Fund Flow Volatility

Fund flow volatility is measured by the standard deviation of monthly fund flows of a mutual fund from 1991 to 2007. Funds with lower fund flow volatility are made up of investors that tend to be more stable. It is possible that a large portion of assets could be leaving a fund, whereas other investors are buying new assets. Fund flow volatility may not capture this movement, depending on the time period in which this occurs. To minimize this possibility, I measure the volatility of monthly fund flows instead of annual fund flows. Including important covariates, I predict the following model in order to determine the relative levels of fund flow volatility among the four fund categories of interest.

$$FF\_VOL_i = \beta_0 + \beta_1 relNonSRI_i + \beta_2 SecSRI + \beta_3 Conv + \beta_4 ALPHA_i +$$

4) $$\beta_5 MKTRF_i + \beta_6 SML_i + \beta_7 HML_i + \beta_8 MOM_i + \beta_9 SIZE_i + \beta_{10} 1stYEAR_i +$$

$$\beta_{11} MONTHS_i + \varepsilon_i$$

Table 2.4: OLS regression of mutual fund monthly fund flow volatility from 1991-2007

	(1)	**(2)**
Religious SRI	(referent)	(referent)
Religious non-SRI	0.18** (0.06)	0.16** (0.06)
Secular SRI	0.03 (0.03)	0.06 (0.04)
Conventional	0.12*** (0.03)	0.14*** (0.03)
Alpha		1.41 (0.98)
Market-risk free return beta (MKTRF)		-0.01 (0.02)
Small minus big beta (SMB)		-0.02 (0.01)
High-low book to market beta (HML)		-0.00 (0.01)
Momentum beta (MOM)		0.03 (0.03)
Size (mean monthly TNA)		-0.00 (0.00)
First year fund is in data		0.01*** (0.00)
Count of months		-0.00*** (0.00)
Intercept	0.14*** (0.03)	-18.94*** (0.97)
N	7,635	7,635
R square	0.002	0.10

Notes: White's standard errors in parentheses; ** significant at 1 percent; *** significant at 0.1 percent; (two-tailed test). A fund is included if the fraction of assets invested in equity reaches 75% while the fund is in the data base and the mean monthly TNA exceeds $10 million. Funds that were merged into were dropped from analysis.
Source: CRSP Mutual Fund Data (1991-2007)

$FF.VOL_i$ represents the fund flow volatility of mutual fund *i*. Religious non-SRI funds are denoted as relNonSRI =1 (zero if otherwise), secular SRI funds as SecSRI = 1 and conventional funds are coded as Conv = 1. The religious SRI fund category is the referent category for the OLS model so that each of the other three categories can be compared with it. Control variables $ALPHA_i$, $MKTRF_i$, SMB_i , HML_i and MOM_i represent the coefficients calculated in Formula 2. The variable $SIZE_i$ represents the mean monthly TNA of each fund, $1stYEAR_i$ represents the first year the fund was in the data set and $MONTHS_i$ measures the number of months used to calculate the fund flow volatility and helps control for the age of the fund.

Model 1 in Table 2.4 presents the base OLS model with indicator variables for three of the four fund categories. Each fund category has a higher fund flow volatility than the religious SRI category, which averages 0.14 (intercept) fund flow volatility across 39 funds (the number of funds is not shown in Table 2.4). This statistic means a mutual fund with a TNA of $100 million experiences monthly fund flows with a standard deviation of $14 million. Religious non-SRI funds average 0.32 (0.14 + 0.18) in fund flow volatility across 33 funds, secular SRI averages 0.17 across 75 funds and conventional funds average 0.26 across 7488 funds. These descriptive statistics show religious SRI funds to be least volatile. Model 2 in Table 2.4 controls for appropriate covariates and confirms that religious SRI fund assets are more stable than both religious non-SRI and secular SRI.[13]

Discussion

I define moral action as taking on an imperative quality. However, I do not casually assume that religious fund investors are more stable due to a moral orientation. Instead, I consider the strong alternative hypothesis that structural characteristics (solidarity or advertising networks) are associated with stable fund assets. Since the preceding results have shown that religious non-SRI funds have lower levels of fund asset stability than religious SRI funds, the structural hypothesis is not supported with the data at hand. It should be noted that failing to observe high asset stability among religious non-SRI funds does not rule out the possibility that religious structural characteristics are operating among religious funds. Future research should find better ways to directly measure various structural characteristics of religious groups and test for its impact on asset stability. With that said, these same results do lend positive empirical support for the morality hypothesis which I will more thoroughly address in the concluding section of this article.

From a methodological standpoint, it is unfortunate that there is only one fund family that is religious and non-SRI. Ideally, one would want to observe more than one fund family in order to neutralize any effect of immeasurable attributes that are unique to the Thrivent family of funds. Additionally, existing mutual fund analyses of this sort have not raised concern about dependency among fund observations within the same mutual fund family. I therefore treat all funds within the Lutheran fund family as independent observations. Fortunately, the large number of funds offered by Thrivent allows the sample size of religious SRI and religious non-SRI funds to be comparable.

The large number of Thrivent funds also raises a plausible alternative hypothesis that has yet to be addressed. Using international data on SRI funds and comparing to UK equity funds, Renneboog et al. (2006) finds that the number of funds in a fund family is associated with lower fund asset stability. This suggests that Thrivent assets could appear less stable because investors are rolling over shares from one Thrivent fund to another. Since other religious fund families have fewer investment alternatives within their respective families, fund asset stability could be a result of the relatively fewer investment options available to religious SRI fund investors. The fund data at hand is unable to detect where assets are being moved to and from. In order to properly test this hypothesis, further research is needed to determine the viable investment options SRI investors actually face and in turn, whether this is associated with fund asset stability. It is important to note that this alternative hypothesis would assume and depend upon religious investors excluding other funds from their universe of possible investment options. This article helps frame this discussion of fund exclusion by exploring both structural and morally based explanations for this type of blocked exchange.

CONCLUSION

Previous research on SRI fund investment stability (Bollen, 2007; Benson and Humphrey, 2008) has ignored the religious affiliation of SRI mutual funds. After isolating the population of religiously affiliated funds, I find stark differences in asset stability. Religious SRI funds are less responsive to lagged performance and experience less fund flow volatility than secular SRI funds, confirming hypothesis 1. This finding supports Weber’s argument that religion can have an important impact on economic phenomena, an insight that has been mostly ignored among present day economic sociologists.

Addressing this article’s main contention, the empirical results lend support to the morality hypothesis. Namely, since religious non-SRI assets are less stable than religious SRI assets, I conclude that the moral attributes of socially responsible fund activity (screening and advocacy) represent a strong force in producing high levels of asset stability in religious SRI funds. In contrast to behavioural finance sensibilities, this asset stability does not appear to be the result of irrational mistakes or cognitive lapses, but the consequence of thoughtful moral action. To revisit Etzioni’s (2003) posited association between morality and perseverance, these results confirm that morality leads to investment perseverance among religious SRI investors. Beckert (2006) aptly notes that this display of morality could be viewed as good or bad. A financial advisor that is concerned about a client's retirement savings may view this perseverance to be financially foolish (depending on the fund's return performance). However, that same perseverance may be admirably viewed as holding to ones moral beliefs, especially in the face of significant monetary sacrifice.

The moral orientation of fund investors can be divided into two ideal types. By screening out unethical companies, SRI investors find a moral means of investing in the stock market. On the other hand, the advocacy prong of SRI aligns with the moral imperative to produce societal change. The former aligns with Weber's notion of value rationality, where actors are concerned with abiding by moral means with little concern for the outcome. The latter highlights an instrumental orientation that emphasizes a moral imperative to change society via the most suitable means to meet that end. Further research is needed to explore how these moral orientations impact investor behaviour. Visiting the bigger picture, however, it is possible that value rational SRI investors will continue investing despite impressive returns and despite promising signs of societal change. On the other hand, morally instrumental SRI investors would be more attentive to the prospects of effecting societal change through their mutual fund involvement.

In conclusion, this research makes a contribution to the largely theoretical body of literature on morality in the market by empirically demonstrating a moral impact among religious SRI fund investors. I have shown that religious SRI fund assets are more stable than secular SRI assets. Through comparisons with religious non-SRI funds, I have demonstrated that a moral orientation is a likely explanation for this finding. These combined findings suggest that religious morality can have an especially potent impact on financial behaviour. This in turn warrants further attention to the role of religious influences and moral influences in the economic realm.

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ENDNOTES

[1]I am referring to proxy voting above and beyond the legally mandated requirement. All funds are required to make their proxy voting activity available to the public. Funds typically vote in accordance with company management (Davis and Kim, 2007), whereas SRI funds are ostensibly more likely to vote against management.

[2]Both screening and advocacy are forms of socially responsible behaviour. The content (or the issues that funds are concerned about) is deemed ethical or unethical from the particular perspective of the SRI fund, meaning the term ‘ethical’ is relative. For instance, one SRI fund might ethically avoid companies that offer benefits to same sex partners of employees, whereas another SRI fund might ethically seek to own those same companies.

[3]A fund family can offer multiple mutual funds that differ on financial criteria.

[4]Despite Pax World’s founding by religious individuals, it has never identified itself as religious and is therefore not considered a religiously affiliated mutual fund for the purpose of this paper.

[5]It is acknowledged that there are notable doctrinal and cultural differences between these religious groups that could affect economic behaviour. For instance, Tropman (2002) elaborates a particular Catholic ethic, which emphasizes community over individualistic capitalistic pursuits. Islamic finance has its own distinct character (Maurer, 2006). In this analysis, however, these various religious traditions are joined together under one ‘religious’ category. Teasing out differences between these religious traditions is an important direction that future research should take.

[6]Since average Americans are increasingly investing in mutual funds for their retirement (Lusardi, 2008), this analysis features the behaviour of non-financial experts. This emphasis expands the growing sociological literature on finance (Knorr Cetina and Bruegger, 2002; Beunza and Stark, 2004; MacKenzie, 2006), which tends to focus on the behaviour of financial experts.

[7]These data were collected from the following printed sources; Fund Scope Monthly Investment Company Magazine, the Investment Dealers Digest Mutual Fund Guide, Investor’s Mutual Fund Guide, the United and Babson Mutual Fund Selector and the Wiesenberger Investment Companies Annual Volumes. Funds that were not listed in these sources were added, although instances of this were rare. CRSP continues to update this list and uses various methods to ensure the data are accurate.

[8] A fund's monthly return represents the change in price per share or Net Asset Value (NAV) as follows, $R_{i,m} = \frac{NAV_{i,m} - NAV_{i,m-1} + D_{i,m}}{NAV_{i,m-1}}$. $D_{i,m}$ represents the fund's total dividend distribution per share for month *m-1* to m. For the flow-performance analysis (which looks at annual fund flow), monthly returns are annualized as follows, $R_{i,y} = \left[\prod_{m=1}^{12}(R_{i,m}+1)\right] - 1$.

[9]To exemplify the kind of anomalies this procedure omits one fund's monthly TNA hovers around \$3 billion for years, yet dips to \$100 000 for one month before returning to its previous level. This procedure omits an observation with a fund flow of 3 286 008. Fund flows that are this large are unhelpful in detecting the kind of investor behaviour this paper is theoretically interested in.

[10]Since I am theoretically interested in the aggregate response of average mutual fund investors, I use lagged absolute return performance instead of relative return performance. In doing so, I assume average investors are more likely to react to their fund's absolute return, as opposed to investors taking the extra step to observe and process relative returns. Bollen (2007) similarly measures lagged performance in absolute terms.

[11]For those who would rather view this data as a random sample of a super population and are therefore concerned about statistical significance of the hypothesized differences, I control for potential dependency of residuals of annual observations within the same fund by calculating White's standard errors (presented in Table 2.3), clustered robust standard errors (clustered within mutual fund) and a hiearchical linear model (HLM) at the mutual fund level. The latter two analyses produce results that are similar to those presented in Table 2.3 and are available upon request.

[12]It is acknowledged that both the religious SRI and religious non-SRI coefficients could be viewed as no different than zero, because the effects are not statistically significant. This could be due to the relatively small sample sizes for religious SRI and religious non-SRI categories. To make inferences to a super population, I predict a pooled analysis (n = 50 611). In this analysis, I include a binary lagged positive performance variable, binary variables for three fund categories (religious non-SRI, secular SRI and conventional) and interaction variables for each fund category and lagged positive performance variable. The summation of the fund category and the appropriate interaction variable coefficients is each found to be greater than zero (P , 0.05) in all three comparisons, using the t test and Wald test. These results (available upon request) show that the aggregate reaction to lagged positive performance of religious SRI is lower than that of the other three categories of funds and the difference is statistically significant for each.

[13]In order to determine if the difference between religious SRI and secular SRI is statistically significant and can therefore be inferred to a super population, I perform the following analysis. The positively skewed nature of the fund flow volatility

distribution (partially because fund flow volatility is bounded at zero) is inherited in residual plots, leading to heteroscedasticity of residuals. The logarithmic transformation of the dependent variable ameliorates this diagnostic concern, providing more accurate standard error estimates. OLS prediction of the logged monthly fund flow volatility on the full model (with featured covariates and robust White standard errors) produces results that confirm those presented in Table 2.4. One important difference is that the positive coefficient for the secular SRI fund category is statistically significant at the 5% level (two-tailed test). These results are available upon request.

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CHAPTER 3

MORAL AND MONETARY INTEREST IN SOCIALLY RESPONSIBLE INVESTING

Analyzing original survey data of socially responsible investors (SRI), this article seeks to demonstrate that morality induces commitment to SRI mutual funds. In order for the SRI industry to effectively impact the behavior of corporations, more and more investors will have to shift and keep their investment dollars in SRI vehicles (investment behavior I refer to as fund commitment). This article's theoretical orientation focuses on moral and monetary "interest," defined as an individual level driving force. This theoretical emphasis on individual interest expands both economic sociology's structural approach and behavioral economics' emphasis on cognitive biases. I find empirical evidence that moral interest induces fund commitment to SRI mutual funds, demonstrating that morality impacts behavior even in the financial market, a realm where monetary interest supposedly reigns. At the same time, I also find some evidence that monetary interest decreases fund commitment.

Socially responsible investing (SRI) has the potential to change corporate behavior by allowing investors to vote with their dollars. SRI mutual funds add a moral component to the financial priority of generating investment returns by refusing to invest in certain corporations (screening) and communicating with management in attempt to change behavior of corporations that are owned (advocacy). Existing research suggests these moral priorities lead to higher levels of fund commitment (or more stable asset levels) in SRI funds in comparison to conventional mutual funds (Bollen 2007, Peifer 2011). This implies that individuals who choose to invest in SRI funds will hold those shares longer because of their moral motivations. However, existing evidence derives from changes in mutual fund asset levels over time, necessarily ignoring investor level behavior and attitudes. This article helps fill this void in SRI research by describing and analyzing unprecedented survey data from investors of one denominational SRI mutual fund.

Analyzing survey data of SR investors provides a valuable opportunity to entertain alternative explanations for heightened levels of SRI fund commitment. In other words, it might not be morality that is inducing SRI fund commitment. For instance, SR investors may tend to be buy-and-hold investors which would mean they are committed to their SRI funds as well as their conventional funds. The religious context of this case study isolates especially convincing alternative explanations for heightened levels of fund commitment. For instance, it might be religious identity that cements the loyalty of investors, not the SRI activity. Or the structural networks fostered in local congregations may induce commitment to religiously affiliated mutual funds.

It is also possible that SR investors are just as oriented toward generating a high return as non-SR investors. Perhaps the SRI label is casually adopted, yet quickly abandoned when return performance is perceived to be harmed. In this article, I emphasize both monetary and moral *interest*, and a concept that is relatively absent from most sociological analyses and can be defined as an individual level driving force (Swedberg 2005). *Alongside testing whether moral interest is inducing fund commitment, I test whether monetary interest reduces SRI fund commitment.*

Much of the scholarly debate on SRI revolves around SRI return performance (Kurtz 2005). Indeed, one can easily imagine that investors *want* SRIs to be a win-win scenario, where both moral and monetary goals are optimized. Industry pundits refer to this as the coveted ability to “do well and be good.” *But what to SR investors really think, and how does their perception of SRI return performance impact their behavior?*

The issue of fund commitment is important because in order for the SRI movement to have a stronger voice among corporate decision makers, SRI assets must reach a critical mass. Once corporations become more responsive, this should in turn attract even more SRI assets as potential investors begin to realize they can effectively change corporate practice (Landier and Nair 2009). Fund commitment is measured as the decision to continue investing even in the face of low return performance. I analyze original survey data from a random sample of Mennonite Mutual Aid (MMA)[1] Praxis mutual fund investors. This is the first academic survey of individual SR investors that I am aware of.[2] After considering plausible alternative hypotheses, I find that moral interest does induce fund commitment and monetary interest tends to reduce it.

Moral and Monetary Interest

The discipline of sociology has largely ignored the concept of interest, which can be defined as an individual-level driving force (Swedberg 2005). But this is not due to a lack of attention by one of sociology's classical thinkers. The second part of Max Weber's well known "switchman metaphor" is often recounted among sociologists. It reads, "'world images' … like switchmen, determined the tracks along which action has been pushed." However, Weber first asserts that "material and ideal *interest* directly govern men's conduct" (italics mine) (Weber [1915] 1946: 280). This article borrows Weber's dual concepts of material and ideal interest and instead uses more specific terminology; moral and monetary interest. This emphasis on interest builds upon Weber's definition of sociology as the "interpretive understanding of social action" where social action is recognized when the actor "attaches a subjective meaning” to his or her behavior (Weber [1922]1979: 4). In particular, I argue that moral interest is a particularly potent type of subjective meaning that drives social action (or investment behavior) even in the financial market, a realm of the economy supposedly driven by narrow monetary self-interest.

In *The Moral Dimension*, Etzioni (1988) explains that pleasure seeking and moral interest drive economic behavior. Although published during the formative years of new economic sociology, Etzioni’s emphasis on individual-level motivation (or interest) has been scarcely advanced by the subfield (Beckert et al. 2008). Instead new economic sociology has staked its identity in downplaying the importance of monetary self-interest (or desire for pleasure) partially because of the concept’s perceived resonance with neoclassical economics. And instead of emphasizing moral interest, new economic sociology founders showcase how embeddedness in structural networks help shape economic outcomes (White 1981, Grannovettor 1985, Burt 2004). This article expands economic sociology by empirically testing whether morality impacts financial market behavior and acknowledging monetary interest deserves more attention.

This theoretical orientation to interest also runs against the grain of behavioral economics, which tends to assume financial behavior is driven by unconscious biases and cognitive errors (Statman 2011, Thaler and Sunstein 2009). For instance, Akerlof and Shiller (2009) describe economic activity as driven by *animal spirits*. By this, they mean behavior that is frequently “irrational or misguided” and “restless and inconsistent” (pgs. 3-4). In contrast, this article pursues a model of behavior where actors are generally aware of and driven by their own interests, in particular their moral interest.

The broader concept of morality has recently received a boost of energy among sociologists, exemplified by Hitlin and Vaisey's *Handbook of the Sociology of Morality* (2010). This article follows social scientific approaches that view morality as "a domain where concepts like good and bad, right and wrong are relevant," as opposed to evaluating whether a certain action is right or wrong (Hitlin and Vaisey 2010:5). Macro-level sociological accounts emphasize society's moral order as a central factor in explaining human behavior (Zelizer 1978, Wuthnow 1987, Smith 2003, Fourcade and Healy 2007). In contrast, this article garners individual level data to build upon existing research that suggests morality is driving SRI fund commitment.

Peifer (2011) compares aggregate measures of asset stability across three mutual fund categories: religious SRI, secular SRI and religious non-SRI. Religious SRI fund assets are found to be more stable (or less impacted by the previous year's return performance) than secular SRI assets and two theoretical explanations are elaborated. One explanation points to religiously motivated morality. Since this mechanism requires the fund to be socially responsible, religious non-SRI funds would not experience asset stability for this reason. The other explanation points toward the structural attributes of religious groups, such as high degrees of trust directed toward co-religionists. The religious non-SRI funds should experience heightened levels of asset stability if this mechanism is dominant. Religious SRI funds have higher levels of asset stability than religious non-SRI funds, providing evidence in favor of the morality mechanism. This article will determine if the impact of morality on investor commitment to SRI funds can be verified at an individual level of analysis and alternative hypotheses will be more rigorously accounted for.

Monetary interest is defined as the desire to accumulate more money. Most neoclassical economic models assume monetary interest is the only one at play and drives all cost-benefit analyses. In contrast, I emphasize that monetary interest is one of many different interests (Swedberg 2005). In this case, I assess both moral and monetary interest side by side. Neoclassical models of economic behavior also tend to assume the universal importance of monetary interest. In contrast, I emphasize the contingent nature of monetary interest, which varies across individuals, time, place and culture.

Socially Responsible Mutual Funds

Planning for retirement is now an important concern for many Americans. Many workers that retired before the 1980's could rely on social security benefits and employer's defined benefit pensions. However, the changing pension landscape in America means future retirees will have to rely on a more complex mix of assets (Poterba, Venti and Wise 2008). As a result, the number of mutual funds available has grown precipitously (Davis 2009) in the past three decades from around 500 funds in 1980 to 8,624 in 2009. Having just stated that monetary interest is contingent upon a larger context, this marked shift in the American pension landscape creates a context where individuals are likely to be increasingly in tune with their own monetary interest in the financial market. This helps provide theoretical motivation to analyze the role of monetary interest in mutual fund investment behavior.

Mutual funds are now the most common way many Americans interface with the financial market. A mutual fund is an investment vehicle where professional investment managers diversify a pool of money in stocks and/or bonds. A small portion of investment dollars are used to pay for their investment expertise and overhead costs, while the returns or losses of the investment accrue to the contributing investors. Forty-four percent of American households own mutual fund in 2010 with about seventy-five percent using the investment vehicle for retirement (Bogdan et al. 2010).

SRI mutual funds represent an explicit combination of morality and the financial market. SRI funds are involved in at least one of three activities; screening, shareholder advocacy and community investment (Domini and Kinder 1986). Screening refers to the refusal to invest in companies a fund deems to be unethical. The most commonly screened industries are tobacco, alcohol and gaming (or casinos). Some SRI funds also engage in positive screening, where particular companies are targeted for ownership. A second SRI mutual fund activity is shareholder advocacy. This refers to communication with owned corporations through attending shareholding meetings and using proxy votes to pressure firms to change their behavior. While nearly all SRI funds are engaged in screening, fewer practice shareholder advocacy. The least frequently practiced prong is community investment, wherein fund assets are directly invested in community development efforts.

Despite substantial growth of SRI assets since the 1980's, their proportion of all mutual fund assets has hovered around 2 to 3 percent. Mennonite Mutual Aid (MMA) Praxis is one SRI fund family that is associated with the Mennonites and is heavily engaged in screening, advocacy and community investment. Praxis screens out companies involved in the military industry and tries to avoid companies with questionable environmental practices, among many other screening criteria.[3] I was given unprecedented access to conduct a phone survey with a simple random sample of Praxis investor households, which I analyze here. Since the population of SR investors is largely hidden, this feasible research design provides a rare opportunity to focus on one particular SRI fund family and test hypotheses regarding fund commitment. In this article, I will not be arguing that morality has the strongest impact among *religious* SRI fund investors. Instead, I suggest this article's findings generalize to all SRI fund investors, an issue I take up in the conclusion of this article.

THEORY AND HYPOTHESES

Fund commitment is the dependent variable to be predicted through multivariate regression analysis. Assuming return performance is an important reason people invest in the financial market (driven by their monetary interest), this article conceptualizes *fund commitment* as continuing to invest in a mutual fund even when one believes they may be getting lower return performance by doing so. This article's conceptualization of commitment represents behavior above and beyond that which is performed out of habit. Inertia may be a good general explanation for why investors continue with their current investment portfolio. But I intentionally measure fund commitment as persistence *in spite of* a convincing reason to change, such as a belief that one is earning lower return performance. This conceptualization of fund commitment closely matches existing research on the topic (Bollen 2007, Peifer 2011).

Buy-and-Hold SR Investor

In thinking about SRI commitment, it is important to consider the plausible alternative hypothesis that fund commitment is not driven by individual level interest, but that SR investors are unique in some other way. In other words, perhaps high levels of asset stability result from SR investors being more committed to all of their mutual funds. Perhaps they are more likely to be buy-and-hold type of investors that many financial advisors condone. To address this alternative hypothesis, Praxis investors who also invest in conventional funds (who I call dual investors) are asked a question that measures their commitment to their Praxis fund. Later in the survey, respondents are asked the same question that measures his or her commitment to a conventional fund. Investors' moral impulse regarding how one ought to be involved in the financial market should, on average, induce more commitment to Praxis than to conventional funds.

HYPOTHESIS 1 - *Dual investors are more committed to their Praxis fund than to their conventional fund.*

Moral Interest

Etzioni (2003) asserts, "The more individuals act under the influence of moral commitments, the more they are expected to persevere (when circumstances change)." Instead of perseverance, I use the term *commitment*. A significant impediment to testing the simple proposition that morality drives economic behavior is the difficulty in operationalizing morality. Analyzing SRI fund outcomes (as opposed to mutual fund behavior in general) helps overcome this difficulty because of the explicitness of the moral component associated with SRIs. Praxis investors are likely to be aware that their investment managers are screening out certain kinds of companies that are morally problematic and/or doing advocacy work. It is also reasonable to expect those knowledgeable SR investors to gauge how important these activities are to themselves. This makes possible the following hypothesis.

HYPOTHESIS 2- *Praxis investors who more highly value Praxis screening and advocacy functions are more likely to be committed to their Praxis fund.*

Monetary Interest

It is possible that SRI moral interest overshadows the mundane concerns about money. After all, Americans routinely give their money away to charity, a moral and economic act that earns no monetary rewards in return. Yet, the financial market is a venue where we would expect monetary interest to be a strong force. In general, people invest their money in the financial market because they want to accumulate more of it. This is especially the case now since investors are repeatedly told that the comfort level of their retirement years depends upon their saving discipline and financial acumen in the financial market. In this case study, the degree to which investors value their Praxis return performance nicely operationalizes their monetary interest in their SRI fund. Based upon the assumption that financial actors are driven by monetary concerns, I hypothesize,

HYPOTHESIS 3- *Praxis investors who more highly value the importance of their Praxis fund's return performance are less committed.*

One criticism of the broader concept of SRI derives from a strict reading of modern portfolio theory (MPT), which asserts that restricting the universe of potential investments, for any reason, leads to suboptimal return performance (Kurtz 2005). Since SRI fund managers screen out certain stocks on moral grounds, SRI return performance should suffer according to MPT. On the other hand, some have argued that SRI can lead to higher return performance, by avoiding companies with high litigation costs (such as environmental polluters) and actively owning companies with higher productivity stemming from well treated employees (Landier and Nair 2009). However, Kurtz (2005) surveys the literature on SRI return performance and concludes, "There is very little disagreement about SRI performance. It has not been dramatically different from unscreened performance over long time periods." However, devoid from this important scholarly debate is the *perception* of SR investors. How do they view their SRI fund's return performance? Forthcoming descriptive results provide a clearer picture of SR investor perception.

SR investors can be divided into three camps. Some think they are sacrificing on return performance. Others think their SRI funds yield returns that are comparable to conventional funds. Still others think they are earning higher returns. The tenor of the academic debate on SRI return performance would seem to suggest the success of the SRI movement depends upon the growth of this latter group that believes they are "doing well and being good." It would follow that…

HYPOTHESIS 4a- *Investors who believe they are earning higher returns from Praxis (as compared to conventional funds) are more committed than those that believe they are getting comparable returns.*

Those that believe they are making a monetary sacrifice by investing in Praxis, and yet continue to hold shares, could be argued to be the most committed. Perhaps the cognizance of that monetary sacrifice is compensated with the satisfaction of meeting one's moral obligation. However, following the theoretical orientation that monetary interest drives financial market behavior, I hypothesize…

HYPOTHESIS 4b- *Praxis investors who believe they are getting lower returns from Praxis (as compared to conventional funds) are less committed than those that believe they are getting comparable returns.*

DATA AND METHODS

There are few existing data sets that focus on individual investors and collect measures relevant to the study of SRI (Godshalk 2001, Greenberg Quinlin Rosner 2006). Kurtz (2005) reports that a major shortcoming of these studies is that they "report beliefs, not behavior." As far as I am aware, the data utilized in this article provide the first academic analysis of SRI fund investors and makes use of both investor attitudes and behavior.

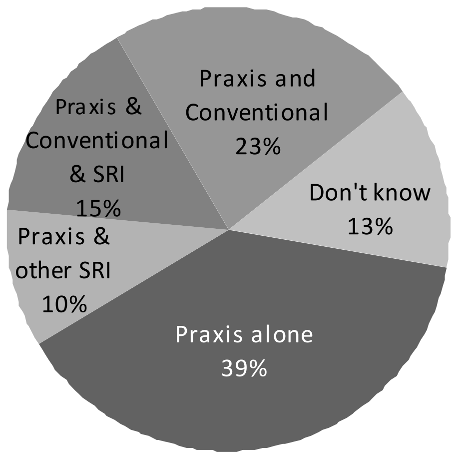
Since an estimated 3 percent of all mutual fund investors invest in SRI, collecting nationally representative data with satisfactory sample size of this small group is a challenge. By focusing on one SRI fund family, gathering data about a substantial number of SRI fund investors becomes possible. With the gracious cooperation of MMA Praxis mutual funds, a simple random sample of retail investor households was selected for inclusion in the study. A pilot test of 25 respondents was conducted and minor changes were made to the survey questionnaire. The phone survey was conducted by Cornell Survey Research Institute in January and February of 2010 (see Appendix 3.1 for survey questionnaire). A respondent that felt knowledgeable enough to answer questions about the household's MMA Praxis investment decisions was instructed to complete the phone survey. A total of 499 Praxis investors completed the phone survey, creating a response rate of 62 percent.[4]

RESULTS

Descriptive Portrait of Praxis Investors

SRI mutual funds have existed for about three decades, yet relatively little is known about the people who invest in them. Before testing hypotheses, I present some descriptive statistics of interest. For instance, it turns out that 38 percent of Praxis investors also invest in a conventional mutual fund (see Figure 3.1 and sum 23+15). In other words, more than a third of Praxis investors could be considered "morally diversified" because they also invest in funds that could possibly own military defense companies, tobacco producers and environmental polluters. While casual conceptions of morality frequently connote "all or nothing" scenarios, reality reveals a murkier picture. These dual investors represent a pool of investors who are likely to be aware of the potentially immoral aspects of conventional mutual funds, yet continue to invest in such funds. When asked to reconcile this contradiction in subsequent phone interviews,[5] respondents often indicated they are forced to invest in conventional funds through their employer's 401k or 403b plan.[6]

Figure 3.1: Proportion of Respondents that Invest in Featured Type of Mutual Fund (N = 499)



Source: 2010 Praxis Phone Survey

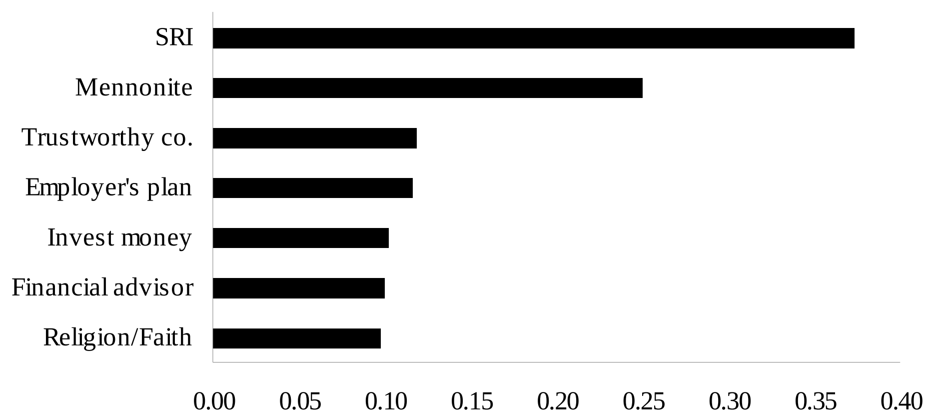
To get an idea of why respondents decided to invest in Praxis, they were simply asked, "Why did you begin investing in Praxis?" This methodological approach is effective in gathering the first thing(s) that cross a respondent's mind. Because interviewers were not instructed to probe for more comprehensive answers, many of these open ended responses tended to be terse. "I do it because my employer offers it," is one example. However, another respondent gives a lengthier answer.

> Because I do have a concern about where my investments are made and I have a very strong peace stance. I only get one vote in an election and this way I have several votes in how my money is spent. If it means that I would not get as high a return then that's fine. It's important that I speak with my dollars.

All open-ended answers are coded according to the emergent categories. One respondent's answer was frequently coded into more than one of the following categories.

More than a third (and the largest portion) of responses mention the ethical or “socially responsible” aspect of the fund (see Figure 3.2), verifying the SRI component is an important reason people begin investing in Praxis. For instance, one respondent invests with Praxis because the fund family is mindful of “investing in certain kinds of businesses and not others.” However, there are other reasons given for investing in Praxis that are less morally relevant. For example, a quarter of the sample mention that they are Mennonite or attend a Mennonite church as a reason. Twelve (12) percent mention that Praxis was offered by their employer. Ten percent say something like “to save for retirement,” a type of response that I label “invest money” because it sounds as if they were answering the question, “Why did you begin investing in a *mutual fund*.” These categories of responses provide evidence that both a moral orientation toward Praxis’ SRI involvement and more mundane reasons are drawing fund investors in. I now address hypotheses that deal with the impact of moral and monetary interest on fund commitment to better understand what is driving Praxis investment behavior.

Figure 3.2: Proportion of Responses to Open Ended Question, “Why did you begin investing in Praxis?”



Note: Since respondents can be coded into more than one category, the proportions sum to more than one.
Source: 2010 Praxis Phone Survey

Buy-and-Hold SR Investor

I now entertain the possibility that SR investors are more likely to be a buy-and-hold investor which would provide an explanation for higher levels of SRI fund commitment. To do this, I isolate the thirty-eight (38) percent of Praxis investors that also invest in at least one conventional mutual fund, which is defined as a mutual fund that is neither engaged with screening nor advocacy work.

These dual investors, as I am calling them, were asked a couple identical questions about their highest net worth Praxis fund and their highest net worth conventional fund. This provides the comparison necessary to test Hypothesis 1, which asserts that dual investors are more committed to their Praxis fund than their conventional fund. To operationalize fund commitment, dual investors were asked, "In the past, have you (or your financial adviser) [7] ever sold shares from [any Praxis fund/your highest net worth conventional fund] because of low return performance." I consider investors who have sold shares because of low return performance as less committed. Thirty-two (32) percent of dual investors (that answered both questions) sold shares of their conventional fund in the past because of low return performance, whereas only 16 percent of the same dual investors sold Praxis shares for the same reason (see Table 3.1). This difference between the two proportions is statistically significant and therefore generalizes to the universe of dual Praxis investors. Multivariate analysis is presented below to more rigorously test Hypothesis 1.

Table 3.1: Descriptive Statistics of Dual Investor by Type of Fund Owned

Variable	Praxis Mean	Conventional Mean
Sell fund shares because of low returns	0.16	0.32*
Importance of Praxis return performance	5.01	5.43*
Owns 5/6 or more funds	0.17	0.25*
Household income (in $1,000s)	74.65	74.65
Age	59.72	59.72
N	177	177

Note: Proportions and means are calculated from original and imputed data. Income and age are identical across columns because these individual characteristics do not vary by type of fund owned. The asterisk (*) denotes that the difference between the Praxis and Conventional mean is greater than zero or statistically significant ($p < 0.05$).
Source: 2010 Praxis Phone Survey

Dual investors also provide two different values that measure how important earning “high return performance” is from their Praxis and conventional fund(s) (on a seven point scale where seven means very important). The mean score in response for Praxis funds is 5.01 and 5.43 for conventional funds (see Table 3.1). Although the difference between these two means is small, it is statistically significant. High return performance from Praxis is less important to dual investors than high return performance from conventional funds. One interpretation is that dual investors tolerate lower return performance from their Praxis fund because it is socially responsible.

The number of Praxis and conventional mutual funds owned is measured as a categorical variable, with the largest category representing more than five Praxis funds and more than six conventional funds. Due to the larger population of conventional funds, these nearly parallel categories likely represent different underlying quantities of mutual funds. I therefore control for the variable, *owns more than 5/6 funds*. Since the number of each fund type owned is likely an important determinant for whether an individual has sold one in the past, this is an important variable to control for.

To conduct a multivariate analysis on whether dual investors are more committed to their Praxis fund, observations of the 177 dual investors are duplicated and stacked, forming a data set with 354 observations. One observation (or row of data) for each respondent contains relevant data that are unique to their Praxis fund and the other contains data that are unique to their conventional fund. Standard errors are calculated with robust cluster estimators, clustered within individual.[8] If Praxis observations (denoted by the *Praxis fund* indicator variable) are less likely to indicate shares were sold because of low return performance, dual investors are more committed to their Praxis fund. Model 1 in Table 3.2 demonstrates that Praxis observations are associated with a decreased odds of selling by a factor of 0.4. In other words, dual investors are more committed to (or less likely to sell) their Praxis fund shares. Valuing high return performance of respective fund types, higher income and higher age are associated with increased odds of selling.

Table 3.2: Estimated Logistic Odds Ratio of Dual Investors Selling Fund Shares Because of Low Return Performance

	M1	M2
Praxis fund	0.42***	0.58*
Importance of fund return performance	1.19*	1.19*
Owns more than 4/5 funds	1.44	2.29*
Praxis fund by Owns more than 4/5 funds		0.21*
Household income (in $1,000s)	1.01**	1.01*
Age	1.03***	1.03**
Wald chi square	32.71	42.64
Probability > chi square	0.00	0.00
N	354	354

* < .05, ** < .01, *** < .001 for one tailed test
Note: Standard errors are clustered by individual with VCE variance-covariance matrix.
Source: 2010 Praxis Phone Survey

Model 2 (Table 3.2) tests whether the impact of owning multiple funds (*owns more than 5/6 funds*) varies by type of fund. The interaction effect is significant, suggesting the likely differing population of underlying funds the categorical variable is unable to measure is an important predictor of having sold shares in the past. To interpret this significant interaction, I calculate predicted probabilities. Among dual individuals that own six or fewer conventional funds, the predicted probability of selling conventional funds is 26 percent. For dual investors that own five or fewer Praxis funds, the predicted probability of selling Praxis funds is 17 percent. Most importantly, after including this significant interaction, the *Praxis fund* factor is statistically significant with a factor that is less than one, indicating a decreased odds of selling.[9] This verifies Hypothesis 1 which asserts that dual investors are more committed to their Praxis fund and thus fails to confirm the notion that there is something about Praxis investors that make them more committed to all of their mutual funds.

I just used a behavioral measure of commitment, with investors who had sold Praxis shares in the past due to poor return performance being viewed as less committed. The forthcoming analysis which tests Hypotheses 2-4 will measure commitment slightly differently. Instead of asking respondents whether they actually sold shares in the past, they are instructed to indicate their likelihood of selling shares if they "were to learn that the return performance of that MMA Praxis fund was usually lower than conventional funds." This conjectural question allows investors to gauge for themselves how committed they are to their fund. Sixty (60) percent of valid Praxis investors indicate they are "not at all likely" to sell, with the remaining categories covering somewhat likely, very likely and extremely likely (see Table 3.3

for descriptive statistics). This binary outcome of “not at all likely” operationalizes investor commitment, which the following Logistic regression analysis will predict.[10]

Table 3.3: Descriptive Statistics of Praxis Investors (N=491)

	Proportion or Mean
Not at all likely to sell Praxis shares if returns were low	0.60
Female	0.44
Married	0.89
Age	59.13
Age squared	3683.89
Household income (in $1,000s)	68.16
Household income (in $1,000s) squared	6095.19
Education: Less than high school degreed	0.05
Education: High school graduate	0.18
Education: Some college	0.15
Education: College graduate	0.29
Education: Graduate degree	0.33
SRI (screening and advocacy) very important	0.24
Praxis returns very important	0.33
Perception: Believes Praxis returns is about the same	0.49
Perception: Believes Praxis returns are higher	0.07
Perception: Believes Praxis returns are lower	0.36
Perception: Don't know if Praxis is higher or lower	0.08
Feels sense of belonging to denomination	0.53
High trust that Praxis deals honestly with investor	0.89
Spoke to friends/family about Praxis in past 2 years	0.54
Praxis mentioned at church	0.39

Note: Proportions and means are calculated from original and imputed data.
Source: 2010 Praxis Phone Survey

Moral Interest

Before testing Hypothesis 2 (or the morality hypothesis), I first focus on a descriptive portrait of SRI screening and advocacy. Praxis is heavily engaged in both screening and advocacy work, but how educated are individual investors about this involvement? Respondents were asked, “To your knowledge, does MMA Praxis refuse to own companies that it finds to be involved in unethical behavior?” Ninety (90) percent responded in the affirmative (with about 7 percent answering no, and 3 percent indicating they “did not know”). Respondents were also asked, “To your knowledge, does MMA Praxis communicate with some of the companies that it owns and encourage them to change their unethical behavior?” Far fewer (54 percent) could answer yes, 14 percent answered no and 31 percent “did not know.” Praxis is an SRI leader in the field of advocacy work and communicates this to investors through fund material. This 54 percent point estimate is therefore especially telling and suggests that a substantial portion of SR investors (of funds that practice advocacy) are not knowledgeable of that work. Awareness of screening, on the other hand, is much higher.

Turning now to multivariate analysis, in the forthcoming models I control for sex, marital status, age, income, and education; none of which are significantly associated with fund commitment (see Table 3.4). Respondents that know Praxis is engaged in screening and advocacy and also rank both as extremely important are coded as investors who highly value the SRI function of their Praxis fund. This measures how important the fund’s moral behavior is to the investor and operationalizes individual moral interest in SRI. Hypothesis 2 states that Praxis investors who more highly value the screening and advocacy function are more likely to be committed to their Praxis fund. This is confirmed with the variable increasing the odds of commitment by a factor of about 1.8 (see Model 2 and 5 in Table 3.4). Interpreting this coefficient from Model 5, individuals that highly value SRI have a 71 percent predicted probability of being committed (holding all other values at the respective variable's mean) while individuals that value SRI less have a 58 percent predicted probability.

Table 3.4: Estimated Logistic Odds Ratio of Being Committed to Praxis Fund

	M 1	M 2	M 3	M 4	M 5
Female	1.22	1.18	1.23	1.19	1.15
Married	1.00	1.00	1.2	1.03	1.22
Age	0.98	0.98	0.98	0.97	0.97
Age squared	1.00	1.00	1.00	1.00	1.00
Household income (in $1,000s)	1.01	1.01	1.01	1.01	1.01
Household income (in $1,000s) squared	1.00	1.00	1.00	1.00	1.00
Education: High School (Referent)					
Education: Some college	1.23	1.15	1.27	1.21	1.17
Education: College graduate	1.52	1.47	1.54	1.46	1.4
Education: Graduate degree	1.47	1.38	1.51	1.46	1.39
SRI (screening and advocacy) very important		1.68*			1.79*
Praxis returns very important			0.50***		0.51**
Believes Praxis returns are comparable (Referent)					
Believes Praxis returns are higher			1.14		1.11
Believes Praxis returns are lower			0.64*		0.68*
Don't know if Praxis is better or worse			1.7		1.66
Feels sense of belonging to denomination				1.07	1.01
High trust that Praxis deals honestly with investor				2.33**	2.08*
Spoke to friends/family about Praxis in past 2 years				0.69*	0.68*
Praxis mentioned at church				1.20	1.11
Wald chi square	10.57	14.69	26.60	23.02	38.35
prob > chi2 square	0.31	0.14	0.01	0.04	0.00
N	491	491	491	491	491

* p<0.05, ** p<0.01, *** p<0.001 for one tailed test
Source: 2010 Survey of Praxis Investors

Monetary Interest

In contrast to morality inducing commitment, I also hypothesize that monetary interest reduces commitment (Hypotheses 3, 4a and 4b). One way to measure monetary interest is to measure the importance of fund return performance to the respondent. Thirty-three (33) percent rank Praxis return performance as very important (see Table 3.3), and as predicted, these investors are substantially less committed, reducing the odds of commitment by a factor of 0.5. An individual that ranks return performance as very important has a 50 percent predicted probability of being committed compared to a 66 percent predicted probability for investors who rank return performance as less important. This confirms Hypothesis 3 and shows monetary interest is associated with lower levels of fund commitment to Praxis.

One hitherto obscured fact about SR investors is their perceptions of SRI return performance. Empirical evidence of investor perception is noticeably absent from SRI research, which tends to focus on the objective risk adjusted return performance relative to relevant benchmarks. However, individual investors are probably not exposed to these esoteric studies and are likely driven by more proximate forces. Leaving aside how investor perception is formulated, the survey questionnaire simply asks what investors think about their Praxis return performance. The majority of respondents, 49 percent, believe they are getting “about the same” return performance from their Praxis fund. Seven (7) percent of Praxis investors believe their Praxis fund tends to get higher return performance than most conventional funds and 36 percent believe Praxis tends to underperform conventional funds. Eight percent didn’t know (see Table 3.3).[11]

Failing to confirm Hypothesis 4a, investors who believe they are getting higher return performance with Praxis are no more or less committed than the reference group (those that believe they are getting comparable return performance). However, investors who believe they are getting lower return performance are less committed than the reference group, supporting Hypothesis 4b (see Model 3 and 5). To help interpret the coefficient of 0.68 (Model 5) for the impact of *believes Praxis returns are lower*, respondents that believe Praxis returns are comparable to conventional funds have a predicted probability of 63 percent of being committed, whereas those that believe Praxis earns lower returns have a 54 percent predicted probability. In other words, believing that Praxis earns lower returns is associated with less fund commitment. In sum, I find some evidence that monetary interest reduces fund commitment with confirmation of Hypothesis 3 (those that highly value Praxis return performance are less committed) and 4b (those that believe they are getting lower returns from Praxis are less committed).

Controlling for the Religious Context

The social structure of American denominations and congregations highlight a unique characteristic of this religious case study. This raises additional alternative explanations of SRI fund commitment that I control for in order to demonstrate the above findings are robust and potentially generalizable to all SR investors. For instance, secular SRI funds endorse specific moral issues but lack an especially coherent pool of likely investors. In contrast, a sense of Mennonite *identity* is one potential explanation for Praxis fund commitment. Social psychologists have fruitfully extended Tajfel and Turner's (1986) seminal insight that even minimal perceptions of group identity can impact prosocial behavior directed toward that group. Previous research has confirmed that identity and solidarity impacts economic outcomes (Lawler 2001, Peifer 2010, Akerlof and Kranton 2010). This would suggest that Praxis investors who have a strong sense of Mennonite identity are more committed to their Praxis fund than investors who have a weaker sense of Mennonite identity. Put another way, Mennonites may invest in Praxis because of the funds' Mennonite affiliation, not because it is socially responsible. Survey results show that 90 percent of Praxis respondents self identify as Mennonites. Among these Mennonites, feeling a strong "sense of belonging" to the denomination operationalizes a stronger sense of identity. However, this variable is not associated with fund commitment (see Model 4 and 5 in Table 3.4).

Trust is another important component of group identity that is often conceived of in interpersonal terms. However, trust can also be directed toward a larger group. In this case, trusting that the people that work at Praxis will deal honestly with investors is one aspect of group identity. Almost 90 percent of Praxis investors have a high degree of trust (see Table 3.3) and this variable increases the odds of commitment by a factor of 2.1 (see Model 5 in Table 3.4). To more easily interpret this coefficient, individuals that have high trust in Praxis have a 63 percent probability of being committed while individuals that do not trust Praxis as much have a 45 percent probability of being committed. In sum, feeling a sense of belonging to the denomination has no statistically significant impact on commitment, but trust in Praxis employees (likely stemming from their Mennonite affiliation) has a substantial impact.

Members of Mennonite congregations are also likely to be situated in networks of social relations through which Praxis information might freely flow. Congregational life, infused with small group discussions on financial issues or the availability of mutual fund literature in church foyers, may encourage congregational members to continue investing in Praxis. This structural explanation resonates most closely with conventional new economic sociology wisdom (White 1981, Granovettor 1985, Burt 2004). Short of collecting the actual network structure of these congregations, I measure 1) whether respondents had spoken with friends or extended family about their Praxis fund in the past 2 years and 2) whether people at the respondent's congregation "openly talk about and encourage investing with MMA Praxis." Having Praxis mentioned at church is not associated with fund commitment (see Model 4 and 5). Surprisingly, talking about the fund with friends and family decrease the odds of commitment by a factor of 0.7. This suggests negative information about Praxis is possibly flowing through conversational networks. However, follow-up phone interviews were unable to verify this interpretation. In sum, the relational conduits afforded by the congregational structure are not shown to induce fund commitment. More broadly, the above moral and monetary interest findings obtain after controlling for these identity and structural factors that are specific to Praxis' religious context.

DISCUSSION AND CONCLUSION

Through investor level data of one particular SRI mutual fund family, this article provides empirical evidence that moral interest is driving SR investment behavior and attitudes. Dual investors are more committed to their Praxis fund than to their conventional funds, suggesting Praxis investors are not somehow more committed to all their mutual funds. Likewise, Praxis investors who highly value screening and advocacy work of their fund are more committed. Even in the financial market, where self-interest or greed is frequently legitimated and encouraged, morality holds sway. This stands in contrast to behavioral economics assumptions that cognitive biases and mistakes are driving investment behavior. Instead, this article theorizes and empirically demonstrates that a subjectively conceived moral force (or moral interest) is driving investment behavior in the financial market.

In addition to moral interest inducing SRI commitment, there is also some evidence to suggest monetary interest works against it. Those that highly value the return performance of their Praxis fund are less committed to the fund. In other words, investors who want high return performance from their Praxis fund find it hard to remain committed to it. However, investor perception that Praxis fund return performance is higher than conventional funds has no statistically significant impact on fund commitment. This suggests that trying to convince SRI investors that they are "doing well and being good" is unlikely to induce their commitment. However, results do suggest that convincing SRI investors that SRIs are no worse the conventional funds (in terms of return performance) may induce SRI fund commitment.

Economic sociologists have traditionally taken a structural approach to the study of economic phenomena, thus downplaying the possibility of moral interest driving behavior. The findings here fail to demonstrate that fund information flowing through congregational structural networks induces fund commitment. However, the moral pull toward and monetary push away from SRI are robust after controlling for the structural and identity variables that are unique to this case study' religious context. This suggests the moral and monetary interest findings generalize beyond the religious context.

The theoretical position taken here follows a Weberian approach which posits that material and ideal (or monetary and moral) interests drive economic action. While there are more interests one could emphasize, these two in particular are especially important to the study economic phenomena that include explicit moral components. Other examples might include buying organic products, living more simply or giving one's money away. In cases such as these, moral and monetary interests are both in play. While some actors perceive both interests to coexist harmoniously, exemplified by the notion that one can "do well and be good," many do not. More precisely, among SR investors, moral interest tends to work against the thrust of monetary interest. This tug and pull of moral and monetary interest is an important reality for individuals that attempt to meld morality with their economic activity.

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ENDNOTES

[1] MMA has since changed its name to Everence.

[2] Consulting firm Green Quinlin Rosner Research (2006) conducted a survey on TIAA-CREF investors (N = 1,002). Half of the sample invested in the fund family's SRI fund and the other half is non-SR investors. Beyond a report of the survey's descriptive statistics and crosstabulations of variables of interest, I am not aware of additional research on this data.

[3] Praxis focuses on six core values in its screening process. It aims to own companies that respect the dignity and value of all people, build a world at peace and free from violence, demonstrate a concern for justice in a global society, exhibit responsible management practices support and involve communities, and practice environmental stewardship.

[4] Additional information about the respondents that did not complete the phone survey is not available in order to protect the confidential information of Praxis investors. Therefore, information regarding the possibility of a non-response bias is unavailable.

[5] A random sample of 41 willing survey respondents were contacted for a follow-up phone interviews.

[6] Interestingly, in contrast to this interview data that suggests SR investors feel "forced" to invest in *conventional* funds offered by their employers, Praxis investors were explicitly asked (in the phone survey) if they had a choice to invest in *Praxis*. This addresses the possibility that Praxis investors are effectively forced to accept their employer's Praxis benefit package. However, this does not appear to be the case with 92 percent of the sample indicating they had a choice. Incidentally, this variable has no impact (analysis not shown here) on the investor commitment outcome to be analyzed in Table 3.4.

[7] It could be the case that individuals largely defer to their financial advisors and therefore practice limited decision making, thus eroding the possibility that individual interest is driving any financial behavior. The phone survey measures whether respondents have a financial advisor (and 69 percent of all survey respondents do) and how heavily these respondents rely on their financial adviser when making mutual fund buy-and-sell decisions. A binary variable that measures *heavy reliance on financial adviser* has no impact on fund commitment (not shown here).

[8] Clustered results were modeled with Stata using the vce(cluster *clustvar*) option. In this case, a unique individual identifier is the *clustvar*. Featured results are very similar to results generated from robust standard errors and normal logistic regression standard errors.

[9] In Model 2, the *Praxis fund* variable tests the difference between the odds of selling a Praxis fund among those that own five or fewer Praxis funds and the odds of selling a conventional fund among those that own six of fewer conventional funds. This difference is statistically significant with a one tailed test ($p < .05$).

[10] Ordinal logistic regression of the original four point scale dependent variable confirms forthcoming logistic results. All missing values of covariates were manually imputed through fitting regression models. Lastly, the behavioral measure of having sold Praxis in the past because of low return performance used to test Hypothesis 1 is correlated in the expected direction with the attitudinal dependent variable used here to test Hypotheses 2 - 4.

[11] This raises the issue of actual Praxis return performance. Relevant data on which Praxis mutual funds each respondent held over which time period was not collected. This makes it impossible to determine each respondent portfolio's relative return performance. However, among the 3 Praxis mutual funds that existed for 10 years (as of December 31, 2010), none of the no-load return performance figures beat their relevant 10 year benchmark. Among the 4 Praxis funds that existed for 5 years, one beat its relevant benchmark. Among the 6 funds that existed for 3 years, 1 beat its relevant 3 year benchmark (Praxis Fund Family Overview 2010).

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Appendix 3.1: 2010 Praxis Survey Questionnaire

findec: Financial decision maker in household

I'm calling from Cornell University and we're working with MMA Praxis mutual funds. I'd like to ask you a few questions about your investments.

Are you knowledgeable enough to answer some questions about your household's MMA Praxis investment decisions, or would someone else be better to speak to?

```
 <1> YES
 <0> NO
```

mar: Marital status

Ok. All of your answers will be kept completely confidential and the survey should take about 20 minutes to complete.

As you may know MMA Praxis Mutual Funds is a fund family created and managed by Mennonite Mutual Aid. It offers six different mutual funds, each with a different investment strategy or style. A mutual fund is a pool of money that is invested in stocks or bonds. A mutual fund investor, such as yourself, owns shares of the mutual fund and the value of those shares rises or falls depending on performance of the stocks and/or bonds.

Now, before asking about mutual fund ownership, I need to know, are you currently married?

```
 <1> YES-MARRIED
 <0> NO-NOT MARRIED                [goto nummma]
 <d> Do not know                   [goto nummma]
 <r> Refused                       [goto nummma]
```

whoowns: Who owns MMA Praxis shares

So, which of the following best describes your household? Do **you alone** own shares of an MMA Praxis fund, does **only your spouse** own an MMA Praxis fund, or do **both you and your spouse** own MMA Praxis?

```
 <1> I ALONE OWN SHARES OF MMA PRAXIS FUND
 <2> ONLY MY SPOUSE OWNS SHARES OF MMA PRAXIS
 <3> BOTH SPOUSE AND I OWN MMA PRAXIS (EITHER INDIVIDUALLY OR
JOINTLY)
 <d> Do not know
 <r> Refused
```

nummma: How many MMA Praxis funds owned

About **how many** MMA Praxis mutual funds do you **currently** own shares in? Is it **zero**, **one**, **2 to 4** or **more than 4**?

```
<0> ZERO [goto done]
<1> ONE
<2> 2 TO 4
<3> MORE THAN 4
<d> Do not know
<r> Refused
```

whymma: Why invest in MMA

Please tell me, in just a few words, why did you begin investing in MMA Praxis?

```
<1> Answered [specify]
<d> Do not know
<r> Refused
```

numcf: How many non-MMA mutual funds owned

About how many **non**-MMA Praxis mutual funds, if any, do you **currently** own shares in? Is it **zero**, **one**, **2 to 5**, or **more than 5**?

```
<0> ZERO
<1> ONE
<2> 2 TO 5
<3> MORE THAN 5
<d> Do not know
<r> Refused
```

hvfnad: Have financial advisor

Do you currently have a **financial adviser**?

```
<1> YES
<0> NO [goto finknw]
<d> Do not know [goto finknw]
<r> Refused [goto finknw]
```

imp_fa: Importance of financial advisor

On a scale from 1 to 7, how much do you rely on the advice of your financial advisor when it comes to making mutual fund buy-and-sell decisions, where 1 means **not at all** and 7 means you rely on your financial advisor's advice **a lot**.

```
<1> NOT AT ALL
<2>
<3>
<4>
<5>
<6>
<7> A LOT
<d> Do not know
<r> Refused
```

finknw: Financial knowledge

On a scale from 1 to 7, how would you assess your overall financial knowledge, where 1 means **very low** and 7 means **very high**?

```
<1> VERY LOW
<2>
<3>
<4>
<5>
<6>
<7> VERY HIGH
<d> Do not know
<r> Refused
```

risk: how willing to take risks

When thinking of your financial investments, how willing are you to take risks? Please use a 10 point scale, where 1 means **not at all willing** and 10 means **very willing**.

```
<1> NOT AT ALL WILLING
<2>
<3>
<4>
<5>
<6>
<7>
<8>
<9>
<10> VERY WILLING
<d> Do not know
<r> Refused
```

cmpint: Financial literacy about compounding interest

Now I'm going to ask you a multiple choice question. **If you don't know the answer, just say so.**

Suppose you had $100 in a savings account and the interest rate was 2 percent per year. After 5 years, how much do you think you would have in the account if you left the money to grow? Would you have **more than 102 dollars**, **exactly 102 dollars, less than 102 dollars**, or **do you not know.**

```
<1> MORE THAN $102
<2> EXACTLY $102
<3> LESS THAN $102
<d> Do not know
<r> Refused
```

chcprc: How often check share price

Now, I'm going to ask you a few questions about the MMA Praxis mutual fund you have the most money invested in.

Please be thinking about that particular mutual fund as you answer the following questions.

About how often do you typically check the share price of that MMA Praxis fund? Do you **rarely** check the share price, do you check it **1 to 5** times a year, **6 to 12** times a year, or **more than 12 times** a year?

```
<1> RARELY
<2> 1 TO 5 TIMES
<3> 6 TO 12 TIMES
<4> MORE THAN 12 TIMES
<d> Do not know
<r> Refused
```

choice: Do you have a choice to invest in MMA

Are you **required** to invest in that MMA Praxis mutual fund, perhaps because of an employer's benefit package, or is there **a choice** to invest in it?

```
<0> REQUIRED TO INVEST IN MMA PRAXIS
<1> THERE IS A CHOICE
<d> Do not know
<r> Refused
```

redpst: MMA_Ever redeemed shares in past due to return performance

In the past, have you (or your financial advisor) ever sold shares from **any** MMA Praxis mutual fund because of low return performance?

```
<1> YES
<0> NO
<d> Do not know
<r> Refused
```

trust: How much do you trust MMA

How much trust do you have that the people who manage MMA Praxis mutual funds are going to deal honestly with you as an investor? Do you have **no trust at all**, **very little trust**, **some trust**, or do you have **a lot of trust**?

```
<1> NO TRUST AT ALL
<2> VERY LITTLE TRUST
<3> SOME TRUST
<4> A LOT OF TRUST
<d> Do not know
<r> Refused
```

telfrnds: Did you talk about MMA with friends or family

Within the past 2 years or so, can you recall a time when you spoke with your friends or extended family about your MMA Praxis investments?

```
<1> YES
<0> NO
<d> Do not know
<r> Refused
```

impperf: How important is return performance

How important is it to you that the MMA Praxis mutual fund produces **high return performance**, on a scale from 1 to 7, with 1 meaning **not at all important** and 7 meaning **very important**.

```
<1> NOT AT ALL IMPORTANT
<2>
<3>
<4>
<5>
<6>
<7> VERY IMPORTANT
<d> Do not know
<r> Refused
```

knscrn: Did you know MMA screens out unethical companies

To your knowledge, does MMA Praxis **refuse to own** companies that it finds to be involved in unethical behavior?

```
<1> YES
<0> NO
<d> Do not know
<r> Refused
```

impscrn: How important is screening to you

(Just so you know, MMA Praxis **does** refuse to own unethical companies. Now that you are aware of this...)

How important is it to you that MMA Praxis **refuses to own** unethical companies, on a scale from 1 to 7, with 1 meaning **not at all important** and 7 meaning **very important**.

```
<1> NOT AT ALL IMPORTANT
<2>
<3>
<4>
<5>
<6>
<7> VERY IMPORTANT
<d> Do not know
<r> Refused
```

knadv: Did you know MMA is advocate

To your knowledge, does MMA Praxis communicate with some of the companies that it owns and encourage them to change their unethical behavior?

```
<1> YES
<0> NO
<d> Do not know
<r> Refused
```

impadv: How important is advocacy to you

(Just so you know, MMA Praxis **does** encourage unethical companies to change their behavior. Now that you are aware of this...)

How important is it to you that MMA Praxis communicates with some of the companies that it owns and tries to change their unethical behavior, on a scale from 1 to 7, with 1 being **not at all important** and 7 meaning **very important**.

```
<1> NOT AT ALL IMPORTANT
<2>
<3>
<4>
<5>
<6>
<7> VERY IMPORTANT
<d> Do not know
<r> Refused
```

scrnadv: Which is more important, screening or advocacy

(if impscrn = impadv, read) Ok, your previous answers indicate that **refusing to own** and trying to **change the behavior** of unethical companies are of equal importance to you, but I'm wondering if you can tell me which is **more** important to you. Pretend that MMA Praxis would continue to do both activities but could devote extra energy to only one activity. Would you want MMA Praxis to more rigorously **refuse to own** unethical companies or more rigorously try to **change the behavior** of unethical companies?

```
<1> SCREEN OUT
<2> CHANGE BEHAVIOR
<3> BOTH ARE EQUALLY IMPORTANT
<d> Do not know
<r> Refused
```

mmaret: How does mma returns compare to conventional funds

The term **conventional** fund refers to mutual funds that are **not** involved in refusing to own unethical companies nor do they try to change the behavior of companies involved in unethical behavior. Most mutual funds available today are conventional funds.

With that said, do you think that your MMA Praxis fund tends to earn **lower** returns than most conventional funds, **about the same** level of returns, or **higher** returns than most conventional funds?

<1> LOWER RETURNS
<2> ABOUT THE SAME
<3> HIGHER RETURNS
<d> Do not know
<r> Refused

perfbuy: If returns were high, how likely is it that you would buy

If you were to learn that the return performance of that MMA Praxis fund was usually **higher** than conventional funds, how likely is it that you would begin contributing more money to it for that reason? Is it **not at all likely, somewhat likely**, **very likely** or **extremely likely**?

<1> NOT AT ALL LIKELY
<2> SOMEWHAT LIKELY
<3> VERY LIKELY
<4> EXTREMELY LIKELY
<d> Do not know
<r> Refused

Note to Interviewer: If respondent indicates he/she might not have enough money to contribute more, say, "I understand. Given that monetary constraint, would the high return performance make you **not at all likely somewhat likely**, **very likely** or **extremely likely** to contribute more money?"

perfsell: If returns were low, how likely is it that you would sell

If you were to learn that the return performance of that MMA Praxis fund was usually **lower** than conventional funds, how likely is it that you would sell some shares for that reason? Is it **not at all likely**, **somewhat likely**, **very likely** or **extremely likely**?

<1> NOT AT ALL LIKELY
<2> SOMEWHAT LIKELY
<3> VERY LIKELY
<4> EXTREMELY LIKELY
<d> Do not know
<r> Refused

sriown: Own other sri funds

Earlier, you mentioned that you invest in (a) **non-**MMA Praxis mutual fund(s). Does this (Do all of these) **non**-MMA Praxis mutual fund(s) also refuse to own or try to change the behavior of unethical companies **or** is it a (are they all) conventional fund(s)?

<1> ALL REFUSE TO OWN OR TRY CHANGING UNETHICAL BEHAVIOR
<2> CONVENTIONAL
<3> BOTH TYPES (ONLY USE IF R OWNS MORE THAN ONE NON-MMA FUND)
<d> Do not know
<r> Refused

impperfcf: conventional fund_How important is return performance for conventional fund

Thinking about that **conventional** fund (the **conventional** fund that you have the most money invested in), how important is it to you that this fund produces **high return performance**, on a scale from 1 to 7, with 1 being **not at all important** and 7 meaning **very important**.

<1> NOT AT ALL IMPORTANT
<2>
<3>
<4>
<5>
<6>
<7> VERY IMPORTANT
<d> Do not know
<r> Refused

redpstcf: conventional fund_Ever redeemed shares in past due to return performance

In the past, have you (or your financial advisor) ever sold shares from that conventional fund because of low return performance?

<1> YES
<0> NO
<d> Do not know
<r> Refused

relimp: How important is religion to you

Thanks for that information. We're coming to the end of the survey. Now I'm going to ask you some more general questions about your religious involvement.

First question; how important is religion or religious faith to you personally? Is it **not at all important**, **somewhat important**, **very important**, **extremely important**, or **by far the most important part of your life**?

```
<1> NOT AT ALL IMPORTANT
<2> SOMEWHAT IMPORTANT
<3> VERY IMPORTANT
<4> EXTREMELY IMPORTANT
<5> BY FAR THE MOST IMPORTANT PART OF YOUR LIFE
<d> Do not know
<r> Refused
```

relatt: How often do you attend religious services

How often do you attend religious services? Do you attend **every week or more**, **nearly every week, one or two times a month**, **several times a year, about once or twice a year**, or do you **very rarely** attend?

```
<1> EVERY WEEK OR MORE
<2> NEARLY EVERY WEEK
<3> ONE OR TWO TIMES A MONTH
<4> SEVERAL TIMES A YEAR
<5> ABOUT ONCE OR TWICE A YEAR
<6> VERY RARELY
<d> Do not know
<r> Refused
```

denom: Denomination or religious group most currently involved in

What specific denomination or religious group are you currently **most** involved in, if any?

INTERVIEWER: DO NOT READ ANSWER OPTIONS. Select the option that most closely
matches open ended answer of respondent.

<1> MENNONITE OR ANABAPTIST
<2> NON-DENOMINATIONAL OR NO PARTICULAR DENOMINATION
<3> JUST SAYS "CHRISTIAN"
<4> CATHOLIC
<5> OTHER (specify)
<6> I'M NOT PART OF A DENOMINATION OR RELIGIOUS GROUP
<7> I'M NOT RELIGIOUS
<d> Do not know
<r> Refused

snbl: How much of a sense of belonging to you feel

Please indicate how much of a **sense of belonging** or **sense of closeness** you feel to that denomination or religious group you just mentioned, using a scale of 1 to 7, with one meaning you **don't** feel a sense of belonging or closeness **at all** and seven meaning you feel a **very strong** sense of belonging and closeness.

<1> DON'T FEEL SENSE OF BELONGING OR CLOSENESS **AT ALL**
<2>
<3>
<4>
<5>
<6>
<7> FEEL A **VERY STRONG** SENSE OF BELONGING OR CLOSENESS
<d> Do not know
<r> Refused

wrkmenn: Have you ever worked for Mennonite organization

Have you ever worked or volunteered for a Mennonite associated organization as part of your daily work routine?

<1> YES
<0> NO
<d> Do not know
<r> Refused

tlkmma: Is MMA talked about at congregation

How often, if ever, do people at your congregation openly talk about and encourage investing with MMA Praxis? Is it **never**, **rarely**, **every once in a while**, or **often**?

<1> NEVER
<2> RARELY
<3> EVERY ONCE IN A WHILE
<4> OFTEN
<5> DON'T HAVE CONGREGATION
<d> Do not know
<r> Refused

edu: Education level

Thanks for that information; and there are just a few more questions. Some people find these next few questions to be sensitive in nature, but it's really important that we try to collect this information so that we have a better understanding of what kind of people decide to invest according to their religious or ethical values. Remember, all your answers will be kept completely confidential.

What is the highest level of education you have completed? Is it **some high school,** a **high school diploma**, **some college**, a **college degree**, or a **graduate degree**?

<1> SOME HIGH SCHOOL
<2> HIGH SCHOOL DIPLOMA
<3> SOME COLLEGE
<4> COLLEGE GRADUATE
<5> GRADUATE DEGREE
<d> Do not know
<r> Refused

female: Female

Interviewer: Record the respondent's gender but don't read this statement or the options.

<1> FEMALE
<0> MALE
<d> Do not know

yob: Year born

What year were you born?

```
<1900-1991> year of birth
<d> Do not know [goto oyage50]
<r> Refused     [goto oyage50]
```

oyage50: Older or younger than 50

Ok, if you're not comfortable giving me your exact age, that's fine. Please tell me if you are younger than or older than 50 years of age?

```
<1> YOUNGER THAN 50      [goto yage50]
<2> OLDER THAN 50        [goto oage50]
<d> Do not know
<r> Refused
```

yage50: Range under 50

Ok, are you **20 or younger**, **21 to 30**, **31 to 40**, or **41 to 50**?

```
<1> 20 OR YOUNGER
<2> 21 TO 30
<3> 31 TO 40
<4> 41 TO 50
<d> Do not know
<r> Refused
```

oage50: Range over 50

Ok, are you **50 to 60**, **61 to 70**, **71 to 80** or **81 or older**?

```
<5> 50 TO 60
<6> 61 TO 70
<7> 71 TO 80
<8> 81 OR OLDER
<d> Do not know
<r> Refused
```

gv_cg: Dollars contributed to congregation

Next, I'm going to ask you about your household's charitable contributions in the past year. I'm going to ask you for three different charitable giving amounts; the first is how much you may have contributed to your congregation, the second is how much you may have contributed to other religious causes outside of your congregation and the third is how much you may have contributed to non-religious or secular causes.

So first, in the past year, about how many dollars did you contribute to your congregation?

```
<0-100000> dollars
<d> Do not know                  [goto cg_ml3k]
<r> Refused                      [goto cg_ml3k]
```

cg_ml3k: congregation_less or more than $3,000

Ok, if you're not able to give me an exact dollar amount, please tell me if that amount is less or more than 3,000 dollars?

```
<1> LESS THAN $3,000             [goto cg_l3k]
<2> MORE THAN $3,000             [goto cg_m3k]
<d> Do not know
<r> Refused
```

cg_l3k: congregation_range less than $3,000

Ok, is the amount you gave to your congregation **zero**, **1 to 500 dollars**, **501 to 1,000**, **1,001 to 2,000**, or **2,001 to 3,000** dollars?

```
<0> ZERO
<1> $1 TO $500
<2> $501 TO $1,000
<3> $1,001 TO $2,000
<4> $2,001 TO $3,000
<d> Do not know
<r> Refused
```

cg_m3k: congregation_range more than $3,000

Ok, is the amount you gave to your congregation **3,000 to 4,000** dollars, **4,001 to 5,000**, **5,001 to 7,500**, or **more than 7,500** dollars?

<5> $3,000 TO $4,000
<6> $4,001 TO $5,000
<7> $5,001 TO $7,500
<8> MORE THAN $7,500
<d> Do not know
<r> Refused

gv_rl: Dollars contributed to religious cause

In the past year, about how many dollars did you give to other religious causes or religious organizations, not including your congregation?

<0-100000> dollars
<d> Do not know [goto rl_ml3k]
<r> Refused [goto rl_ml3k]

rl_ml3k: other religious causes_less or more than $3,000

Ok, if you're not able to give me an exact dollar amount, please tell me if that amount is less or more than 3,000 dollars?

<1> LESS THAN $3,000 [goto rl_l3k]
<2> MORE THAN $3,000 [goto rl_m3k]
<d> Do not know
<r> Refused

rl_l3k: other religious causes_range less than $3,000

Ok, is the amount you gave to other religious causes **zero**, **1 to 500** dollars, **501 to 1,000**, **1,001 to 2,000**, or **2,001 to 3,000** dollars?

<0> ZERO
<1> $1 TO $500
<2> $501 TO $1,000
<3> $1,001 TO $2,000
<4> $2,001 TO $3,000
<d> Do not know
<r> Refused

rl_m3k: other religious cause_range more than $3,000

Ok, is the amount you gave to other religious causes **3,000 to 4,000**, **4,001 to 5,000**, **5,001 to 7,500**, or more than **7,500** dollars?

<5> $3,000 TO $4,000
<6> $4,001 TO $5,000
<7> $5,001 TO $7,500
<8> MORE THAN $7,500
<d> Do not know
<r> Refused

gv_sc: Dollars contributed to secular causes

In the past year, about how many dollars did you give to **non-religious or secular** causes?]

<0-100000> dollars
<d> Do not know [goto sc_ml3k]
<r> Refused [goto sc_ml3k]

sc_ml3k: secular causes_more or less than $3,000

Ok, if you're not able to give me an exact dollar amount, please tell me if that amount is less or more than 3,000 dollars?

<1> LESS THAN $3,000 [goto sc_l3k]
<2> MORE THAN $3,000 [goto sc_m3k]
<d> Do not know
<r> Refused

sc_l3k: secular causes_range less than $3,000

Ok, is the amount you gave to secular causes **zero, 1 to 500** dollars**, 501 to 1,000, 1,001 to 2,000,** or **2,001 to 3,000** dollars?

<0> ZERO
<1> $1 TO $500
<2> $501 TO $1,000
<3> $1,001 TO $2,000
<4> $2,001 TO $3,000
<d> Do not know
<r> Refused

sc_m3k: secular causes_range more than $3,000

Ok, is the amount you gave to secular causes **3,000 to 4,000** dollars**, 4,001 to 5,000, 5,001 to 7,500,** or **more than 7,500** dollars?

```
<5> $3,000 TO $4,000
<6> $4,001 TO $5,000
<7> $5,001 TO $7,500
<8> MORE THAN $7,500
<d> Do not know
<r> Refused
```

pol: Political preference

Please indicate your political preference. Are you **very** politically conservative, **mostly** conservative, **neither conservative nor liberal**, **mostly** liberal, or **very** politically liberal?

```
<1> VERY CONSERVATIVE
<2> MOSTLY CONSERVATIVE
<3> NEITHER CONSERVATIVE NOR LIBERAL
<4> MOSTLY LIBERAL
<5> VERY LIBERAL
<d> Do not know
<r> Refused
```

totasst: Total mutual fund assets, higher or lower than $50,000

Earlier, I had asked you some specific questions about your MMA Praxis fund investment(s). I would like to have a rough estimate of how much that investment is currently worth (those mutual funds are currently worth, all together)?
Or
Earlier, you indicated that you own MMA Praxis and **non-**MMA Praxis mutual funds. I would like to have a rough estimate of how much **all of those** mutual fund investments are currently worth, all together.

Is that total dollar amount currently worth less than or more than 50 thousand dollars? Your best estimate is fine.

```
<1> LESS THAN $50,000    [goto tal50]
<2> MORE THAN $50,000    [goto tam50]
<d> Do not know
<r> Refused
```

tal50: Range under $50k - Total assets

Ok. Your best estimate: is that total dollar amount **less than 10** thousand dollars, between **10 and 25** or between **25 and 50** thousand dollars?

```
<1> LESS THAN $10,000
<2> BETWEEN $10,000 AND $25,000
<3> BETWEEN $25,000 AND $50,000
<d> Do not know
<r> Refused
```

tam50: Range over $50k - Total assets

Ok. Your best estimate: is that total dollar amount between **50 and 100** thousand dollars, between **100 and 200**, or more than **200** thousand dollars?

```
<4> BETWEEN $50,000 AND $100,000
<5> BETWEEN $100,000 AND $200,000
<6> MORE THAN $200,000
<d> Do not know
<r> Refused
```

percmma: What percentage of mutual fund assets are in MMA Praxis

Ok, roughly what percentage of that total dollar amount is invested in your MMA Praxis mutual fund(s)? Is it less than or more than 50 percent?

```
<1> LESS THAN 50 PERCENT       [goto l50prc]
<2> MORE THAN 50 PERCENT       [goto m50prc]
<d> Do not know
<r> Refused
```

l50prc: Range under 50_ percent assets invested in MMA Praxis

Ok, is it less than or more than 25 percent?

```
<1> LESS THAN 25 PERCENT
<2> MORE THAN 25 PERCENT
<d> Do not know
<r> Refused
```

m50prc: Range above 50_ percent assets invested in MMA Praxis

Ok, is it less than or more than 75 percent?

```
<3> LESS THAN 75 PERCENT
<4> MORE THAN 75 PERCENT
<d> Do not know
<r> Refused
```

hhince: Exact household income

Finally, for statistical purposes, last year (that is in 2009) what was your total household income from all sources, before taxes?

Interviewer: The maximum is $1,000,000. If the R's income is greater, just enter it as $1,000,000.

```
<0-1000000> dollars
<d> Do not know        [goto hhinc50k]
<r> Refused            [goto hhinc50k]
```

hhinc50k: Over/Under $50k - Household income

Instead of a specific number, please tell me if your total household income in 2009 was under or over $50,000.

```
<1> Under $50,000              [goto hhincu]
<2> $50,000 or over            [goto hhinco]
<d> Do not know
<r> Refused
```

hhincu: Range under $50k - Household income

And was it:

```
<1> Less than $10,000
<2> 10 to under $20,000
<3> 20 to under $30,000
<4> 30 to under $40,000
<5> 40 to under $50,000
<d> Do not know
<r> Refused
```

hhinco: Range over $50k - Household income

And was it:

```
<6> 50 to under $75,000
<7> 75 to under $100,000
<8> 100 to under $150,000
<9> $150,000 or more
<d> Do not know
<r> Refused
```

intervw: Permission for follow up phone interview

In closing, I've asked a lot of questions about your religious and investment behavior. The researcher conducting this study would like to conduct follow-up phone interviews with some of the people we're talking to. In this interview, you would be asked more in-depth questions that would allow you to more thoroughly explain yourself, without limiting you to certain answer categories. This interview could last up to 30 minutes. In a couple months from now, would you be willing to take part in a phone interview about this same topic at a time that is convenient for you?

```
<0>  NO
<1>  YES
<d>  Do not know
<r>  Refused
```

CHAPTER 4

ACCOUNTING FOR MORALITY IN ECONOMIC BEHAVIOR: WHY AMERICANS GIVE THEIR MONEY AWAY BUT ARE HESITANT TO INVEST ETHICALLY

Socially responsible investment (SRI) options have been available for decades, yet few American investors are putting their money where their heart is. In contrast, Americans are notoriously generous when it comes to giving their money away. I consider both to be moral economic behavior (MEB), that is, economic behavior that includes an explicit moral component. When it comes to combining morality with economic behavior, why are Americans so willing to give their money away, yet hesitant to invest ethically? To help solve this puzzle, this article visits the theoretical concept of "mental accounting" taken from behavioral economics and "social meaning of money" from economic sociology. I employ a mixed method analysis of socially responsible investors from one Protestant denomination and find both morality and social relations help solve the puzzle of low SRI involvement.

INTRODUCTION

Americans are notoriously generous givers (Brooks 1996). Nearly 90 percent of American households make charitable donations on an annual basis, averaging $1,479 per year or 2.7 percent of one's income (Havens, O'Herlihy, and Schervish 2006). In contrast, far fewer American investors invest in mutual funds that screen out or try to change companies deemed to be unethical, otherwise known as socially responsible investing (SRI). Since mutual funds are investments, investors hope their dollars will multiply (market downturns withstanding). Yet despite this possible win-win moral economic scenario, where one can do the "right" thing *and* make money, only three percent of all mutual funds (and all mutual fund assets) are socially responsible.[1] For lack of better individual level data, this three percent proportion serves as an estimate of the number of American mutual fund investors that invest in SRI funds. This raises a puzzle. *Why are so many Americans giving their money away, yet so few investing ethically?*[2]

Moral Economic Behavior (MEB)

Socially responsible investing (SRI) and charitable giving are two examples of a more general concept I refer to as *moral economic behavior* (MEB). This ideal type of social behavior refers to economic behavior that explicitly includes a subjectively perceived moral component along with a concern about the monetary outcome. While one can rightly argue that all economic behavior is embedded in a moral order (Etzioni 1988, Wuthnow 1987, Smith 2003, Fourcade and Healy 2007), some economic behavior has an explicit shot of morality. For instance, buying a cup of coffee is rather morally neutral compared with purchasing fair trade coffee out of concern for the producers' just wage, an action I consider moral economic behavior. There are other examples of MEB that are gaining in popularity. Purchasing locally grown and organic food (Jonston 2008) and voluntary decisions to live more simply (Etzioni 1998, Shaw and Newholm 2002) in order to reduce one's carbon footprint are examples. Giving money away out of a sense of obligation also qualifies. SRI emphasizes the moral obligations of corporations to society (Crane et al. 2008).

These examples of MEB are important because they represent tangible moral acts individuals can take in their economic lives (Zald 2000). Additionally, to better understand a broader range of motivations for economic action, we need to get a better handle on whether and how morality matters. In route to helping solve the aforementioned puzzle (of high giving and low ethical investment levels), this article explores the experience of individual actors engaging in various forms of MEB, especially charitable giving and SR investing. Visiting the theoretical concepts of "mental accounting" taken from behavioral economics (Kahnaman and Tversky 1984, Thaler 1999) and "social meanings of money" from economic sociology (Zelizer 2011), I analyze quantitative survey data from American Mennonites and interview data collected from investors in that denomination's SRI mutual fund.

The concept of moral economic behavior (or MEB) houses both moral and monetary concerns. I define morality as behavior that is subjectively perceived to have 1) an imperative quality that pertains to the "the right thing to do" and 2) is outward oriented.[3] One important task in researching MEB is to empirically demonstrate that the behavior under examination is, on average, the product of moral motivation and not driven by other factors, such as a desire to impress one's peers (Willer et al. 2010) or the byproduct of structural circumstances. In other work, I verify that investing in SRI mutual funds is, at least partially, morally motivated (Peifer 2011, Peifer unpublished manuscript). In this article, I move beyond asking whether morality impacts economic behavior and instead consider *how* morality impacts economic behavior. I do this by comparing different MEBs and by considering different forms of morality at play.

I use of a rather expansive definition of the term "economic" by including the household. Weber usefully bifurcates economic ideal types of "profit-making" and "householding" (Weber [1922]1979, Swedberg 2009). Householding is oriented to consumption and satisfaction of the family members' bodily and emotional needs. Profit-making activity is "oriented to opportunities for seeking new powers of control over goods" (Weber [1922]1979: 90). Current economic approaches tend to emphasize profit-making in the formal market economy and often ignore the householding realm. However, a substantial portion of our economic lives are concerned with monetary expenditures to meet household needs. Additionally, goods and services that are consumed on a daily basis generally do not yield monetary profit. Charitable giving is an extreme example of an absence of the profit-making orientation, where money is given away. There are also many non-monetary householding activities, such as preparing meals, washing clothes and routine maintenance of one's physical property, to name just a few examples. To more closely match the economic realities of average Americans, I consider the moral components that accompany householding economic behavior as well as their behavior in the profit-making realm.

Americans also engage in the profit-making realm of the economy. Many spend over 40 hours a week in a workplace that is oriented toward making a profit. Americans are also increasingly becoming engaged with the financial market, mostly through mutual fund investments (Davis 2009) that are often intended to provide for one's householding needs during retirement. Americans are repeatedly told they must earn a profit in the financial market if they want to retire comfortably. Investing in an SRI mutual is one kind of MEB. SRI fund management is involved in at least one of three moral activities; screening, shareholder advocacy and community investment (Domini and Kinder 1986). Screening refers to the refusal to invest in companies a fund deems to be unethical. The most commonly screened industries are tobacco, alcohol and gaming. A second SRI mutual fund activity is shareholder advocacy. This refers to communication with owned corporations through using proxy votes and dialogue to pressure firms to change their behavior. While nearly all SRI funds are engaged in screening, fewer take on advocacy measures. The least frequently practiced prong is community investment, wherein fund assets are directly invested in community development efforts.

In this article, I examine three types of MEB; SR investing, charitable giving and householding. SRI provides a fitting example of MEB that resides in the profit-making realm of the economy. People put their money in the financial market because they want to accumulate more of it. Giving money away is the antithesis of profit-making and therefore more closely aligns with householding, albeit imperfectly. To glean more natural examples of householding activity, I encourage interview respondents to talk about the moral aspects of their daily household lives. In the final section of this article, I compare householding with charitable giving and SR investing in effort to better account for a broader range of MEB.

THEORY AND RESEARCH QUESTIONS

Mental Accounting

Behavioral economists have shown that the way monetary outcomes are framed influences monetary decisions (Kahnaman and Tversky 1984, Thaler 1999). Consider this classic example from that literature.

> Neel and Samantha planned to spend $100 on a theater ticket. Neel purchased a ticket but then lost it carelessly. In a separate instance of carelessness, Samantha lost $100 in cash. Neel was hesitant to spend a further $100 on a replacement ticket, while Samantha's loss did not interrupt her theater plans (Soman and Ahn 2011).

Neel's lost ticket represents a $100 debit to his theater "mental account" and Neel is unwilling to sink another $100 from the same account. However, Samantha's $100 loss was debited to another (or broader) mental account (because it was cash and not a theater ticket) freeing her to buy a ticket and deduct only $100 (not $200) from her theater account. The subtle difference of losing $100 in cash versus losing a $100 ticket meaningfully impacts the economic outcome.

The *mental accounting* theoretical orientation can be summed up as follows: "People do not treat money as fungible but rather tend to label it" (Soman and Ahn 2011). Put more precisely, expenditures within a mental account are more fungible than expenditures across different mental accounts. Assuming separate mental accounts are driving behavior, behavioral economists provide a demonstration of and an explanation for seemingly irrational monetary behavior, which mounts a significant critique of neoclassical economics.

However, this important research on mental accounting has failed to elucidate how these mental accounts are constructed and maintained. One particular unexamined aspect of mental accounts is morality. For instance, followers of the three Abrahamic religious traditions are encouraged to set aside a specific portion of their money (income or wealth) for charitable giving (Smith 2010). Christians and Jews emphasize the tithe and Tzedakah (respectively), which encourages the giving away of 10 percent of one's income. Islam teaches the giving of zakat (or alms giving), which amounts to 2.5 percent of one's wealth. These are religious examples of money being labeled for moral causes; a moral mental account of sorts.

Coming back to the puzzle this article raises, this conception of a moral mental account raises the possibility that money given away to charity may crowd out SRI contributions. This tradeoff (or fungibility) may help explain why so many give their money away, yet so few invest ethically. In other words, giving money away may debit one's moral mental account and thereby generate an unwillingness to invest in an ethical manner. An alternative explanation is that charitable giving and SRIs stem from different mental accounts which would mean expenditures in one does not necessarily crowd out expenditures in the other. In fact, giving and SR investing may be positively correlated with an underlying moral impulse driving both MEBs. This raises this article's first research question, *are individuals that give more to charity more or less likely to invest in an SRI mutual fund (and vice versa)?* To answer this, I analyze quantitative survey data of Mennonites, an American denomination that has its own SRI mutual fund.

Behavioral economic research tends to assert the existence of mental accounts and quickly move on to showing how subtle framing techniques (such as $100 ticket versus $100 in cash) influence economic outcomes. But surely there is a richer story to be told about how actors meaningfully maintain and segregate mental accounts (Henderson and Peterson 1992). To better understand how actors manage their mental accounts, I prompt interview respondents to think about the similarities of SRI and charitable giving. This abandons behavioral economics' emphasis on unconscious processes and privileges the analysis of meaningful explanations that are accessible to actors, a familiar methodological approach among cultural sociologists. This enables me to answer my second research question. *Do SR investors tend to view their giving and their SR investments as similar or different?*

Social Meaning of Money

In direct response to behavioral economists, Zelizer (2011) explains that mental accounts are "deeply grounded in our social relations and shared meaning system. In fact, cognitively established categories remain mysterious unless we understand that they usually both emerge from and construct our distinctive relations to others" (pg 90). Zelizer (1989) nicely exemplifies this with her historical example of "pin money," which was the 19th Century American wife's supplementary income derived from caring for boarders, selling eggs or sewing projects. As a result of the unequal legal and cultural status of wives, pin money was segregated from the husbands "real" earnings. In this example, viewing pin money as merely a cognitive category ignores the important social relations within a larger cultural context. This article explores the moral meaning that buttresses the mental accounts of social actors. The third research question I raise is, h*ow do actors perceive their moral involvement in charitable giving, householding and SRI?*

In order to answer the second and third research questions about MEB, I narrow my scope of analysis to SR investors. Due to the very paucity of SR investors this article reveals, a nationally representative sample would not generate a large enough sample size of SR investors to efficiently proceed. I therefore select a target population of SR investors and trust they are also involved in charitable giving and householding. In particular, I focus on one religiously affiliated mutual fund that is associated with Mennonites. The Praxis mutual fund family is well regarded in the SRI industry and is engaged in screening, advocacy and community investment. Before describing the data used in this article, I provide a brief description of Mennonites and their SRI mutual fund family.

CASE STUDY

Mennonite Simplicity and Community

The Mennonite movement traces back to 1525 in Zurich, Switzerland, where

Huldrich Zwingli and a group of like minded adults decided to baptize one another. This act of adult baptism defied the established Protestant church's practice of infant baptism, leading to the group's derogatory label, Anabaptists, which means *to baptize again*. Menno Simons left the Roman Catholic priesthood to join the Anabaptists in 1536 and his subsequent writings on faith and doctrine helped solidify the movement, leading to the *Menist* and eventual *Mennonite* label. In face of persecution from state and church leaders, Anabaptists sought out regions of refuge, spreading the movement to German and Dutch speaking areas of Europe. The group's refusal to participate in the military led to a cold reception in many European locations. Throughout the 17th and 18th Century, certain branches of Anabaptists Mennonites from modern day Germany immigrated to the United States in search of freedom from religious persecution. Mennonites have retained their conscientious objections to participation in war, and today represent one of the few historic "peace churches" (along with Amish, Brethren and Quakers). As of 2000, there were 291,200 American Mennonites.[4]

Simplicity and community are two Mennonite values that are especially relevant to this article's emphasis on MEB. Mennonite teachings emphasize a plain or simple lifestyle. Grounded in nonconformity to surrounding society and Biblical injunctions against materialism, Mennonite simplicity has historically manifested itself in plain dress and unadorned congregational worship (Bender et al. 1958). However, as Mennonite communities prospered economically, simplicity has been difficult to maintain (Redekop 1989). Nevertheless, simplicity remains an important cultural and spiritual value for many contemporary Mennonites.

American Mennonites also tend to exude a "communal ethic" where "the motivation of the individual" is "subordinated to the collective" (Fretz and Redekop 1989). One manifestation of this communal ethic that touches upon economic life is mutual aid, the practice of helping those in the community in a time of need (Fretz et al. 1989). This communal ethic of mutual aid grew out the experience of early Anabaptists who endured "persecution, famine, and political upheavals" which in turn "motivated the believers to gather into communities where they depended on each other for physical and spiritual survival. Sharing material goods and caring for each other's needs were major elements of the Anabaptist movement. When persecution subsided and when community life became stable, mutual caring was often formalized and was built into ongoing community life" (Fretz et al. 1989).

Mennonite Mutual Aid (MMA)[5] is one such formal financial organization that continues some of the benevolent activity its name connotes. MMA "grew out of a long tradition of church communities putting faith into action by sharing resources with each other. .. [It] started by offering loans to church service volunteers. Over the years… [it] added many more mutual aid and stewardship programs" (History of MMA 2010). MMA Praxis mutual funds rolled out in 1994. The name Praxis stems from the Greek word orthopraxy, which means "correct action or activity." The fund family currently offers 10 mutual funds and totals $775 million in assets (as of January 31, 2011). Praxis practices all three prongs of the traditional SRI approach; screening, shareholder advocacy and community development. In line with the church's peace position, Praxis is perhaps best known for its avoidance of military stocks and government bonds.

DATA AND METHODOLOGY

Since an estimated 3 percent of mutual fund investors invest in SRI, contacting a substantial number of SR investors through a nationally representative survey design is prohibitively difficult. However, by focusing on one denomination that is associated with a well established SRI mutual fund, gathering data about a substantial number of SRI fund investors becomes possible. A mail survey of Mennonite Church USA members was conducted by a team of sociologists in 2006.[6] Stratified by size and geographic location, 120 congregations were randomly selected. Each selected congregation then supplied researchers with a list of their members, from which about 30 was randomly selected as a mail survey respondent. The final total sample size is 2,216, collected with a 76 percent response rate. Survey respondents were asked if they invest in any mutual fund and whether they invest with Praxis. These quantitative data are analyzed to determine if higher levels of charitable giving are associated with the decision to invest in an SRI fund, the first research question I raised.

In a separate study, I collected phone survey data from a random sample of 499 Praxis investors in January and February of 2010. The last phone survey question asked if the respondent would be willing to take part in a follow-up phone interview. Fifty-nine (59) percent said yes, from which a simple random sample was selected for phone interviews.[7] I conducted all phone interviews, which averaged 36 minutes in length, in April through June of 2010. Of 47 contacted respondents, 6 refused to take part. A total of 41 interviews were recorded, transcribed and analyzed with Atlas-TI. In this article, all interview respondents are referred to with pseudonyms to protect their identity. There was no monetary compensation for the interviewee’s time.

After conducting a more close-ended phone survey with a larger sample of Praxis investors, the phone interviews analyzed here give Praxis investors an opportunity to provide more in depth information about their investing attitudes and experiences. Interviews were semi-formal, in that I aimed to ask the questions on the interview script (see Appendix 1), but took the freedom to deviate from the script as I saw fit. For instance, one interviewee mentioned that he was involved in an investment club and I took a few minutes to learn more about his experience with that. Throughout my phone interviews, I did my best to understand my interviewee's "conscious view of the world, of themselves, and of their place in it" (Spickard 2007: 139). This means I often repeated what I heard them saying and asked if I had understood them properly. In practice, these clarification questions frequently encouraged interviewees to elaborate upon their original answer and resulted in the more open ended and thoughtful responses that I was looking for.

These qualitative data stem from SR investors who are also involved in charitable giving and householding, providing a sufficient comparative framework to help unravel the aforementioned puzzle. More precisely, the manner in which these respondents make sense of their own giving, householding and SR investing is assumed to generalize beyond just SR investors and therefore offer an explanation for the puzzle of high giving and low SRI levels among all Americans.

RESULTS

Does Giving Crowd out SRI?

At the onset, I provided evidence that Americans are more willing to give their money away than to invest it ethically. I now substantially narrow my population of study by focusing on the case study of Mennonites. To proceed with the denominational survey data at hand, I omit from my analysis 40 percent of Mennonite respondents that do not invest in a mutual fund to sidestep the issue of whether a respondent invests in any mutual fund. Among mutual fund investors, 23 percent report that they invest in Praxis (see Table 4.1 for descriptive statistics of all variables to be included in upcoming model). This proportion of SRI investors is substantially higher than the 3 percent estimate of all mutual funds stated at the onset of this article. I attribute this inflated proportion to the fact that Mennonites have their own SRI mutual fund, causing this particular population to be more likely to invest in SRIs.

Table 4.1: Weighted Descriptive Statistics (Proportions and Means) of Mutual Fund Investors from Mennonite Denomination (N = 1,223)

Proportional giving: less than 1 percent	0.03
Proportional giving: 1 to 5 percent	0.16
Proportional giving: 5 to 9 percent	0.19
Proportional giving: 10 percent	0.32
Proportional giving: 11 to 20 percent	0.26
Proportional giving: more than 20 percent	0.04
Invests in Praxis	0.23
Female	0.52
Age	54
2005 income (in $1,000s)	73.898
2005 income (in $1,000s) squared	8,087.147
Home value (in $1,000s)	188.014
Home value (in $1,000s) squared	50,121.42
Voted for George W. Bush in 2004	0.53
Religion is most important thing in my life	0.43
Attends church less than monthly	0.05
Attends church monthly	0.14
Attends church weekly	0.74
Attends church more than weekly	0.07
Edu: High school graduate or below	0.26
Edu: Some college	0.27
Edu: College graduate	0.19
Edu: Some graduate school	0.28

Note: Proportions and means are calculated from original and imputed data.
Source: 2006 Mennonite Church Membership Profile

In order to answer the first research question of whether charitable giving crowds out or is associated with SRI, I predict each outcome separately, while controlling for standard demographic variables that may impact each outcome. I predict the binary outcome of investing in Praxis with a Logistic regression model. Model 1 of Table 4.2 reveals that giving categories 10 percent and above are associated with an increased the odds of investing with Praxis. Compared to those that give less than 1 percent of their income, those that give 11 to 20 percent have an increased odds of investing by a factor of about 5 and those that give more than 20 by a factor of 7. To interpret these coefficients, I calculate predicted probabilities while holding all other values at their respective variable's mean. Those that give less than 1 percent of their income to charity have a predicted probability of 8 percent of investing with Praxis. Those that give 11 to 20 percent of their income to charity have a predicted probability of 31 percent and those that give more than 20 percent have a predicted probability of 40 percent.

Table 4.2: Estimated Odds Ratio of Praxis Investment and Giving

	Odds Ratio of Investing[a]	**Odds Ratio of Giving[b]**
Proportional giving: less than 1 percent (referent		------
Proportional giving: 1 to 5 percent	1.61	------
Proportional giving: 5 to 9 percent	1.95	------
Proportional giving: 10 percent	2.85+	------
Proportional giving: 11 to 20 percent	4.89*	------
Proportional giving: more than 20 percent	7.33**	------
Invests in Praxis	------	2.11***
Female	0.9	0.9
Age	1.01	1.02***
2005 income (in $1,000s)	0.99+	1.00
2005 income (in $1,000s) squared	1.00+	1.00
Home value (in $1,000s)	1.00+	1.00
Home value (in $1,000s) squared	1.00	1.00
Voted for George W. Bush in 2004	0.54***	1.11
Religion is most important thing in my life	0.83	1.98***
Attends church less than monthly	0.24*	0.04***
Attends church monthly	0.36**	0.20***
Attends church weekly	0.57*	0.49**
Attends church more than weekly (referent)		
Edu: High school graduate or below	0.57**	1.13
Edu: Some college	0.53**	1.05
Edu: College graduate	0.76	1.22
Edu: Some graduate school (referent)		
N	1223	1223

+ p<.1, * p<0.05, ** p<0.01, *** p<0.001 (two tailed)
[a] Logistic Regression
[b] Ordered Logistic Regression
Source: 2006 Mennonite Church Membership Profile

I predict the ordinal charitable giving outcome with an Ordered Logistic Regression model.[8] Model 2 in Table 4.2 shows that being a Praxis investor increases the odds of proportional giving by a factor of 2.1. The predicted probability of non-Praxis investors giving more than 10 percent (that is, the sum of predicted probabilities for the top three proportional giving categories) is 59 percent, compared to 76 percent for Praxis investors. In sum, investing with Praxis is associated with charitable giving. This associational evidence disconfirms the notion that individuals perceive one broad moral mental account and that charitable contributions crowd out SR investments. Put another way, it suggests charitable contributions are segregated from SRI dollars in the minds of survey respondents. This allows both giving and SRI to flourish in concert.

Attending religious services increases the odds of both giving and investing in Praxis. This highlights the similarities between the two outcomes. However, attendance is the only factor in the featured models that has a similar directional impact on both MEB outcomes, suggesting there are different processes underlying each outcome. Claiming religion is most important part of one's life significantly induces the odds of giving while having no association with investing in Praxis. Higher levels of education induces the odds of investing in Praxis, yet is not related to giving. Political conservativeness (measured by voting for George W. Bush in 2004) decreases the odds of investing in Praxis and is unassociated with giving. These results create a muddled picture. To help better understand the relationship between these two MEBs, I turn to analysis of qualitative data taken from Praxis investors in 2010.

Differentiation of Giving and SRI

I now consider the similarities and differences between SRI and charitable giving from the perspective of social actors. Twenty-seven (27) Praxis investors were asked and seemed to understand the following interview prompt, "Some think that contributing money to a religious mutual fund, such as Praxis, is similar to contributing money to your church. How do you react to that idea?"[9]

Francine is a middle aged woman who happens to be an employee off MMA. In response, she reasons,

> I don't know that I see it as that different… I like contributing to my church specifically because I feel that they've done a lot of good in the community. Okay. And I also want to support the spiritual part of it too. But I think at a certain point, all of the mission and service things our church is doing is very similar to what SRI is about. You know, in terms of helping communities and helping people in communities…. All the kind of service and missions stuff is in some ways, to me very similar to SRI.

Francine is one of the 7 percent (2 out of 27) of valid respondents that sees a similarity between giving and SRI and isolates community involvement as the commonality between the two. In contrast, 93 percent (25 out of 27) say they do not see a similarity in response to the same prompt. This provides a resounding answer to the second research question. When prompted to think about similarities between the two, respondents instead overwhelming articulated a difference between giving and Praxis investments. Through analysis of responses, two themes of differentiation arose, 1) ownership of the money and 2) the expected return.

Dustin, a college professor in his 40s, exemplifies both quite well.

> When I invest money with MMA Praxis, there's still some selfish desire… I don't expect a return on my investment from my church… I give that money in the offering and I don't have strings attached to that. I mean it goes somewhere, and it's like whatever the church does with that, it does with that. But my investments, oh my gosh, you know, there's some strings attached. I mean, it all sounds well and good, but if they don't raise me some profit, then I would probably say, "Hmm, why am I doing this?" So, I don't know if I see it as exactly the same thing.

Sixty (60) percent (15 out of 25) of the respondents that articulated a difference between giving and SRI mentioned the expected return of dollars from Praxis and/or the absence of returns from charitable giving. Similarly, 60 percent mentioned control or ownership as important. In other words, many respondents feel they still had connections to their Praxis dollars, while in comparison, they give up control of their charitable donations. As Dustin puts it above, “I give that money in the offering and I don’t have strings attached to that.”

Responses to the interview prompt to compare giving and Praxis investing reveals a nearly unanimous perception of differentiation. This evidence, coupled with the survey results presented above, suggests the church treasurer should not feel threatened by their congregants’ socially responsible investments. It is also likely that similar processes operate in non-religious realm, meaning environmental non-profit organizations need not fret competition for dollars with environmental SRI funds. Ethical investments do not seem to crowd out charitable giving.

In sum, the interview data analyzed here provides a fuller portrait of why the two mental accounts are differentiated, significantly extending the mental accounting’s cognitive orientation. The most oft repeated response points toward the relationship between the actor and his or her dollars. Charitable dollars are relinquished while investments are not. Investors expect returns and givers do not. This monetary differentiation of mental accounts disconfirms the notion that charitable giving crowds out SRI. However, these perceived monetary differences fail to provide a satisfactory explanation to this article’s puzzle. Why are Americans more willing to relinquish their dollars by giving them away, yet hesitant to “keep” their money and get more through ethical investing? To better answer this question, I now focus on the moral components of MEB.

Morality

To answer the third research question, *how do actors perceive their moral involvement in various MEBs*, I compare the moral reasons given for charitable giving, SR investing and householding. Cultural sociologists have emphasized the importance of paying attention to justifications (or reasons) individuals provide for their behavior (Swidler 1986, Swidler 2001). Indeed, given the multiplicity of factors that may be driving what appears to be moral economic behavior, it is all the more important to speak with the social actors and hear how they make sense of their behavior. For the purpose of this research, I define a *moral reason* as an explanation that includes 1) an imperative quality that pertains to the "the right thing to do" and 2) is outward oriented (to one's religious tradition or God, toward other social actors or the environment).[10] After identifying 211 moral reasons given for MEBs that meet these two criteria, I code them into categories that naturally arise from the content at hand. I also strive to create categories that span charitable giving, householding and investing, to aid in comparability.

At this juncture, it is important to acknowledge the religious context of this particular case study. Many religious traditions provide well codified moral statements that instruct followers how they ought and ought not behave (Bader and Finke 2010). American congregations are typically devoted to reminding followers of their moral commitments. Since the socially responsible investors interviewed here are mostly from Mennonite or Christian churches,[11] I prompted for moral reasons by asking how one's religious faith impacts their giving, householding and Praxis investing.[12] Most respondents readily understood the question and provided answers that revealed that their religious faith significantly calibrates their moral compass.

However, the findings here are meant to generalize beyond the religious context, and indeed, many of the moral categories discussed below are not unique to a religious context.

Moral Reasons for Investing in Praxis

Elvin gives the following moral reason for investing in Praxis, “I still have a strong pacifist streak. So avoiding defense spending has some appeal to me.” Aligning with Mennonite pacifism, many respondents spoke positively of Praxis’ avoidance of military related stocks. This moral reason reflects a concern for filtering out the bad or immoral and letting in the good or moral. In the case of mutual fund investing, this translates into avoiding “sinful” companies and targeting the “better” ones for ownership. In this way, respondents can remain pure. Jason explains, “…I feel as though I'm not supporting anything that would violate my conscience... by being in Praxis.” Sixty-two (62) percent of the moral reasons for investing in Praxis fall under this *remaining pure* category.[13] This concern for remaining pure mirrors a deontological flavor of morality, where adhering to rules or performing one’s duty is most important.

Respondents also saw their Praxis investments as directly *helping others*, another significant category of moral reasons. Ronald explains,

> …a central kerygma of our church doctrine is to find ways to make peace in the world. And since we have this… discretionary money that we can use, we want that to be used in a way that is going to promote peace in the world, and as well as good health and good futures for people that we don't even know about. And so we just feel our faith draws us into a position of using money for Praxis.

Another commonly cited reason that falls under the *helping others* category is mutual aid, where MMA (Praxis' larger denominational organization) contributes money to needy individuals typically identified by local congregations. Five respondents mentioned this benevolent activity as a moral reason to invest in Praxis. In total, 27 percent of moral reasons given for investing in Praxis fall under the *helping others* category. Seven percent of the reasons are coded as *allegiance to church organization* exemplified by Laura explaining, "I think that the reason would be because it's a Mennonite organization and we're Mennonite and we feel like we should use our own denominational organizations." Only two respondents (or 3 percent of moral reasons) are coded as *helping the environment* (see Appendix 3 for all moral reasons for investing in Praxis).

Moral Reasons for Charitable Giving

Most interview prompts revolved around the respondent's attitudes and experiences with Praxis. However, many voluntarily spoke about their charitable giving in response to this particular question, "Does your religious faith impact the way you spend your money?" Inviting respondents to think about how their religious faith and money were connected typically elicited more comfortable and lengthier responses (as opposed the questions about Praxis investments).

Pat was initially apprehensive to take part in the phone interview, because she did not like to think about her financial investments. However, she felt more comfortable talking about her charitable giving.

> When my father passed away… we received inheritance, and I took a good chunk of that and put it in an account to be used specifically for me to tithe and give out as I've felt the Lord leading me…. That has probably been one of the most joyful things I've been able to do…with money. [laughter]… I've given a… five hundred dollar gas card to a mother with four children,

> just trying to get back on her feet. And there was also a young mother at church who has extreme pain and they aren't able to find the source of it at this point in time. But we found out that doing massages has been helpful and insurance doesn't cover that. So, I had provided her with money, 1,000 dollars, to… get that kind of help.

Jason, a computer technician for a non-profit organization explains, “I'm giving my money to my church to be used locally to… help my community.” These are examples of moral reasons for charitable giving that fall under the previously mentioned *helping others* category. Sixty-five (65) percent of the moral reasons for giving fall into this category. Twenty (20) percent refer to the respondents feeling gratitude to God for their resources, which in turn motivates a moral imperative to give some of it away. For instance, Ronald explains, “the stewardship position has made me think about making sure that I'm tithing, as a gratitude response to God.” Another 13 percent of the reasons allude to biblical directives to tithe or give to charity. Bradley explained, “Jesus said share! Give a tenth and give above the tenth.” Only one moral reason (3 percent) for charitable giving falls into the *remaining pure* category that was discussed above. In this isolated example, the respondent explains he would never donate money to the National Rifle Association, stemming from a peace position (see Appendix 4 for all moral reasons for charitable giving).

Moral Reasons for Householding

While this article has mostly focused on giving and SR investing, the concept of household economy opens up a broader realm of economic behavior that I find particularly amenable to research on MEB. Respondents are adept at reflecting upon how their religious faith impacts their household activities. Discussions of this nature were mostly prompted with the following: “Now I'd like you to think about everyday life and the things you do to take care of your household. By that, I mean getting groceries, eating meals, taking care of the house and also the things you do in your free time for leisure. Would you say that your religious faith impacts these household activities? If so, how?”

Respondents give a wide range of household activities. They include buying local goods, boycotts, egalitarian household division of labor, entertainment choices, food consumption, environmentally friendly home construction, hospitality, maintaining old products instead of buying new ones, patronizing Christian businesses, simplicity, time management, and careful consideration about what to spend money on. Of this multiplicity of household activities, respondents most often linked their religious faith to simplicity (or frugality), which refers to an orientation toward reducing consumption. Ivy, a part-time caregiver in her 60’s, explains, “This world is not our home… we are pilgrims here so… we try to keep… a modest… simplicity..., to live comfortably, but not… luxuriously.” In another example, Brittany prays about whether or not to spend money for a vacation.

Having provided some examples of householding activities that respondents relate to their religious lives, I now turn to the moral reasons offered for engaging in these various householding activities. Tucker is a missionary in the Midwest, and explains how his religious faith impacts the way he spends his money.

> Well, I guess spending money on the things I believe in, the things that will impact the world with the gospel rather than just on being comfortable or being in interesting places. I enjoy seeing interesting places and I like to see a good play or a good movie, or a good concert. But I don't do a whole lot of that. Not because it's not valuable, but it's not what my primary objective is. I don't spend a lot of money on those areas. If I'm having coffee or eating out with people that I want to get to know, why then, that's

different. I spend a little more money in that area.

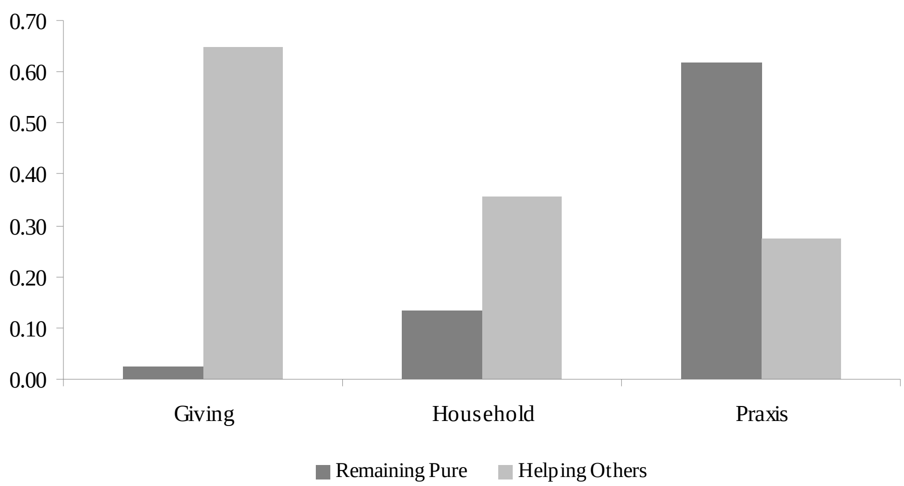
Here, Tucker can justify spending money on eating out with people whom he wants to get to know, but not on other things. Reaching out to others (or *helping others*) is the most frequently cited moral reason for engaging in household economic activity, with 36 percent of the householding moral reasons falling into this category. Nineteen (19) percent of the reasons point to following the Bible, frequently following the example of Jesus' lifestyle. Warren, a college professor, claims, "Living simply, I think, is more of following…the example of Jesus and his disciples. You know, they were not the economic elite of their day. They were simple folk."

Fifteen (15) percent refer to helping the earth or the environment as a moral reason. Galen says, "We're trying to buy more locally grown products. You know, we're cutting down on transportation of food type of things." Thirteen (13) percent of the reasons fall into the *remaining pure* category. For instance, one retiree strives to reduce his income so as to avoid paying taxes altogether and thereby not support the government's military spending. Others did not allow immoral entertainment media into their homes. Eight (8) percent explain their householding in terms of freeing up resources to be used for other moral ends, which I call *better use of resources.* Three (3) percent indicate the resources they have are a gift which impacts their householding (see Appendix 5 for a sample of moral reasons for householding).

Comparing Moral Reasons

I now turn to the patterns that emerge by comparing the distribution of moral reasons across the three categories of MEB. In particular, I zone in on the proportion of responses that fall into the *helping others* and *remaining pure* categories. Viewing the three MEBs side by side reveals that SRI is highly associated with *remaining pure* (62 percent of SRI moral reasons) but fewer SRI reasons referred to *helping others* (27 percent). In contrast, charitable giving and householding see higher proportions of *helping others* and lower proportions of *remaining pure* (see Figure 4.1).

Figure 4.1. Proportion of Moral Reasons by Type of Moral Economic Behavior (MEB)



Note: Chi Square = 126 (p< .001) for all moral reasons (N = 211). For clarity's sake, this figure only shows proportion of two categories of moral reasons, *remaining pure* and *helping others*.
Source: 2010 Praxis Interviews

These descriptive statistics demonstrate that, while different forms of morality can be attached to all MEBs, there are nonetheless distinguishable patterns. The fact that SR investors have a harder time articulating how their investments actually *help others* provides one explanation for the hesitancy of more people to invest in SRIs. Inversely, despite the certain sacrifice of dollars that accompany charitable giving, there is a more natural social connection to other people who tangibly benefit from the contributions. This social connection provides a sociological and moral explanation for the relative willingness of people to give their money away.

CONCLUSION

Upon considering the contrasting monetary implications of giving and SR investing, I posed the question, why are Americans more likely to give their money away than invest it ethically? To help answer this question, I focus on mental accounting and morality. It is acknowledged that this theoretical orientation and the subsequent research questions downplay convincing alternative explanations to this puzzle. For instance, people are routinely faced with the opportunity to give, exemplified by a passing plate at weekly religious services or evening phone calls requesting contributions to charities. In contrast, individuals are unlikely to be confronted with the moral implications of their investment decisions on such a routine basis. Put another way, some may not even know about SRI options and this would obviously explain why they do not invest that way. The quantitative sample examined here partially deflects this issue because denominational respondents are especially likely to have heard of their own denomination's SRI mutual fund. But it is acknowledged that this research design does not perfectly control for the structural opportunity to invest in SRI. Instead, I explore how mental accounting and the form of morality might provide additional explanatory leverage.

Data are collected from American Mennonites, a small denomination that lays claim to its own SRI mutual fund. This tractable site of research yields ample data for analysis of an otherwise relatively small and hidden population of SR investors. However, this also raises the issue generalizability. What can Mennonites tell us about average Americans? Mennonites tend to be pacifists that value simplicity and community. However, these particularities are discussed in light of more abstract concepts that are generalizable to all SR investors. For instance, refusing to own military stock is one example of a broader form of morality I refer to as *remaining pure.* All SRI funds select other kinds of stock they want to avoid, making this form of morality applicable to all ethical investors. The importance placed on community (as practiced in *mutual aid*) is represented by the *helping others* form of morality, but there are many other examples as well that are more generalizable to all Americans. Lastly, simplicity is a kind of householding MEB that finds particular resonance among Mennonites, but I also catalogue other householding MEBs and intentionally analyze the moral forms associated with the broad householding category. This too enhances generalizability to a larger population.

A mental accounting orientation leads to two competing hypotheses. Depending on the breadth and nature of mental accounts, charitable giving could crowd out *or* track with SRI dollars. This article demonstrates that giving and SR investing are correlated, thereby providing evidence that actors segregate their SRI dollars and giving dollars into separate mental accounts. Qualitative evidence confirms this segregation. Namely, when prompted to think about their potential similarities, 93 percent said they thought they were different and this difference was explained mostly in monetary terms. Interview respondents explained that the giver loses control of money and expects nothing material in return, while the investor maintains control and expects more money back. However, these important monetary differences between giving and SRI reemphasize this article’s puzzle. In other words, if we only consider the monetary outcome (which was salient to interview respondents), we would expect higher levels of involvement in SRI because of its preferred economic outcome.

After establishing this segregation of moral mental accounts, I part ways with the thrust of most behavioral economics research. It is not my intent to conclude that these segregated mental accounts are irrational and produce suboptimal economic outcomes. Instead, I analyze the moral meaning actors derive from their MEB in attempt to better understand their economic behavior. This methodological approach, quite familiar among sociologists, assumes actors are consciously making decisions and therefore able to articulate their own motivation.

Therefore, I take a closer look at the moral reasons individuals provide for engaging in MEB. The *remaining pure* form of morality is most commonly associated with SRI, no doubt because these funds are frequently defined and marketed mostly by their screening activity. Recall, however, that Praxis is also heavily engaged in shareholder advocacy and community investment. Respondents could draw upon these alternative activities as they think about the religious implications of their investments. They instead prefer to draw from the deontological well of morality which focuses on the individual *remaining pure* from perceived profanations, such as the military related stocks. This form of morality, however, is less associated with charitable giving and householding.

The *helping others* form of morality emphasizes social relations and resembles a consequentialist version of morality, wherein the implications of behavior are taken into account. Actors more frequently articulate this *helping others* form of morality when discussing their giving and householding behavior and less so for SRI. Zelizer (2011) suggests the concept of mental accounting is enriched through consideration of the social relations that provide meaning to money. In this vein, I suggest the more tangible and relational nature of *helping others*, and its greater association with charitable giving, provide a convincing explanation for why many give money away, but few invest ethically. Actors can more readily see the direct repercussions of their charitable donations while they have more difficulty doing so through investing ethically in the financial market.

This relational component of morality echoes Weber's prescient view of modern rational capitalism. Weber ([1915]1946) writes, "The more the world of the modern capitalist economy follows its own immanent laws, the less accessible it is to any imaginable relationship with a religious ethic of brotherliness. The more rational, and thus *impersonal*, capitalism becomes, the more is this the case [italics mine]" (pg. 331). The impersonal nature of the financial market creates an awkward context for an *ethic of brotherliness* or a *helping others* form of morality to flourish.

Just as behavioral economists are finding the importance of mental categories in determining monetary behavior, this article isolates morality as an equally important factor. While I have concentrated on charitable giving and SRI as specific examples of moral economic behavior (MEB), morality can impact a much broader array of economic behavior. For example, many household economic activities carry moral significance for social actors. Future research should continue to examine the conditions under which morality is likely to be unleashed and the conditions under which it is not. This research has shown that the form of morality (whether *remaining pure* or *helping others*) can make a difference.

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ENDNOTES

[1] At year end of 2009, there were 8,624 US mutual funds, totaling $11.1 trillion in assets (Investment Company Institute Factbook 2010). Social Investment Forum (2010) reports 250 SRI mutual funds totaling $316.1 billion. The proportions SRI fund and SRI assets come to about 3 percent. This may underestimate how many Americans mutual fund investors are investing in SRIs, if individuals tend to put smaller amounts in SRI funds. On the other hand, a few wealthy Americans could invest large chunks of money in SRI mutual funds, which means three percent would be an overestimation. By including assets held by large institutional investors and individuals alike, an estimated 12.2 percent of total assets under management is invested according to SRI criteria (Social Investment Forum 2010). However, given this article's focus on the social behavior of individuals, I focus on the proportion of mutual fund assets because it more closely approximates individual investor behavior.

[2] About 44 percent of American households own a mutual fund, inside or outside employer-sponsored retirement plans. Sixty-eight (68) percent of mutual fund owning households in the United States hold mutual funds inside employer-sponsored retirement plan accounts (Investment Company Institution 2010), which typically provide their employees with a finite array of mutual fund options. This raises one possible explanation for the low levels of SRI involvement. Perhaps few employers offer them as options in their benefit packages. One way to address this possibility is to look at one fund family that is frequently available through such benefit plans. Many workers in the education field have the option of investing in TIAA-CREF's mutual fund family and one of the many mutual funds available is an SRI fund. Viewing all TIAA-CREF mutual fund assets as of January 31, 2011 (Bloomberg Terminal), reveals Social Choice assets make up less than 1 percent of all assets in that fund family. This confirms the low level of SRI involvement, even among those that have a viable option.

[3] For the purposes of this article, the second "outward orientation" moral criterion is designed to preclude the potential moral position that *one ought to look out for one's own self interest*.

[4] This estimate is produced from the Association of Statisticians of American Religious Bodies (ASARB) and retrieved from the ARDA (http://www.thearda.com/). It tallies the number of adherents from the following Mennonite family denominations: Mennonite Church USA, Mennonite Brethren Churches, Old Order Mennonite, Church of God in Christ (Mennonite), Conservative Mennonite Conference, Beachy Amish Mennonite Churches, Evangelical Mennonite Church, Eastern Pennsylvania Mennonite Church and Reformed Mennonite Church.

[5] MMA has since changed its name to Everence.

[6] The Mennonite Church Membership Profile (CMP) survey was conducted by Don Kraybill, Carl Desportes Bowman and Conrad Kanagy and the data are available for purchase from the Young Center for Anabaptist and Pietist Studies. All forthcoming data descriptions and analyses derive from data that is weighted to account for

differential congregational response rates. This weighting adjustment ensures the correct balance of geographic and congregational representation that the initial sampling procedure was designed to accomplish. The weights also account for the differential response rates of men and women.

Income and home value categorical values were converted to continuous data by randomly selecting values within each appropriate category. Missing values of independent variables were manually imputed by constructing regression models with existing data and predicting values. Congregational indicator variables were cleaned from data, rendering multi-level modeling impossible. In addition to dropping respondents that do not invest in any mutual fund, 147 respondents that report getting auto insurance from Mennonite Mutual Aid (MMA) are dropped because MMA did not offer car insurance at the time of the survey.

[7] An additional analysis (not shown here) reveals that financially literate respondents are more willing to participate in the phone interview. This means the qualitative data stem from a slightly more financially literate sample than the original phone survey sample.

[8] The ordered categories of the proportion of income given to religious and charitable causes are as follows: less than 1 percent, 1 to 5, 5 to 9, 10, 11-20, and more than 20 percent. Due to the uneven magnitude of these categories, I confirm the robustness of forthcoming Ordered Logistic regression results with a Logistic regression model which predicts the binary outcome of giving 10 percent or more and an ad hoc summary of a Multinomial Logistic Regression models (see Appendix 2). In sum, the featured results are supported with these additional models.

[9] Of the 41 interviews, I skipped this interview prompt with 12 respondents, usually because other questions took up more time than I had expected and I had to cut questions. Two respondents were asked the question, but did not seem to understand it. This leaves 27 respondents for analysis.

[10] Here are some examples of reasons I am not considering moral. For instance, investing in Praxis because one's employer offers it does not count as a *moral* reason because it is not explained as an imperative action. In other words, it is not explained as "the right thing to do." Likewise explaining, "I live simply because I was brought that way" does not count as a moral reason because it implies an ingrained habit and fails to explicate a moral imperative. Investing with Praxis because one wants more liquid assets (in comparison to real estate) is not considered moral because the action is solely justified in terms of the benefit to ego and fail to meet the "outward orientation" criterion.

[11] Out of the 499 Praxis investors surveyed in another portion of my research, one is "not religious" and four are not part of a religious group. This information justified my assumption that most interview respondents would have some degree of religious experience. One interviewee was uncomfortable with the term "religious faith," but was more comfortable the term "spirituality."

[12] Most moral reasons were gleaned from responses to the following four interview prompts (see Appendix 1)…

1. Can you tell me a little bit about why you began investing with Praxis?
5. I'm wondering, does your religious faith impact the way you spend your money? If so, how?
6. Now I'd like you to think about everyday life and the things you do to take of your household. By that, I mean getting groceries, eating meals, taking care of the house and also the things you do in your free time for leisure. Would you say that your religious faith impacts these household activities? If so, how?
7. Is there a connection between your religious faith and your decision to invest with Praxis?

[13] Toward the end of my interviews, I asked respondents to explicitly name the kinds of companies they would not feel comfortable investing in through their mutual fund (Q20 in Appendix 1). Responses to this question are not included in my population of moral reasons and are therefore not coded as *remaining pure*. I have excluded these responses from analysis because the prompt (given toward the end of interviews) too strongly elicits responses that would fall into the *remaining pure* category. This means moral reasons analyzed in this article were voluntarily given.

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Appendix 1. Interview Script for Praxis Mutual Fund Investors

Motivation for investing with Praxis

1. First question, can you tell me a little bit about why you began investing with Praxis?
    -(if answer is about investing in any kind of mutual fund) There are many mutual funds available for people to invest in. Can you tell me why you are investing with Praxis- and not some other fund?

2. Pretend for a moment that Praxis mutual funds did not exist. If that were the case, do you think you would still be investing in the financial market; in stocks and bonds?
    -If so, how?
    -If not, what might you do with your money that is now in Praxis?

3. In general, when you do think about your Praxis investments, how does it make you feel?
    -Prompt: Do you have negative thoughts or positive thoughts?

4. Do you currently have a financial adviser that helps you with your mutual fund investments?
    -Tell me about your relationship with that financial adviser.
        -Is he or she associated with MMA?
        -Do you feel like your adviser is pushing you toward more Praxis investments?

Religion and Economy

5. I'm wondering, does your religious faith impact the way you spend your money?
    -If so, how?

6. Now I'd like you to think about everyday life and the things you do to take of your household. By that, I mean getting groceries, eating meals, taking care of the house and also the things you do in your free time for leisure. Would you say that your religious faith impacts these household activities?
    -If so, how?

7. Is there a connection between your religious faith and your decision to invest with Praxis?
    -Tell me more about that connection or lack of connection.

8. Some think that contributing money to a religious mutual fund, such as Praxis, is similar to contributing money to your church. How do you react to that idea?

9. Do you attend church?
    -Do you hear about Praxis funds at your church?
        -If so, tell me more about that.

10. I'm thinking of the parable where Jesus says, you can't serve both God and money. Some would interpret this verse to mean there is a conflict between investing in the financial market and being a Christian. Do you feel that conflict at all?

11. In your opinion, is it acceptable for a Christian to be wealthy?
    -Can you tell me what you are thinking about as you answer this question?

Investments and return performance

12. What do you plan to use the money from your Praxis investment for?

13. In general, how are you feeling about your financial future?

14. How often do think about the return performance of your Praxis fund?
    -When you do, what comes to your mind?

15. If you were to learn that the return performance of your MMA Praxis fund was usually lower than conventional funds, how likely is it that you would sell some shares for that reason?
    -Can you tell me what you are thinking about as you answer this question?

16. Have you or your financial adviser ever sold shares of a mutual fund in past because of low return performance?
    -If so, was that from your Praxis fund, or some other kind of fund?

17. Suppose your Praxis fund were to earn much higher returns than conventional funds. Would you feel comfortable attributing that high return performance to God's intervention?
    -Can you tell me what you are thinking about as you answer this question?

18. The last couple of years were pretty bad for the financial market. Did the financial crisis of 2008 and 2009 affect you personally?

19. Did the financial crisis change the way you think about the financial market?
    -If so, how?

Ethical component

20. As you may know, a mutual fund, such as Praxis, owns stock in lots of different corporations. I'm wondering, are there certain kinds of corporations that you don't want your mutual fund to own stock in?
    -Are you engaging with these ethical issues in any other areas of your life? If so, how?

21. Were you aware that Praxis tries to change the behavior of some of the companies that it owns?
    - Can you talk a little bit about how this is or is not important to you?

22. In your opinion, is Praxis making a difference in society; are corporations listening?
    - Would you still invest in Praxis, even if it were not making a big difference society?

23. Do you invest in non-ethical mutual funds or conventional mutual funds?
    -Do you think that mutual fund may own corporations that you ethically disagree with?
    -How can you reconcile that with your religious faith?

Closing questions

24. Just recently, MMA announced that it will be changing its name from MMA to Everence. Were you aware of this?
    -In general, what is your reaction to this name change?
    -Does the fact that they are taking "Mennonite" out of their name concern you?

25. Within the past 2 years or so, can you recall a time when you spoke with your friends or extended family about your Praxis investments?

-What kinds of things do you talk about?

26. In my research, I'm only talking to people that invest in Praxis, but I'm curious about people who know about the funds and choose **not** to invest. Has anyone told you why they would not invest in Praxis?

-What reason did they give?

27. I have a few demographic questions as we close. Are you retired? What do you (did you) do for a living? How many children do you have?

28. Are there any other questions you wished I would have asked? Anything you want to let me know?

Appendix 2. Ordered Logit, Logistic and Multinomial Regression Analyses of Proportional Giving

	Odds Ratio of Giving[b]	Odds Ratio of Tithing[c]	Number of Statisically Significant Comparisons[d]
Proportional giving: less than 1 percent (referent	------	------	------
Proportional giving: 1 to 5 percent	------	------	------
Proportional giving: 5 to 9 percent	------	------	------
Proportional giving: 10 percent	------	------	------
Proportional giving: 11 to 20 percent	------	------	------
Proportional giving: more than 20 percent	------	------	------
Invests in Praxis	2.11***	2.15***	10
Female	0.9	1.09	2
Age	1.02***	1.02***	13
2005 income (in $1,000s)	1.00	0.99	1
2005 income (in $1,000s) squared	1.00	1.00	0
Home value (in $1,000s)	1.00	1.00	0
Home value (in $1,000s) squared	1.00	1.00	0
Voted for George W. Bush in 2004	1.11	1.31+	1
Religion is most important thing in my life	1.98***	1.94***	10
Attends church less than monthly	0.04***	0.05***	13
Attends church monthly	0.20***	0.12***	11
Attends church weekly	0.49**	0.32**	8
Attends church more than weekly (referent)			
Edu: High school graduate or below	1.13	1.35	0
Edu: Some college	1.05	1.26	0
Edu: College graduate	1.22	1.22	0
Edu: Some graduate school (referent)			
N	1223	1223	1223

+ p<.1, * p<0.05, ** p<0.01, *** p<0.001 for two tailed test

[b] Ordered Logistic Regression results, identical to Model 2 in Table 4.2.

[c] Logistic Regression results, predicting whether or not respondent gives 10 percent or more to charity.

[d] The number of statistically significant comparisons derives from a Multinomial Logit model which predicts the following outcome categories; less than 1 percent, 1-5, 5-9, 10, 11-20 and more than 20 percent. This is the same outcome as the Ordered Logit model, but the Multinomial Logit model does not assume an order. With six outcome categories, there are 15 possible comparisons to analyze (less than 1 percent vs. 1 to 5, less than 1 percent vs. 6 to 9, …, 11 to 20 percent vs. more than 20). To parsimoniously summarize these results, I sum the number of statistically significant (p < 0.05) coefficients, which report the effect of each independent variable on each outcome category relative to each other possible outcome category. When more than half (about 8) comparisons coefficients are statistically significant, I consider the independent variable to have an important impact on giving.

Source: 2006 Mennonite Church Membership Profile

Appendix 3. Moral Reasons for Praxis Investing (n=73)

Remaining Pure (n=45)	Helping Others (n=20)	Bible Directive (n=1)	Allegiance to Church Org. (n=5)	Help Environment (n=2)
Warren: to not be directly investing in things that I don't agree with… alcohol, tobacco, military.	Ronald: wanted to make sure that the money... was being used for peaceful purposes, to help other countries get on their feet	Julie: And, so we prayed about that, and it just seemed to feel like this one was the right one to go with.	Laura: because it's a Mennonite organization and we're Mennonite… and we feel like we should use our own denominational organizations	Gille: anti-war stance and the environmental stance.
Warren: You know, those kinds of … companies I wouldn't invest in I also would not work for.	Ronald: we felt that we were doing some good for the world by putting money into the fund		Dustin: I really pretty strongly consider our church institutions before I think about other things	Gid: they try to invest in companies that respect the environment
Ronald: ever since we've learned about SRIs, we've tried to put our money into places where we know it's not going, especially into military... emphasis.	Ronald: we feel like we're investing in good things, we're helping other countries... we're using the money… for peacemaking and good, constructive building		Dave: It's probably... loyalty... to denominational...products and institutions	
Ronald: our big bias is against the amount of money involved in the military.	Ronald: we want that to be used in a way that is going to promote peace in the world… as well as good health and good futures for people that we don't even know about		Juanita: some things you just do because you are part of an organization. And... I'm part of a church	
Leon: we don't like to see our money being used for military or for production of alcoholic products and tobacco and those kinds of things.	Ronald: for constructive world purposes.		Jody: I attend a Mennonite church, and so the Praxis was through the Mennonite financial institution. It was a way of supporting… what I would consider my financial institution.	
Leon: it is invested in places that are productive	James: Praxis is involved with...assisting with congregational programs through MMA.			
Jason: I feel as though I'm not supporting anything that would violate my conscience… by being in Praxis	Ken: it's more important for me that I invest in things where people are not being hurt by.			
James: trying to find investments that aren't supporting military involvement and... unethical drugs, and tobacco, and alcohol	Ken: hopefully my contributing to a Praxis fund is in some way helping…,in some virtuous way, the needs of this world			
Laura: they invested in companies that were responsible companies and have our same values	Dustin: our church gets grants from MMA... We've gotten grants for youth group, or help some other people... It doesn't seem like we should be willing to request those funds unless we're willing to invest with... Praxis			
Laura: they are going to be investing in good companies that would closely align with our own values.	Dustin: practical ways to do peacemaking			
Jayne: I would never...go online and think, "Oh, I'm gonna invest in RJ Reynolds...or I'm gonna invest in Playboy."	Dustin: it seems highly hypocritical not to at least invest some of my investments with MMA if I'm gonna ask them to match things for people in my Sunday school class			
Elmer: I was particularly pleased that they... steer clear of investments that support the military expenditures, and I'm concerned about justice issues and human rights.	Pat: they were doing their best to invest in things that were good for people and not detrimental to their health...I like when...I...can do something positive for somebody rather than harm			
Galen: I like to invest in things that are not going for... military companies…, companies that...have questionable, you know, the way they treat people, their workers	Ivy: to be involved in things that bring life rather than to destroy life			

Appendix 3 Continued. Moral Reasons for Praxis Investing (n=73)

Remaining Pure		Helping Others
Ken: I can't be saying it's most important for me to maximize my returns regardless of, you know, where those returns are coming from	Randy: Well, as far as the Praxis, I wouldn't want to support any... beer or cigarettes, companies like that	Rachel: MMA does a lot in aiding people in need
Dottie: they would be investing in place that we'd be more prone	Randy: I wouldn't want to support non-ethical companies	Francine: all of the mission and service things our church is doing is very similar to what SRI is about. You know, in terms of helping communities and helping people in communities.
Dottie: we wouldn't have to worry so much about it going to places where we wouldn't want it to	Lamar: they do make investments in accordance with our faith values. We oppose participation in war activities and military activities. In supporting... tobacco industries	Juanita: if there is money left of what is invested, that is distributed back to the people that need it
Brittney: the money that is being invested is invested in companies that do not promote abortion, or you know, those types of things that we do not go along with…	Lamar: their investments are in accordance with our traditional values	Marilyn: they [MMA] are able to help persons of need… I know through our church there have been several people who have applied for grants for specific needs
Brittney: that the companies are in good standing and they're upright and they're not crooked	Elvin: I still have a strong pacifist streak. So avoiding defense spending has some appeal to me	Marilyn: it's investing [in] other persons who need it
Dustin: and not things that were used for destructive purposes.	Frances: the investments... are not in things like alcohol, abortion related medical situations and ... companies that would take advantage of people unfairly. Even in other countries, and certainly in our own.	Marilyn: we are supporting something that would be beneficial elsewhere, other than just us
Dustin: to invest that in things that were at least neutral or good	Drick: they are investing in funds that I can support faith wise	Frances: when the church contributes to help somebody out in the community... MMA will actually match that contribution
Gille: anti-war stance and the environmental stance.	Laurence: would not invest in let's say tobacco, alcohol or companies associated with war	
Gille: I wanted to be sure that my money was not going to support the really bad stuff that some companies do, like war machinery	Alan: as far as we know, they don't invest with companies that deal with... alcohol and stuff with that.	
Wilber: trying to invest in companies that were more… ethical in their business practices.	Glen: the money actually was being invested in stuff that didn't go against things that we believed in.	
Wilber: MMA's effort to invest in ethical companies	Chester: We understood that it had money invested... more carefully aligned with issues that were not negative to the Anabaptists faith… like alcohol and gambling	
Eloise: the money is invested in mutual funds that we're not ashamed to invest in.	Gid: they're probably not going to invest in arms merchant, and they try to invest in companies that respect the environment	
Eloise: they're companies that I would personally choose to invest in, rather than... alcohol and that type of thing	Tucker: careful with their scrutiny of companies they invest in terms of social responsibility.	
Ivy: they're very careful that there's nothing that, as a Christian, we would not want to be involved in.	Marilyn: it doesn't channel into…. organizations that I don't want to support.	
Ivy: The money is being used in good areas	Marilyn: to support things that are pacifist.	

Appendix 4. Moral Reasons for Charitable Giving (N=40)

Remaining Pure (n=1)	Helping Others (n=26)	Bible Directive (n=5)	Money is Gift (n=8)
Ronald: not to use it for things that are involved in weaponry and donate to stuff like that. Like the NRA, I would never give a donation to them.	Warren: the part that's connected to tithing there are Bible verses that talk about sharing with those in need…. people have enough to eat.	Warren: the part that's connected to tithing there are Bible verses that talk about sharing with those in need…. people have enough to eat.	Ronald: the stewardship position has made me think about making sure that I'm tithing as a gratitude response to God
	Jody: I donate money to my church. I think of that being for the whole church	Chester: I feel biblically that there is a tremendous emphasis there, both by the example of Christ and also the guidelines and principles of the Bible. There's a lot to be done in serving other people, the more you spend on yourself the less you spend on other people. So we try to keep our charity level is pretty high.	Roy: I think there is in the sense that I would like to look at the money the Lord has given us as a gift. And if I can, I want to utilize that gift the best way I can. And whether it's helping the church grow by... giving an offering
	Roy: I feel, as a group, we have a responsibility to watch out for each other, where there are needs. And, um, we endeavor to use that money where we understand needs can be met by the use of it.	Ronald: we've focused on following the Gospel by aiming for 10% of our gross in what we contribute. Um, that's sort of our manner of saying, "This is our first fruits."	Sheila: I think it's just the general teaching in terms of what we have has been given to us graciously, you know, by God... part of that is just the mindset to share with others and to give back, not only to the church but to other organizations that are helping people
	Roy: And whether it's helping the church grow by… giving an offering and helping people bring the word to other individuals, to me, it's pretty important.	Bradley: Jesus said share! Give a tenth and give above the tenth!	Marilyn: we want to have an attitude of gratitude, if you've heard that before. So we are returning to God what he has gifted us to return.
	Jason: I'm giving my money to my church to be used locally to help my community	Laurence: It says be generous, sermon on the Mount and Jesus' words say	Jason: I don't view it as my money. I'm a steward of it, and so I have to think about what I do with it. So the examples... would be… giving, a lot of giving
	James: We are careful in tithing and giving and trying to be generous and helping in areas where it really is helpful.		Brittney: we give to our church, that money, that belongs to God, anyway, I mean, generally yeah, all of it belongs to God...
	Laura: we're supportive to… our local church. Our congregation is supportive to people's needs		Ivy: we feel very committed to tithing, not because church says we should, but that we feel that that is definitely the Lord's.
	Brittney: we give to our church… whether it goes to missions, or to our pastors salary, or the upkeep of the church.		Marilyn: We believe that God has given us money, not to, for our use, but he lends it to us so that we can help those that we need. Our money is not ours but is his His, actually from God. The gifts that we have, the talents that we have to even earn our money are from God.
	Bradley: giving money is giving money to help others with no personal gain.		
	Pat: I've given... a five hundred dollar gas card to a mother with four children just trying to get back on her feet		
	Ivy: And we try to give well beyond the tithe…. that we want to share what we have.		
	Sheila: part of that is just the mindset to share with others and to give back. Not only to the church but... to other organizations that are helping people.		
	Francine: I think my values coming out of my faith tell me to use my money generously with other people.		

Appendix 4 Continued: Moral Reasons for Charitable Giving (N=40)

Helping Others
Fracine: I like contributing to my church specifically because I feel that they've done a lot of good in the community.
Chester: There's a lot to be done in serving other people, the more you spend on yourself the less you spend on other people. So we try to keep our charity level pretty high.... Over the last couple of years, I'm semi-retired status, I'm no longer making income that I did. And therefore we have cut back, and even though we never took elaborate vacations, we are not taking near the vacations we did. All of that money is going to people in need.
Chester: give away 10% of your money... I think there is a balance there between taking care of yourself, saving, and taking care of others, charity.
Juanita: I think since I have the money I should share it with those that don't have it
Juanita: If I happen to get some financial gains, then, like I say, that just means that I have more money to share with others.
Kurt: we try to make… donations to organizations that reflect concerns for the Earth and the Earth's people too.
Marilyn: I think it's being able to help, when we hear of a need of someone that either has problems financially that we know personally, or an organization that needs funds to keep their business or their organization going, we are very generous in giving.
Marilyn: I would consider us to be very good givers to persons of our denomination and persons that would need financial help.
Marilyn: the church is local and church is relationships and church is family to us
Lamar: we have two sons, one son is full time, he and his wife are to full time with the Inter-Varsity Christian fellowship... we help support them out of our income... someday we might want to pull out money and make them more available to our sons to for what they are doing. Or else our own church here in [city]
Frances: our children… are involved in some sort of Christian work and so we are doing a lot of supporting on that end too
Laurence: It says be generous, sermon on the Mount and Jesus' words say… so, if you're spending on yourself it makes it more difficult to meet the needs of others.

Appendix 5. Sample of Moral Reasons for Householding (N=98)

Remaining Pure (n=13)	Helping Others (n=35)	Bible Directive (n=19)	Help Environment (n=15)
Jayne: [wouldn't buy pornography]	Warren: We'll make a few purchases from sort of fair trade organizations for similar reasons. It comes out of a religious conviction about how people should be paid.	Warren: Living simply, I think, is more of following... the example of Jesus and His disciples. You know, they were not this economic elite of their day. They were simple folk.	Ronald: we've gone over the whole house to make it more green... Now we've cut down our fuel consumption considerably... as a way to not be such users of the Earth's resources.
Elmer: we live simply so that we don't need to pay taxes when a higher percentage of taxes go to military	Ronald: one of the things that [wife's name] and I believe in together is the importance of Christian hospitality. And so we have adopted, or we've put together an evening meal invitation where we invite local [university] students over for supper. And that sometimes is three times a week	Brittney: [prays before big purchases, like] whether or not to spend money to go on a vacation	Laura: we try to keep our living simple, and we're not tightwads, but we are frugal. We have solar energy, and we garden and recycle and just preserving the earth and helping the earth to keep as clean as we can
Galen: Well, I think it's the conscious use of resource. Not not only money but... what's been given to you. You make a conscious effort to not ...squander it, or... use it for good rather than…evil type of things.	Leon: one important aspect of stewardship handling for a wealthy person is how the will is written. I think it should be a will that does not forget family, does not forget the children and the grandchildren..., should not leave them feeling neglected. At the same time, I think in the case of a huge estate, it's appropriate for a very significant percentage... to be willed to charities, to the Lord's work.	Leon: my wife has a green thumb and... last year... our porch... was pictured in the paper as one of [county's] prettiest porches. And people talk to her about that when she circulates around town... They notice that, and she sees it as a witness. Where it becomes a talking point and a way to share Christ... we try to keep things neat and clean around the place here, and that way we do it not only... ourselves, I think we do it for the Lord also.	Galen: we're trying to buy more locally-grown products… We're cutting down on transportation of food type of things.
Dottie: I just wouldn't waste my money on a lot of stuff like alcohol or, you know, smoking.	Leon: when it comes to eating in a restaurant you could eat more cheaply just out of the grocery store, but at the restaurant you're also making a contribution to somebody else's living… So I might justify myself that way, too	Leon: we do spend time in devotional time…that takes some, a little more time … most days. We think in terms of the Church, and we think in terms of the Lord, what does the Lord want of us?	Dustin: my daughter has decided to only eat meat once a day, and...I try to do the same thing.... particularly red meat, how much water it takes to produce red meat...some of those issues about what it does to the environment.
Bradley: I don't go around to bars, I don't go to shows that I shouldn't go to... I choose my movies based on the ratings or what they're presenting, rather than just go because everybody's going to this movie.	James: we do tend to spend money on travel and hosting people or things like that when it's related to church and missions ministries	Juanita: I think Jesus is our example and he sure lived a simple life, and so, I don't quite measure up there, but that is our example	Mimi: Making choices about...how we treat the environment through things that we use... like limiting your garbage…using less plastic and stuff like that
Bradley: I look for organizations to purchase from that are showing proper business practices based on biblical interests... at my church, we were looking for someone to do paving and one of the gentlemen we had in today, it was a Christian company, and listed as a Christian based company, so, that give's them an extra edge	Laura: we have solar energy, and we garden and recycle and just preserving the earth and helping the earth, to keep as clean as we can do for it, is some of the ways in which we personally contribute to that. Like, hoping that we will not put as much demand on the oil industry and things that would help to increase global warming or also into fights with other countries and wars and things like that.	Gille: Jesus taught that… the material things in life aren't what's important	Mimi: I think of spirituality as… caring for the earth. We try and use less gasoline and ride our bikes and... turning your lights off… We do it just because it seems to be better for the larger world.
Bradley: we go on cruises and we try to choose a cruise line that shows moral restraint.	Ken: household chores you know, my wife and I ... it's kind of a joint effort, you know, hopefully. We try to make it a team effort where, you know, I try to help with the dishes... and she helps me in my business where she can.	Ivy: this would be scripture again. Our treasures are in heaven, rather than on earth... Do not build up your treasures here on earth, but in heaven. And so we feel that by the way we spend our money...you know, people are far more important than things.	Glen: our house has three acres of what used to be hay field and we've tried to plant a lot of trees on it... fruit and nut trees, in particular… We're trying to...reclaim the land and... improve it

Appendix 5 Continued. Sample of Moral Reasons for Householding (N=98)

Resources are Gift (n=3)	Better Use of Resources (n=8)	Miscellaneous (n=5)
Leon: And I tend to be conservative in personal spending habits... the material things that we have, money and whatever else, belongs to God. And how we use it, we're responsible to the Lord for that. It's not just a matter that I have it and so I can do as I jolly well please.	Ken: probably my resource can be of... better use if don't just go out and spend all I make on vehicles and whatever.	Galen: I try to... not spend a lot on frivolous things… [that are] here today and gone tomorrow
Jason: this... probably sound like a sermon, but I don't view it as my money... I'm a steward of it... If I have a choice between a Chevy and a Cadillac, I'm gonna go with the Chevy… just being a good manager of money that isn't mine. We'll put it that way.	Sheila: we try to live a more simplistic lifestyle… and then we're able to give.. more	Pat: we don't feel like we need to have everything nice and new. And part of that... is being comfortable with myself because of knowing who I am in Christ.
Pat: I try to live simply because.. I believe... I am steward of his money, it's not mine... \and so I believe that I need to be using that wisely.	Glen: I'd love to go to Europe (laughter) but we've passed on that... I can't really...justify… spending that much money to...go to Europe, when there's a lot of other things out there that money could be spent on	Tucker: I make a point not to buy from Wal-Mart... I see them [Wal Mart] as a rather monopolistic enterprise... I've seen communities where the only store in town is Wal-Mart and the only place to work is Wal-Mart... that means you've got a king... controlling everything. I don't see that responsible Christian behavior is in the end to try to be the one in control.
	Chester: we try to stay with more necessary and realistic things...the more you spend on yourself the less you spend on other people.	Elvin: simplicity is the only thing that can move us to contentment... Out of my religious conviction, we need to be content with what we have... We've lived in the same house for 29 years. A lot of our friends, as they've made more money they keep trading up to better house, a better house, usually more payment. We've been very content to stay in this house.
	Lamar: our simple lifestyle is a commitment to use our money for basic necessities. We're not opposed to living comfortably. But we try to avoid living extravagantly, because we think that Christians should be supportive of the church and the mission and evangelistic activities rather than using our monies for or a lot of worldly and extravagant living in this life.	Frances: We try not to buy more things than we need because of not wanting to get too invested in the world [laughter]