



BY WILLIAM F. FELICE
Guest Columnist

Is the pope too ‘woke’ for Gov. DeSantis?

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Pope Francis has some advice on ethical investing. [ANDREW MEDICHINI | AP]

The Vatican released guidelines for Roman Catholic churches and organizations last month to practice ethical investing. Pope Francis’ priorities include protecting the environment, addressing climate change and helping migrants. “Dangerous

investments” identified include dirty gas polluters and war profiteers. The faithful are encouraged to avoid investments harmful to workers or ones that strip natural resources.

“The document simply is saying anyone who manages finances must also accept the responsibility of what the management of finances entail,” Cardinal Peter Turkson said. The Vatican insists that ethical investment does not have to mean lower returns. The document states, “There should be little to fear of underperformance, or of the risk of not meeting one’s fiduciary responsibility.” The growing field of ethical investment demonstrates that over the long term, one can “Do well by doing good!”

While the pope has embraced social investing, Gov. Ron DeSantis condemns it. In August, the governor, as part of his campaign against so-called “woke” corporations, announced that Florida state pension funds would no longer consider ESG standards when making investments. ESG refers to environmental, social and corporate governance practices geared toward ethical investment practices, such as those promoted by the Catholic Church.

Florida Chief Financial Officer Jimmy Patronis followed through on DeSantis’ pledge and announced this month that Florida would divest \$2 billion in funds overseen by BlackRock Investment Management Company. Right-wing Republican critics have blasted BlackRock CEO Larry Fink for engaging in “woke capitalism” by promoting ESG standards.

Patronis condemned BlackRock’s efforts at ethical investing and stated: “Using our (Florida’s) cash, however, to fund BlackRock’s social-engineering project isn’t something Florida ever signed up for. It’s got nothing to do with maximizing returns and is the opposite of what an asset manager is paid to do.” DeSantis refers to BlackRock and other companies that pursue ethical investing as imposing an “ideological agenda” on the American people.

Are DeSantis and Patronis correct? Is the pursuit of the pope’s plan of ethical investing simply a “woke” leftist ideological agenda producing inferior returns for investors?

The evidence to date indicates that the pope has more facts and data on behalf of ethical investing than DeSantis has in denigrating this approach. First, investors overall believe that ESG/ethical investing is profitable. In 2021, 69% of frequent investors classed ESG investments as “very profitable” or “somewhat profitable.”

A Morgan Stanley study found that “sustainable equity funds” outperformed regular funds by 4.3 percentage points in 2020. Fidelity found that ESG Funds outperformed the market by a small margin. Vanguard Funds found that “ESG funds have neither systematically higher nor systematically lower raw returns or risk than the broader market.” As one expert summarized: “In short, the returns generated by ESG funds don’t appear to be worse than those of the market in general and could be better in some periods.”

American businesses cannot avoid politics because their actions and inactions either help or harm our society. DeSantis is upset because some of these companies pursue policies counter to a far-right agenda. The Republican Party seeks to punish those companies who have acted to protect voting rights, reduce greenhouse gases, and support LGBTQ protections. None of this has anything to do with financial returns on investments. It, rather, has everything to do with Republican political priorities.

Can corporate America become a “force for good” as the pope hopes? In many respects the stakes for capitalism could not be higher. During my 30 years of teaching, I encountered overwhelming student cynicism about the potential of our economic system to protect the environment and the poor. This loss of hope has led countless young people to either seek radical alternatives or give up hope for progressive change. For example, at the end of his final exam in my international political economy course, a student wrote me the following note:

You have taught me that solving the problems of economic globalization will involve “thinking outside the box.” Global priorities have to include ensuring that human rights apply to all (ending all forms of discrimination!), demilitarization of the planet and the preservation of the environment. But I don’t honestly see how we can make the jump from here to there. Economic principles of efficiency and order will never be sacrificed or compromised to achieve common global public goods like human rights and environmental balance. ... I will try to cling onto the hope your class gave me, but I fear I will lose it very quickly.

This student clearly wanted to believe in humane alternatives, but thought that these options were probably not viable.

Ethical ESG investing can provide a small step forward toward making our economy more attuned to protecting public goods and ecological balance. If such an approach can succeed, then perhaps this student's despair and the widespread cynicism in young people today can begin to be overcome.



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